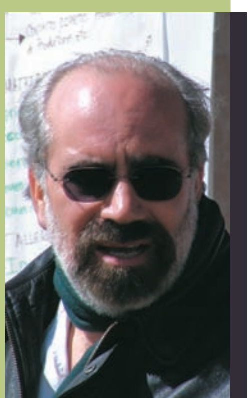
Financial Empowerment in the Age of Globalization

The production and distribution of goods on a global scale has made a wider and cheaper array of products available to consumers. Yet, in the age of globalization, small producers find it increasingly difficult to compete.



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Executive Vice President and COO

The ability to save and access loans in credit unions has always helped members increase their incomes and accumulate wealth. This has been especially true of the working poor, the self-employed and small producers who often find themselves with limited participation in the economic growth of their countries.

Many of their economic difficulties are also due to lack of information about crop prices and unequal relationships with input providers and product distributors. Thus, the resolution of access to financial services alone without addressing the access to market problems does not guarantee increased income.

Credit unions around the world have stepped up to provide access to affordable financial services while simultaneously helping their members gain better access to markets. Value chains, large and small, and innovative factoring arrangements position small producers to better compete in a globalized economy.

There are many examples of effective value chains at work worldwide. In Ecuador, credit unions have introduced three-way linkages among input suppliers, self-employed small producers and themselves. In one example, leather suppliers advance their product to shoe producers, the credit union pays the supplier and the producer repays the credit union. All three parties benefit from the relationship. The supplier eases its liquidity constraints, the producer pays a lower interest rate to the credit union than he or she paid previously for input advances directly from the supplier and the credit union is able to invest its liquidity into lower-risk productive investments that contribute to local economic growth.

In Peru, coffee, cacao and paprika producers and traders deliver their product to factory and grocery store buyers who provide the producers with a receipt committing to payment in 60 days. The merchants' receipt becomes the producer's guarantee to the credit union. The credit union advances 75% of the receipt to the producer as a loan. After 60 days, the merchant pays the credit union for the receipt. The credit union keeps the 75% principle and interest and puts the difference in the producer's savings account.

In Rwanda, credit unions finance their members' coffee production and link them to coffee-processing cooperatives that prepare and place their coffee for export. The coffee grower borrows from the credit union to produce the crop and sells it to the cooperative. When the cooperative sells the coffee, it repays the credit union loan with the proceeds before paying the grower.

In China, rural credit cooperatives (RCCs) finance members' construction and operation of greenhouses. The RCCs then link the farmers with transportation cooperatives, which help the farmers sell their produce in markets where they will receive the best prices.

These are just a few examples in a world of many. Credit unions have repeatedly shown creativity in finding ways to provide their members with the financial services and the linkages to markets that help them to better compete in today's global markets. This is the added value that credit unions bring to the table as member-driven institutions. This is financial empowerment.

Safe Travels,

Brian Branch