

Quarterly Bulletin  
#3 Of 2024

# Credit Unions In Focus

## CREDIT UNION SECTOR PRUDENTIAL STATISTICS AND ANALYSIS

For the Quarter ended 30 September 2024, the consolidated credit union data showed growth in deposits (9%), loans (12%), members' share capital (14%) and total assets (13%), when compared to 30 September 2023. Total delinquent loans were \$44,526,507 as at 30 September 2024. This represents a 24% increase from \$35,832,981 reported as at 30 September 2023. Similarly, non-performing loans (NPLs) increased by 26% from \$14,044,257 in September 2023 to \$17,665,894 as at 30 September 2024. Of the total delinquent loan portfolio of \$44,526,507, forty per cent (40%) were NPLs. The total loan loss provisions (LLP) of \$13,702,331 and non-distributable reserves of \$7,710,035 were reported as at 30 September 2024.

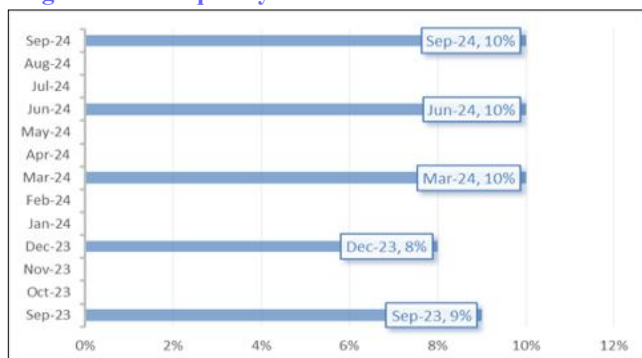
Growth in surplus and capital were also observed. As at 30 September 2024, the year-to-date surplus was reported as \$6,370,496, which represents 14% growth, when compared to 30 September 2023. Capital and reserves totaled \$138,596,374 and included institutional capital of \$73,245,068 and statutory reserves of \$29,804,478. Institutional capital and statutory reserves increased by 9% and 10% respectively, when compared to 30 September 2023. All four (4) credit unions have attained the minimum liquidity requirement of 15%.

**Table 1: Consolidated Prudential Statistics**

Details	Consolidated Credit Union Sector (December 2023)	Consolidated Credit Union Sector (March 2024)	Consolidated Credit Union Sector (June 2024)	% Change (Jun '24-Sep '24)	Consolidated Credit Union Sector (September 2024)	% Change (Sep '23-Sep '24)	Consolidated Credit Union Sector (September 2023)
Total Assets (EC\$)	632,560,829	654,689,871	670,909,039	2.85%	690,015,443	12.70%	612,267,052
Total Loans (EC\$)	401,380,987	419,255,873	428,181,878	3.03%	441,175,219	11.67%	395,074,316
Total Delinquent Loans (> 1 day arrears) (EC\$)	33,065,195	40,530,508	41,232,086	7.99%	44,526,507	24.26%	35,832,981
Total Non-Performing Loans (> 365 days arrears) (EC\$)	13,399,901	14,833,221	16,583,359	6.53%	17,665,894	25.79%	14,044,257
Loan Loss Provisions (EC\$)	11,007,964	11,692,021	12,550,011	9.18%	13,702,331	-8.77%	15,019,597
Total Liabilities (EC\$)	501,245,762	519,438,776	535,345,082	3.00%	551,419,069	12.89%	488,461,474
Total Deposit (EC\$)	484,138,293	499,782,936	518,246,452	1.28%	524,904,559	9.40%	479,820,106
Members' Share Capital (EC\$)	42,155,214	43,278,954	44,766,204	3.33%	46,256,866	13.80%	40,646,100
Statutory Reserves (EC\$)	29,644,758	29,685,791	29,845,513	-0.14%	29,804,478	10.31%	27,018,074
Institutional Capital (Min. 10% of total assets) (EC\$)	69,865,054	72,804,077	71,620,020	2.27%	73,245,068	8.92%	67,244,710
Surplus/(Deficit) (EC\$)	8,978,332	2,761,861	4,757,898	33.89%	6,370,496	14.10%	5,583,090
No. of Membership	38,743	39,865	40,427	0.37%	40,577	-1.71%	41,282
No. of Employees	130	137	136	-0.74%	135	5.47%	128
Delinquency Rate (Max. 5% standard)	8%	10%	10%	0.00%	10%	1.00%	9%
Liquidity Rate (Min. 15% of total deposits)	32%	34%	34%	-1.00%	33%	-2.00%	35%

Source: Credit Unions' Audited Financial Statements (Dec 2023) and Credit Unions Reporting Forms (Sep 2023, Mar 2024, Jun 2024 and Sep 2024)

**Figure 1: Delinquency Trend**



Source: Credit Unions' Audited Financial Statements (Dec 2023) and Credit Unions Reporting Forms (Sep 2023, Mar 2024, Jun 2024 and Sep 2024)

**Table 2: Delinquency Concentration By Economic Activity**

Loan Type	Delinquent Amount (EC\$ '000)	% of Total Delinquent Loans
Private Households	39,867	89.54%
Agriculture	110	0.25%
Fisheries	67	0.15%
Construction & Land Development	23	0.05%
Distributive trade (Wholesale & Retail)	2,613	5.87%
Professional, Scientific & Technical Services	1,561	3.51%
Education (including student loans)	138	0.31%
Community/Social/Personal Activities	147	0.33%
<b>Total</b>	<b>44,526</b>	<b>100%</b>

## THE REGISTRAR'S CORNER

This Quarter's Bulletin highlights the heightened expenditure that has been reported by the Credit Union Sector and several strategies that may aid in **Curbing Expenditure**. Crucial efforts by the Board of Directors (BOD), Supervisory and Compliance Committee (SCC), Credit Committee (CC) and Management are necessary to curb expenditure and maintain the financial health of credit unions.



As at 30 September 2024, the credit unions reported consolidated total operating expenses of \$17,266,962 which represented 74.01% of average gross income (\$23,329,414). The PEARLS-M prudential standards require operating expenses as a percentage of gross income (R12) of **less than 55%**.

In addition, of the total operating expenses, salaries and benefits accounted for 48.19% while general and administrative expenses accounted for 25.28%. It has also been observed that the provision for unexpected credit losses of \$2,297,379 increased by 4.35% or \$95,775, when compared to 30 September 2023 (\$2,201,604). **Table 3** details the composition of consolidated total operating expenditure of the Credit Union Sector for the period December 2020 to September 2024.

**Table 3: Consolidated Operating Expenses (Expressed in ECS)**

Operating Expenses	Consolidated December 2020	Consolidated December 2021	Consolidated December 2022	Consolidated December 2023	Consolidated March 2024	Consolidated June 2024	% Change (Jun '24-Sep '24)	Consolidated September 2024	% Change (Sep '23-Sep '24)	Consolidated September 2023
Salaries and Benefits	7,521,993	8,332,820	9,202,373	10,272,317	2,806,866	5,505,506	33.84%	<b>8,321,069</b>	13.64%	7,322,308
Occupancy & Maintenance Expenses	1,104,764	1,360,459	1,175,881	1,318,397	282,757	811,894	39.02%	<b>1,331,477</b>	46.10%	911,362
General & Administrative Expenses	3,252,887	4,361,702	4,544,405	5,473,594	1,421,103	2,921,947	33.06%	<b>4,364,732</b>	16.45%	3,748,057
Marketing	505,278	371,979	770,297	833,169	188,291	435,481	25.93%	<b>587,937</b>	50.17%	391,511
Fees Paid to Leagues	238,433	200,000	238,427	327,120	54,256	108,512	32.15%	<b>159,937</b>	2.66%	155,797
Other Operating Expenses	749,797	769,087	1,283,530	1,150,371	277,969	609,295	40.18%	<b>1,018,561</b>	21.85%	835,901
Depreciation & Amortisation	1,353,126	1,449,604	1,966,473	1,873,479	498,503	967,698	34.76%	<b>1,483,249</b>	5.77%	1,402,284
<b>Sub-Total</b>	<b>14,726,277</b>	<b>16,845,651</b>	<b>19,181,386</b>	<b>21,248,445</b>	<b>5,529,748</b>	<b>11,360,332</b>	<b>34.21%</b>	<b>17,266,962</b>	<b>16.93%</b>	<b>14,767,220</b>
Provision for Loan Loss	3,048,267	4,364,732	6,408,098	2,110,008	438,155	1,202,323	47.67%	<b>2,297,379</b>	4.35%	2,201,604
<b>Total</b>	<b>17,774,544</b>	<b>21,210,383</b>	<b>25,589,484</b>	<b>23,358,453</b>	<b>5,967,903</b>	<b>12,562,655</b>	<b>33.84%</b>	<b>19,564,341</b>	<b>13.64%</b>	<b>16,968,824</b>

Source: Credit Unions' Reporting Forms (Dec 2020, Dec 2021, Dec 2022, Sep 2023, Dec 2023, March 2024, Jun 2024 and Sep 2024)

### ⇒ Strategies for Curbing Expenditure in Credit Unions

In light of the increased expenditure that has been reported by the Credit Union Sector, stricter budgetary constraints to curb further escalation are required by the BOD and Management of the respective credit unions. The following strategies may be considered by the BOD and Management to curtail expenditure:

#### ◇ Monitor and Review Operating Expenses

Regularly review contracts with vendors and third-party service providers to obtain competitive rates on services such as telecommunication services, group insurance policies, online banking platforms/services, consultancy services and audit services.

Comparative cost analysis may reveal opportunities for group plan discounts and more affordable service providers.

#### ◇ Conduct Expense Audits

Credit unions conduct financial audits and produce Audited Financial Statements on an annual basis however, with what frequency are operating expenses, and the spending practices

specifically, reviewed? The SCC, supported by the Internal Auditor, may conduct regular audits of the spending practices of the credit union to identify possible overspending or operational inefficiencies and provide corrective measures such as establishing guidelines for essential spending and setting budgetary limitations for non-essential spending.

#### ◇ Improve Credit Management Efficiency

Conducting periodic risk assessment of the loan portfolio seeks to evaluate, manage and reduce the risk exposure to the loan portfolio. Further, improvements in the credit risk management processes, resulting from ongoing risk assessment, may also minimize delinquent and non-performing loans, thus reducing expenditure towards the write-off of bad debts.

#### ◇ Conduct Membership Education Initiatives

Financial education programs to the general membership can favourably impact the financial habits of members. Financially literate members with an understanding of credit management, savings and investment are more informed to make prudent decisions that may result in a decline in loan defaults and overall delinquency of the credit union's loan portfolio, which would reduce the loan loss provisioning expense.