

**CREDIT UNIONS IN BARBADOS:
A CASE FOR ENHANCED REGULATION**

by

Denise Hinds

and

**Karen Chase
Bank Supervision Department
Central Bank of Barbados**

**Prepared for the Central Bank's Annual Review Seminar
The views expressed are those of the authors and not
that of the Central Bank of Barbados**

July 1997

TABLE OF CONTENTS

INTRODUCTION	3
Section 1	4
1.1 A Survey of the Literature on Regulation of Financial Institutions	4
Section 2	8
2.1 Developments in the USA and Rest of the Region	8
Section 3	11
3.1 Credit Unions 1941-1995	11
3.2 Present Developments in the Sector	14
3.3 Review of the Registrar's office	15
3.3.1 The scope of the current examination process undertaken by the Registrar's office	16
3.3.2 Other Comments on the Registrar's Office	17
Section 4	18
4.1 A Case for Enhanced Regulation of Credit Unions in Barbados	18
Section 5	22
5.1 Should regulation of credit unions be undertaken by the Central Bank ?	22
Section 6	23
6.1 Recommendations	23
6.1.1 Short-term Measures	24
6.1.2 Long-term Measures	25
Section 7	25
7.1 CONCLUSION	25
APPENDIX A	27
REFERENCES	28

Bank Supervision Department

INTRODUCTION

The Credit Union movement in Barbados mushroomed in the 1980's and is now so large that it is a major player in the financial sector. There are varying schools of thought on the question of whether credit unions (also referred to in this paper as unions) should be regulated at all given their origins and primary purpose and if regulated should they be regulated by the Central Bank under the Financial Institutions Act or remain under the current regulatory body.

This paper addresses these questions in detail. Our research was based in part on actual interviews conducted with members of the credit union movement and officials from the Registrar of Cooperatives. The paper suffers from one limitation in that we were unable to interview representatives of the smaller unions a deficiency which we hope to address by the second draft of this paper. The paper is divided into 7 sections: section 1 gives a literature review, section 2 looks at regional and international developments in the movement, section 3 looks at the development of credit unions in Barbados, section 4 addresses the need for regulation of the sector locally, section 5 looks at whether regulation should be done by the Central Bank, section 6 gives recommendations and a general conclusion is made in section 7.

Section 1

1.1 A Survey of the Literature on Regulation of Financial Institutions

The literature states that financial regulation is enforced to ensure stability, efficiency and fairness in the financial system and to facilitate the realization of macro-adjustment objectives. (Volcker et al. 1990) Financial institutions have a unique role to play in the credit, monetary and payments system in ensuring the transmission of funds from surplus to deficit units and for selecting the projects and firms to be financed from a vast array of alternatives. This role necessarily exposes them to a variety of risks which can at any time undermine the system. These risks can lead to runs (an unexpected high withdrawal of funds at a particular time) and ultimately a loss of investor confidence, which could result in bank/institution failure.

Regulation and supervision goes beyond ensuring institutional soundness to protect depositors funds, it is to ensure efficiency in the intermediation process and ensure compliance with monetary policy. (Mancera 1990) The four main reasons for regulation of financial institutions are:

Protection of depositors

Depositors are less able to protect their own interests than other consumers. It is unlikely that customers are equipped to make judgements about the financial condition of a bank and to prescribe corrective measures. Depositors, especially where deposits are not insured, need to be protected against default risk leading in part to declining asset quality which could result in losses for them. One way to counter this risk is for an institution to hold adequate levels of capital at all times. It is up to the regulatory agencies to ensure this as left to them institution may sidestep this measure in pursuit of other goals.

Financial and Monetary stability

Regulation attempts to keep problems at individual institutions from affecting the entire financial system and transmission of these problems across the economy as a whole. Regulation also helps to maintain public confidence in the financial system. This is especially important given that in small systems, major failures in one sector could threaten the stability of the entire system (Adrien. 1996).

Efficient and competitive financial system

Good regulation encourages efficiency and competition and ensures an adequate level of financial services throughout the system.(Mancera 1990)

4) Monetary and Credit Policy

The aim of economic policy is to achieve growth at the lowest possible cost. Monetary and credit policies are therefore some vital parts of overall economic policy. However for these to achieve their objectives all significant portions of the financial system must be captured. In Barbados at present, credit unions and Part III companies are not subjected to the same monetary controls as banks and as such weaken the effectiveness of economic policy. However, we are presently reviewing the regulations of Part III companies to ensure that they are subjected to the same effective level of monetary control as are banks.

Empirical support for regulation is given by the case of the failure of the Savings and Loans associations of the U.S which failed when they became deregulated. These institutions failed because deregulation meant an increase in the type of investments which could have then been made, and this led to a proliferation of ill-conceived, inadequately researched, sometimes fraudulent investments being made. Interest rates shot up as the S&Ls proceeded to compete with banks for customers. (R. Chaderton.1995) Estimates on the cost to rescue depositors of failing and/or failed S&L's have been placed at over US \$250 billion. There are many points of comparison between credit unions in Barbados and S&L associations in the US. (Appendix A)

R. Chaderton in *The Economics of Regulation : The Regulation of Credit Unions* recognises the need for effective regulation of the movement to protect depositors' funds from "intentional

and unintentional abuse. She notes that prudential controls are necessary to preserve the safety and soundness of financial institutions and that they (financial institutions) should be subjected to proper supervision. However, she does not advocate supervision by the Central Bank, a view that Dr. Frank Aeolian 1985, and Maxine Maclean 1990 who believe endorse that such a move will limit growth of the movement. At present in most Caribbean countries credit unions do not fall under the jurisdiction of The Central Bank but are regulated by the Registrar of Cooperative and some internal regulators.

An examination of the literature on the regulation of the financial sector would not be complete without a look at the theories of regulation. Market economists have long proposed the view that an unregulated banking system would be 'risk free' as bankers would attribute their portfolio mix so as to reduce the risk of solvency. (Dothen and Williams 1980 in J. Norton, 1991). In the review of this paper Lewis and Davis (1987) noted that this result was highly unlikely. The evidence shows that market forces do not impose discipline on financial institutions through pricing nor the rationing of funds.(Pecchioli 1987 in J. Norton , 1991). Norton (1991) in his review of the literature on regulation noted that the free market theorist formulated the case against regulation base on the assumption of perfect information and do not accurately reflect the complexity of the bank/customer relationship. He stated that the loan portfolios of financial institutions are highly confidential and as such the risks cannot be accurately assessed by the market. In the presence of asymmetric information the role of the regulatory bodies then

Credit Unions in Barbados: A Case for Enhanced Regulation

operate like banks and financial houses branching into mortgage and business lending. This is particularly risky as both the credit committees and officers often have limited experience in the analyzing of the risk of such ventures. In Jamaica worsening macro economic conditions placed a tremendous burden on credit unions. Unable to survive many failed. The sector has responded by the implementation of a stabilization program. A similar situation exist in Trinidad and Tobago. Credit unions in the OECS, particularly in Dominica are very strong and are an important part of the intermediation process. (The credit unions of Dominica provided substantial support to the banana industry after hurricane David) Their size and importance was recognized by the ECCB who now in concert with the various registrars of co-operatives, monitor the sector.

Prior to the establishment of Credit Unions many informal savings groups existed in the region to cater to the needs of the "poor working class" Called sou-sou/partner/box or meeting turn, these informal financial associations were the backbone of the development of the credit union movement. "...After all , the thing about the sou-sou is that it gives each saver the right to borrow the savings of all the others for a certain time..." Lloyd Best "Dressed up Sou-Sou" Tapia XX (Aug. 29, 1971)¹⁰. This principle of the right to borrow is inherent in the objectives of credit unionism. The informal associations however, did not have enough resources for the acquisition of real property. Access to the credit from the formal financial sector by this socio-economic class was denied despite the fact that they accounted for a significant proportion of the

Bank Supervision Department

becomes one of a market leader and proper supervision necessary to ensure that the system is acting according to the rules.

Section 2

2.1 Developments in the USA and Rest of the Region

The Credit Union movement has been growing rapidly in the rest of the world. At the end of 1987 there were approximately forty thousand credit unions affiliated to the World Council of Credit Unions (WOCCU) of this 1% (446) were operating in the Caribbean and 38% in the USA. In 1991 the number of credit unions in the region had increased to 508 with a membership of 881,086, but by 1995 the number of credit unions in the region had fallen to 403. Total membership (individual) however, had increased to 936,666. What lead to the fall in the number of credit unions regionally? The economic crisis as well as the fierce competition from other financial institutions faced by the larger territories, Jamaica, Trinidad and Guyana, has lead to higher delinquency rate in the face of slower asset growth. Many credit unions were unable to survive in the increasingly hostile environment and as such failed or were forced to merge with other credit unions. Loans outstanding at credit unions also declined during this period.

The financial sector in region has become increasingly market driven. In order to maintain market share credit unions have become more aggressive and innovative. Many credit unions

Bank Supervision Department

deposit base of the commercial banks. Credit Unions became the means by which the "poor working class" acquired real property and wealth.(Alleyne 1985, McClean 1990)

The credit union movement has matured significantly. Whilst still endeavoring to meet the needs of the "poor man" the movement has become very sophisticated offering a range of financial services and competing directly with the established banking sector. Credit Unions now offer ATM facilities, credit cards, mortgage loans, small business loans, chequing facilities, bill paying services. Volunteerism still remains an important element of the movement but many credit unions are so large that they hire professional staff to handle the day to day operations. Yet despite the growth of the movement there has been little change in the regulatory environment. The legislation governing credit union is similar in most of the region and is relatively outdated and loose(except for Barbados where the legislation has been improved with the passing of the 1990 Act and Regulations). Also credit unions despite their financial nature are regulated by the Registrar of Co-operatives. This department is responsible for all co-operative enterprises both financial and non-financial. In Barbados however, Section 120 of FIRA allows the Minister to designate credit unions as financial institution. This has never been done.

Section 3

3.1 Credit Unions 1941-1995

The Credit Union movement in Barbados began with the establishment of a union in 1947 with total savings of \$8. Growth in this sector however remained slow for the next 32 years. In 1949 the movement was given legal face with the enactment of the Co-operative Societies Act which stipulated guidelines for the operation and regulation of credit unions and established a Registrar of Co-operatives, with responsibility for the supervision of the movement. By 1961 membership was a mere 1,197 persons with savings averaging BDS \$55.49 per member. During the next eighteen (18) years membership rose to 5,108 persons with total savings of \$2,911,0003.(The million dollar mark in savings had been reached in 1973.) This slow progress in the development of the movement was due primarily to the inability of the movement to attract young people, its negative social image and the ready availability of credit from other sources. Credit Unions were initially perceived as institutions for the poorest of the poor and as individuals acquired some degree of material wealth they dis-associated themselves from the movement.(Alleyne 1985) Commercial Banks also provided a major challenge to the movement with the advent of their personal loans sector. Able to respond to credit requests quickly they attracted potential clients away from credit unions where, due to reliance on volunteered services, response was slow.

During 1980- 1984 the Barbadian economy went into recession. During this period the continued high demand for credit together with increasing foreign exchange difficulties forced the Central Bank to institute measures severely restricting access to credit both in the commercial financial sector as well as at the business houses. This led to a shift by individuals to credit unions as an alternate source of finance.(see Table 1). This was the beginning of a turn around in credit unionism. All sectors of the movement experienced phenomenal growth. Membership doubled between 1980- 1984 before doubling again three years later (see Table 2). Government also contributed to the turn around attaching a tax benefit to savings at credit unions.

Like membership, assets of credit unions spiraled during the 1980's and the credit union became increasingly important to the total economic health of the country. Credit unions annual average savings growth rate exceeded that of the annual nominal growth rate of the gross national product. As to be expected the growth rate of credit also spiraled (see Table 3). Loans as a percentage of GDP moved from less than 0.5% in 1980 to over 3.5% ten years later.(Table 4b). During this period credit unions significantly increased their share of the consumer loan market accounting for approximately 9% commercial bank credit.(Table 1 and Table 5a)

The credit union movement lost momentum during 1990-1993 as the Barbadian economy embarked on a structural adjustment program. High levels of unemployment and salary cuts in the public sector lead to a stagnation in membership growth and increasing delinquency on loans. Many credit unions however, continued to lend to their members for the first two years of the

crisis. (see Table 3). The large size and accompanying reduced levels of loyalty of the major credit unions and the broad base of public workers (who were hardest hit by the structural adjustment program) also contributed to high delinquency rates. By 1994 the economic crisis was almost over and a resurgence in the growth of the movement was seen. During this difficult period however, the movement faced a second setback. Differences in opinions on what should be the future developmental goals of the sector lead to a split between the Barbados Credit Union League (the original umbrella body of Credit Unions) and three of the major unions: The Barbados Public Workers Co-operative Credit Union (PWCCU); City Of Bridgetown Credit Union (COB) and Barbados Police Credit Union. These unions united to form a second umbrella body the National Association of Credit Unions League (NACUL)

The separation of the sector under two umbrella bodies, may not only retard the movement but also has serious implication for the financial stability of the sector. The role of the secondary or umbrella body is to offer guidance and provide training for credit union member and officers as well as to act as a "lender of last resort" to troubled credit unions. The new league NACUL is comprised of three credit unions but represents 67% of the sector.(see Table 6) The Central Fund facility of the BCCUL, which is a contributory reserve fund that can be accessed by any contributory union experiencing liquidity problems has lost the substantial support and contributions of the unions of NACUL. This has seriously impaired the ability of the BCCUL to act as " lender of last resort" in a liquidity crisis. The ordinary deposits of the fund were \$1.10mn as at March 31,1993 but have fallen to \$0.7mn. as at July 31,1996. The BCCUL itself

has been making losses which erodes their ability to assist the rest of the sector even more. Income statement figures as at July 31, 1996 show a substantial loss for the year of \$121,984 as against the modest profit of \$782 in 1995. Assets have also declined in the fiscal year by over \$1.0mn. Total capital and reserves have decreased substantially while accounts payable have increased by about 50%. The new league NACUL has not yet managed to establish a Central Fund but however have an informal arrangement to borrow from each other should the need arise. Obviously this is not a satisfactory arrangement and a liquidity crisis occurring within the members covered by this league would be disastrous. Without an adequately functioning "backup" facility in place, the need for credit unions to be properly regulated to ensure that they do not engage in practices which threaten their liquidity position, is even greater.

3.2 Present Developments in the Sector

The credit union sector currently accounts for 8.3 % of the assets of the financial sector. The total assets of one of the largest credit unions compares favorably with those of some of the local finance houses. The Public Workers Cooperative Credit Union (PWCCU) had total assets of \$100.2 million as at December 31, 1995 and accounted for 45.3% of total assets and 46% of total loans of the sector. The second largest union the City of Bridgetown Cooperative Credit Union had assets at the same date of \$26.2mn(11.9% of the credit union sector's total assets).(see Table 7). The size of the sector varies with the smallest union having assets of less than \$2,000. Total assets of the entire sector as at December 1995 was \$220.8 million.

Bank Supervision Department

Credit union membership increased by approximately 10,000 members between 1994 and 1996, and virtually all unions have seen increases in their membership. Loans to members have increased from \$130.8mn. to \$180.4 mn between 1994 and 1996. As at December 31, 1995 mortgage loans accounted for 17.3% of the total loan portfolio of the sector. (see Table 8) At the end of 1995 loans at credit unions accounted for about 9.6% of consumer loans in the financial sector. With the larger loan portfolios there has been a corresponding increase in the number of delinquent loans. Whilst much of the delinquency has been attributed to the economic downturn of the early 90's and the resulting structural adjustment program, some of the delinquency must be attributed to the erosion of the "kinship or personal touch" particularly within the larger credit unions

3.3 Review of the Registrar's office

The Registrar's office has recently been strengthened by the number and quality of officers recruited. However these officers have had little formal training in supervision but have received on the job training only. A total of five inspectors and one supervisor have to inspect a total of 53 credit unions, in addition to the other co-operatives. There are only four persons on an inspection team at any one time. This staff complement is inadequate, e.g. For 1996/97 the office has planned to do 90 inspections; this plan is unrealistic given the current staffing. The aim of the department is to inspect all unions at least once a year, some unions are to inspected at least twice a year.

Bank Supervision Department

3.3.1 The scope of the current examination process undertaken by the Registrar's office

The Registrar's office currently has the right focus but is operationally inadequate to the task, and should be strengthened as a matter of urgency. A review of their examination forms reveals that a fairly extensive examination is undertaken, it is more or less a review of accounting systems and loans. However, the examination does not include an in-depth analysis of the areas which are critical to establishing the soundness of a financial institution. The Office also places heavy emphasis on the observance of the by-laws by the credit unions. In addition to inspections the Registrar also does spot-checks, impromptu checks which consist of looking at the reconciliation of books and the condition of loan accounts.

The department is also aiming to become more proactive from January 1997 with the implementation of the Pearls/ SuperPearls rating system which is the regulatory model used for offsite analysis of credit unions. This system is similar to the Camel evaluation system. It focuses on eight main indicators:

- (P)rotection
- (E)arnings
- (A)sset quality
- (R)ate of growth
- (L)iquidity
- (S)tructure

This system has the potential to drastically improve the current supervisory capability of the Registrar's Office.

3.3.2 Other Comments on the Registrar's Office

The Office is also weakened by the fact that it is expected to regulate and promote both financial and non-financial cooperative entities e.g. some cooperatives fall under the business/ productive sector. Given this, there is a natural tendency for the skills and focus of its officers to be generalized and therefore somewhat inadequate for the task of financial supervision. The budget of the registrar's office is also inadequate to the task of efficient supervision. There is also no training budget for their officers.

The EDP systems of credit unions are not reviewed. Most of the larger unions are almost fully computerized and in time most unions will become computerized in keeping with the general world trend. The installation of an ATM by the PWCCU makes it critical for the Registrar's office to develop the skills in-house to perform EDP audits. In addition the Registrar's office itself is not fully computerized, making it less efficient than is desirable.

The league also has a role to play in training and education but has not provided the level of service expected, which has meant that the Registrar's office has had to fill the gap offering free training seminars for credit union officials.

Section 4.

4.1 A Case for Enhanced Regulation of Credit Unions in Barbados

The need for enhanced regulation in Barbados is driven by the weaknesses of the sector which could impact negatively on the wider financial system, and the monetary system as a whole. The credit union sector's weakness lies in the administrative and managerial limitations at the level of the union itself, the inadequate support of the two Leagues, and the inadequacy of the Registrar's office to provide the level of supervision which is considered necessary for institutions responsible for large amounts of depositors funds. It should be noted that there is no legal system of deposit insurance in place in Barbados and existing proposals do not contemplate inclusion of credit unions in a deposit insurance scheme. Credit unions however, have access to deposit insurance schemes through their affiliation with the Caribbean Confederation of Credit Unions (CCCU) and the World Council of Credit Unions (WOCCU). (It should be noted that the new league NACUL is not a member of the regional nor the world body)

The main problems which plague credit unions in Barbados are:

1) **Poor management**

The credit union movement has traditionally been run on a voluntary basis, it is only in recent times that the larger unions e.g. City of Bridgetown and the Public Workers Credit Union have begun employing professional managers. The result of this is that most of the

local credit unions suffered from poor management and poor internal supervision, generally the union officials lacked accounting and financial skills. This resulted in:

- accounting records not being kept up to date
- reconciliations not kept up to date
- inadequate delinquency control
- inadequate expenditure control

These deficiencies have led to crises in at least two case of note e.g. Hotel Credit Union, currently in receivership as a result of bad management and inadequate delinquency control, and the Teacher's Credit Union. The latter union suffered from poor management leading to a liquidity crisis in 1993 which was subsequently resolved, with some assistance in part from the Barbados Cooperative Credit Union League (BCCUL).

2) **Annual General Meetings are not well attended**

This makes it difficult for delinquent Managers and Boards or Committees to be censured as necessary.

3) **A weak external regulatory system**

Supervision is limited and the current regulatory system is not proactive, i.e. it is not geared to recognize potential crises. This deficiency is currently being addressed, the

PEARLS rating system for credit unions is to be implemented by the co-operative department from 1997.(See section 3.4.1)

4) **Inadequately functioning internal regulatory system**

The system for self regulation does not function adequately in the majority of credit unions, due in large part to the fact that the supervisory committee is formed from within the general membership who most often lack financial knowledge and often find it difficult to recognize actual problems and find solutions where necessary¹. This problem is exacerbated when the management is also inefficient.

5) **The lack of liquidity support**

The separation of credit unions under two umbrella bodies has severely hampered the ability of the movement to provide "lender of last resort" facilities. (See section 3.2)

6) **Deteriorating asset quality**

The bad debt provision has increased by 30.6% from \$4.9mn in 1994 to \$6.4mn in 1996. This signals decreasing asset quality which needs to be addressed as it has serious implications for the safety of members' funds especially when this is coupled with declining profitability.

¹ *It should be noted that the act allows supervisory committees to employ professionals to assist them to carry out their technical function where justifiable and this must be paid for by the Board. This is limited, as the cost of making such technical assistance available to successive committees would be prohibitive.*

7) **Tight liquidity conditions**

Most credit unions are highly leveraged with loan/deposit ratios well above that recommended for good liquidity management.(see Table 7b)

8) **The introduction of non-member deposit accounts**

These accounts have moved credit unions beyond their original scope, where the depositors were owners who faced an investment risk. Credit unions are now acting similar to other deposit taking institutions, but with out a similar level of regulation. This has serious implications for the financial sector as any losses suffered by this entity will impact not only on its membership but also on the general public. Since depositors funds could be at risk, they should therefore be protected.

9) **Perception by members that their share capital is a deposit not an investment**

Our research has suggested that members do not recognise that their shares in the credit union carry with them an investment risk, but consider them to be another form of deposit. In light of this these deposits should be given the same level of regulatory protection as is offered in the other financial institutions. Also given that Barbados has defacto deposit insurance², then these institutions should be given the same level of regulation as other financial institutions.

² *The Barbadian government has shown a willingness to rescue depositors in the event of bank failure. e.g BCCI.*

Section 5

5.1 Should regulation of credit unions be undertaken by the Central Bank ?

Strong arguments exist for credit unions to come under the purview of the Central Bank. As noted in the literature the Central Bank is responsible for the conduct of monetary policy and has a key role to play in the decision making process in matters for the stabilization of the nation's economy. Specifically the Bank Supervision Department has the responsibility of developing and implementing policies and procedures that will protect and promote the stability of the nation's financial system; that will ensure compliance with legislature and that changes in the structure of the sector do not inhibit competition but serve the common interests. (Opening remarks delivered by Calvin Springer acting General Manger, Central Bank of Barbados, at the Financial Regulation and Audit seminar held at the Central Bank ,June 30, and July 1,1989 pg. 4)

The Central Bank has an established Supervision Department which is staffed by trained (trained both locally and internationally) examiners whose skills are continuously upgraded. The department is equipped to inspect financial institutions and make a determination of its condition. Any financial institution regardless of its major objective or reason for formation must be concerned with its capital adequacy, its asset quality, its liquidity, its management and earnings. These considerations are basic to the survival of the financial entity.

The more the activities of credit unions parallel those of banks then the greater the risk posed to the financial sector by these institutions. Those insitutions whose activities closely parallel those of banks e.g. offering services such as credit cards, ATM's facilities, chequing accounts (under consideration by the major credit unions), business loans etc., could be designated financial institutions. e.g. PWCCU, COB.

Section 6

6.1 Recommendations

The credit union sector in Barbados has experienced tremendous growth over the past forty-nine years of its existence and it is significant that on the eve of its fiftieth anniversary, the movement has been recognized to be an important part of the intermediation process. The sector has a significant asset base and a loan portfolio of approximately 10% of that of the commercial banking system. (Sec Table 5a) The developments in the sector are not spread evenly throughout the sector but are dominated by a few large unions. PWCCU, COB, BWU, the more open (about membership bonds) unions account for about two thirds of the sector's assets and loans. Of these PWCCU controls approximately two fifths of the sector. The major credit unions have risen to the challenge of the changing financial environment and have become major competitors of the banks for deposit funds. They have enhanced the quality of their products through improvements in their physical plant and the increased range of services offered to their members. However the supervision of their activity by the Registrar's Office has not kept abreast with the changes.

6.1.1 Short-term Measures

- 1) The registrar's office should increase the scope of its inspections in accordance with the requirement for financial soundness set out above. The department should ensure that the PEARLS rating system for inspections is implemented on schedule.
- 2) The registrar's office should immediately prioritize inspections of credit unions with a view to effect complete inspections of all major credit unions. (Within the first three to six months) Inspections should not be fragmented and should include a continuous physical presence at the institution until the inspection has been concluded
- 3) Quarterly report of the activities of the credit unions along with significant findings of their inspections should be forwarded to the Bank Supervision Department on a timely basis.
- 4) The Central Bank should include the co-operative department in its training plans and make available experienced staff to be used as resource persons by the Registrar's office for their in-house training sessions. The Bank could also assist in the setting up of the department's computer monitoring systems.

6.1.2 Long-term Measures

Credit Unions in Barbados: A Case for Enhanced Regulation

- 1) All credit unions whose activities closely parallel that of the commercial banking systems should be designated financial institutions and be brought under the jurisdiction of the Central Bank. (Regulations can be amended to fit the peculiarities of credit unions)
- 2) The budget of the Registrar's office should be increased effective FY 1997/98 to:
 - a) allow for the training of its technical staff.
 - b) effect the complete computerization of the department.
- 3) The submission of quarterly reports as noted in #3 of the previous recommendations should be continued as part of an ongoing monitoring process with the Central Bank reserving the right to step in the event of a crisis.

Section 7

7.1 CONCLUSION

The objective of regulation should be to achieve a synergy between the growth of financial institutions and its safety and soundness and by extension the safety of depositors and in this specific case shareholders' funds. The Central Bank which is responsible under its Act for the promotion of a sound financial system, therefore has a role to play in ensuring that credit unions operating in Barbados are properly regulated. A closer relationship with the Registrar's office

and the designation and regulation of those unions whose activities could have a significant impact on the financial system, as financial institutions, is therefore recommended.

Karen Chase
Denise Hinds

APPENDIX A

Comparison between S & L Associations and Caribbean Credit Unions

Adapted from "The Economics of Regulation :- The Regulation of Credit Unions"

R. A. Chaderton

<u>S&L Associations</u>	<u>Caribbean Credit Unions</u>
1. Rapid growth in assets mainly loans	Increase in membership, many of whom are requesting loans
2. Loan portfolio included commercial type projects.	An increase in business loans
3. Aggressive marketing	Strong competition with commercial banks - offering the same services (cheque book, credit card, ATM facilities)
4. Supervisory regulators not increased	No significant increase in trained supervisors through the Registrar of Co-Operatives
5. Accounting information inappropriate for safety and soundness regulations	Information presented does not allow for performance evaluation of the credit unions
6. Falling oil prices	Economies showing reduced rate of growth-downsizing affecting unemployment; some countries undergoing or undergone structural adjustment and IMF programs

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3. Caribbean Confederation of Credit Unions - Annual Report 1995
4. Central Bank of Barbados - Annual Reports 1980 - 1990
5. City of Bridgetown Credit Union - Annual Report for 1995
6. Eastern Caribbean Central Bank - Annual Report for 1995

Table 1
Growth in Consumer Credit
 Banks vs Credit Unions

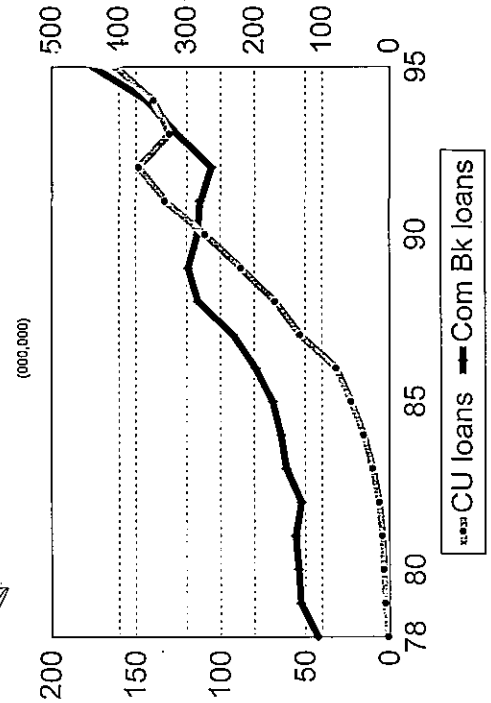


Table 2

Membership in Credit Unions (BDS)

1978 - 1995

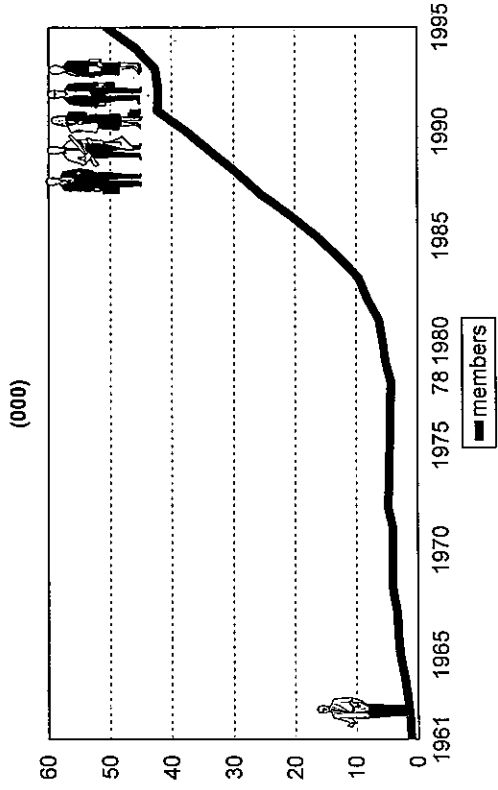
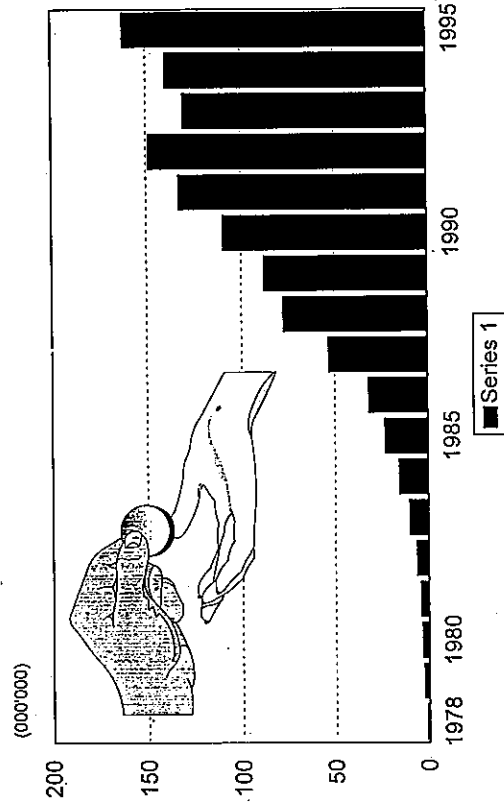


Table 3

Growth of Loan Portfolio

1978-1995



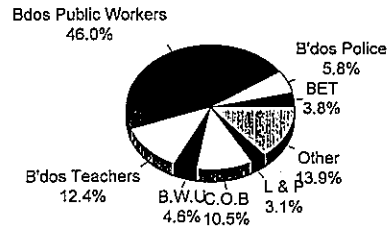
Source: Registrar of Co-operatives

Credit Unions :

Table 4

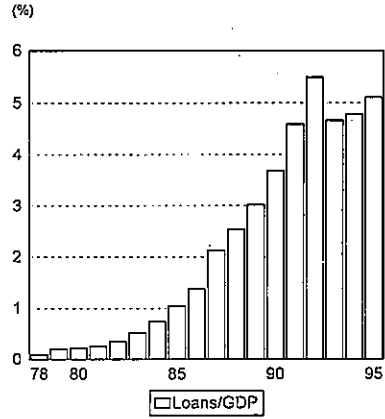
4a Loan Share of selected Credit Unions

at December 31, 1995



4b Contribution to Economic Growth

1978-1995



132

Credit Unions:

Table 5

5a Loans as a percentage of Commercial Bank loans

YEARS	Loans (%)
1978	0.2250145
1979	0.3420923
1980	0.523706
1981	0.6885873
1982	0.9058484
1983	1.200255
1984	1.592045
1985	2.071947
1986	2.591907
1987	3.150273
1988	3.748563
1989	4.381972
1990	5.044117
1991	5.731486
1992	6.441657
1993	7.171828
1994	7.921999
1995	8.692170

5b Liquidity Ratio *

at December 31, 1995

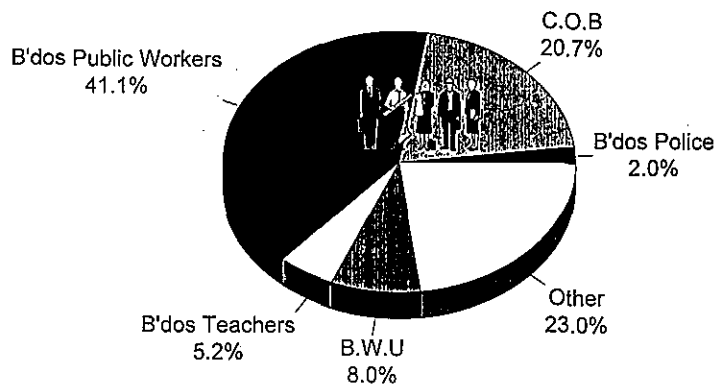
Credit Unions	loan/deposit ratio (%)
BET	99.01
B'dos Police	111.5065
B'dos Public Workers	112.5698
B'dos Teachers	128.9288
B.W.U	78.30868
C.O.B	72.095
L & P	80.16858
Other	85.13375

*Credit Unions with loan portfolio larger than \$5 million

** Other represents the combined positions of all other credit unions

Membership Share

at December 1995



Registrar of Co- Operatives

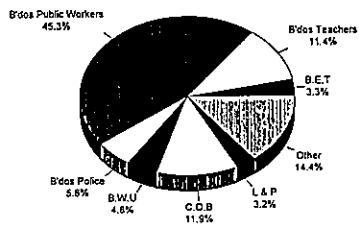
133

Table 7

Credit Unions: Assets

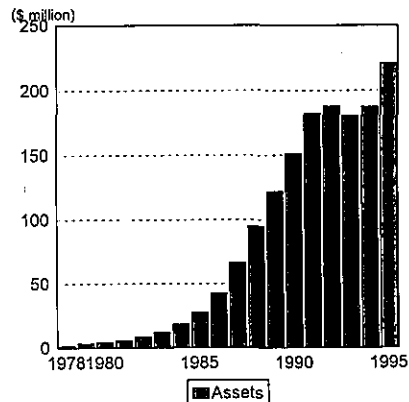
Distribution of Assets

at December 31, 1995



Asset Growth

1978-1995



Source: Registrar of Co-operatives



Table 8

Mortgage Loans at Credit Unions

at December 31, 1996

<u>Size</u>	<u>No.</u>	<u>Value</u> (\$ MILLION)
\$1-\$50,000	128	3.581
\$50,001-\$100,000	180	13.513
\$100,001-\$150,000	41	5.017
\$150,001-\$200,000	24	4.214
\$200,001-\$250,000	6	1.396
\$250,001-\$300,000	1	0.294
Total	380	28.015