

Creating wealth in the West Midlands through sustainable Credit Unions

Black and Minority Ethnic Participation in Credit Unions in the West Midlands

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1. Executive Summary

This report documents research by the West Midlands Credit Union Project on the level and degree of Black and Minority Ethnic (BME) participation in credit unions activities in the West Midlands.

The research included feedback from 30 people representing 14 credit unions in and 50 people currently not members of a credit union.

This research seeks to inform credit unions of their effectiveness in tackling or reducing financial exclusion and in consequence aid the growth of the BME membership of credit unions in the West Midlands.

The action research focused on the image and perception of credit unions within BME communities in order to understand reasons for low uptake of credit union services.

1.1. Ethnicity its self is not a barrier:

- 1.1.1. The lack of understanding of the credit union concept cuts across the general population regardless of ethnicity.
- 1.1.2. Although membership of the majority of credit unions in the West Midlands is white, there is no evidence to suggest that the greater level of participation of white people in credit union activities is as a result of direct exclusion (perhaps self-exclusion) of the BME people.
- 1.1.3. Many people within BME communities remain disaffected by the services provided by traditional financial service providers including banks, building societies and insurance companies. To be attractive however, credit unions need to re-brand or reposition their services to promote an affordable but personalised service to those who may otherwise be financially excluded.
- 1.1.4. The desire to access financial services especially credit for people on low income or experiencing some degree of poverty is comparatively the same irrespective of their ethnicity. However when access to desired finance is factored into the equation, BME people more often than not are denied access to finance more than indigenous people. They are compelled to ask families and friends and when desperate often resort to immediate access but high cost finance from money shops, loan companies and predatory door to door credit providers or loan sharks.

1.2. Financial literacy and lack of information is a central issue

- 1.2.1. The lack of information about credit unions, poor marketing, image and financial illiteracy of BME people are hindering the chances of greater number of BME people participating effectively in credit unions activities.
- 1.2.2. Lack of access to quality, timely and desired information about credit unions coupled with a lack of awareness of the benefits of credit union membership exists.
- 1.2.3. Lack of understanding of financial information and matters is the most lethal barrier to participation in credit union activities and the poor financial literacy of BME people make them susceptible to loan sharks and other usurious loan service providers.
- 1.2.4. Research findings show that traditionally credit union interventions centered on provision of information to potential members are not effective. Indications are that existing schemes to tackle exclusion may not work until the problem of financial knowledge in poor communities is tackled.
- 1.2.5. A strong financial literacy campaign partnership should be established with other key stakeholders within local communities, such as NACB and New Deal, to develop a much needed, consistent financial literacy strategy for the local community.

1.3. The changing orientation of the younger generation

- 1.3.1. The lack of understanding of credit unions was particularly evidenced amongst younger BME people. The poor uptake of credit union membership by the present generation of African-Caribbeans appears to have its roots in the changing orientation of the younger generation, which has moved away from community and church halls. Added to this, the strong family bonds that ensure collective responsibility and bargaining are fast disappearing if not completely gone.
- 1.3.2. Attracting the new generation of African Caribbeans and perhaps-other younger generation of ethnic minority

people will require a major rethinking of how credit unions position themselves in the financial services market and how they are presented to these people. It is important that whatever strategy emerges takes into consideration the 'benefits sought' and 'individual' financial requirements of the targeted group of people.

1.4. There is no casual link with larger commercially oriented credit unions

1.4.1. Potential members and credit union practitioners believe that the future prospects of credit unions are dependent on having both a strong commercial focus and social obligation. While BME people have historically participated in community based credit unions, the research has found no indication that the dwindling number of BME people participating in credit union activities is as a result of community based credit union closure.

1.4.2. Developing credit unions with strong commercial focus able to accommodate the requirement for diverse financial services or individual needs for potential credit unions members is of paramount importance. Credit union decision-makers have an urgent need to develop a coherent information dissemination strategy for their target market.

1.4.3. There is a need for credit unions to review the level and degree of their community involvement. Participation in community development activities is crucial to creating a lasting impression and building credibility within the community. Credit unions need to be aware of, and understand, the local aspirations, desires and needs (physical and psychological) of their host communities and create a participation strategy to embrace them

1.5. Marketing is a key issue

1.5.1. Credit unions need to clearly define and establish their position in the financial services market within their locality as distinct core service providers

1.5.2. Consumers buy the 'benefits' associated with products and services and it is evident from the research that this

is equally true for those within the BME communities. Credit unions therefore need to vigorously market the benefits of membership in a mass appeal format to potential members.

- 1.5.3. Many people within BME communities send money home to their families' and an emerging market for money transfer has relatively few recognised players in the UK. Credit unions can exploit this opportunity and provide real value for their customers by developing their own Internet money transfer service or entering into partnership with existing players such as Western Union.
- 1.5.4. Because financial services have become increasingly personalised in the UK, providers hoping to remain competitive need to develop and market services to individuals and clearly segment their marketing activities accordingly.
- 1.5.5. Future growth planning for individual credit unions (and the movement as whole) should centre on developing a local but consistent awareness and financial literacy campaign. These should use different mediums to include local and community radio stations, local dialect newspapers, workshops and symposiums.

2. Introduction

This report documents research by the West Midlands Credit Union Project on the level and degree of Black and Minority Ethnic (BME) people participation in credit unions activities in the West Midlands.

The West Midlands Credit Union Project has been funded by Advantage West Midlands in conjunction with the West Midlands Social Economy Partnership (WMSEP) and the Countryside Agency. It is led by the Association of British Credit Unions Limited (ABCUL) and exists for the purpose of action research directed at creating wealth in the West Midlands through sustainable credit unions.

This research seeks to inform credit unions of their effectiveness in tackling or reducing financial exclusion as it relates to BME people and enterprises and in consequence aid the growth of the BME membership of credit unions in the West Midlands.

A recent survey report by BME Social Enterprise Consortium (BSEC) notes that 'One of the underlying features of most BME's Social Enterprises is that they are serving people whose ongoing experience is that of social and economic exclusion'¹.

Exclusion of individuals and communities from mainstream socio-economic activities is a prevailing issue in 21st century UK. 'Debt and exclusion from financial services are part of modern life; so much so that participating in the culture of credit and debt have become an index of participation in society'².

The burden of debt and the expense of exclusion are profound on people in poverty and in Britain minority ethnic communities are likely to be impoverished (Platt 2003). Warren's (2001) analysis of the Family Resource Survey indicates that 82% of Bangladeshi and 63% of Pakistani households are income poor/asset poor, compared to 30% of white households.

The inability of BME people to access adequate financial services is central to the UK social exclusion agenda and the focus of government attention. Interest in the issue has been further heightened by recent debates regarding bank mergers and closures and proposals for the basic account and universal bank via the Post Office.

The OFT (Office of Fair Trade) reported that - 'In Birmingham in the early 1990's five of the 39 electoral wards had no bank or building society branches, while a further six ward each had only one. But 28 per cent of the City's population lived

¹ BME Social Enterprise Survey Project (Research Report) - Understanding and developing black and minority ethnic participation in social enterprise activity in the West Midlands: a comprehensive profile. BME Social Enterprise Consortium (BSEC) October 2003.

² Church Action on Poverty (CAP) Report - The Exclusion of Minority Ethnic Communities from Financial Services (2003)

in the relevant areas - including some of its poorest inhabitants' (OFT, 1999:22-33).

Against this background, the government and many other stakeholders, of the socio-economic well-being of black and minority ethnic people, have recognised that credit unions can play a vital role in tackling economic exclusion and improve access to financial services for poor people. In 1999 the Credit Unions Taskforce report raised the profile of credit unions, highlighting the invaluable work they have undertaken and the large potential they have to help those in the most deprived areas. Ruth Kelly MP noted that 'By encouraging the accumulation of savings and providing affordable credit, credit unions offer one of the best opportunities to alleviate poverty'.

Credit unions are social enterprises that provide financial services to their members and exist as an ideal alternative source of affordable finance for people on low incomes or who experience financial exclusion. As 'not for profit' organizations they:

- Are financial cooperatives providing high quality, low cost and ethical financial services for their members.
- Use member savings to provide a pool of funds to make low-cost loans to other members.
- Are mutually owned and democratically controlled by members who share a legally defined 'common bond' of residing or working in a particular locality, belonging to an association, or working for a particular employer.
- Are values driven and committed to servicing the financial services needs of communities with particular regard to those who are disadvantaged and/or rejected or abandoned by mainstream banking.

The development of credit union in the UK is closely linked to the history of Black and Irish immigrants who came to the UK in the early 1960's. 'In Britain, in spite of a long history of co-operation going back to the Rochdale Pioneers in the 1840s, there were no credit unions until the early 1960s with the arrival of Caribbean and Irish emigrants'³.

Prior to the formal development of credit unions some working class communities had informal arrangements in their neighbourhood, usually organised by local women, where they would pool their money. This would then be given to a member of the group. Everyone took his or her turn to receive the money. This informal savings and loan scheme club is called 'Partners' it encouraged people to save small sums that they were unlikely to miss, allowing them to build up a larger sum which they would receive at a later date.

³ Directors Training Manual. Module 1: Credit Unions in Perspective. ABCUL (2002)

The informal pooling of money together continued within the ethnic minority communities until the 1971 Crowther committee on consumer credit recognised the difficulty faced by people without bank accounts in obtaining credit at reasonable rate and it saw credit unions as potentially addressing this need. By 1977 there were 40 recognised credit unions which remained unregulated until the Credit Unions Act of 1979 was enacted.

Credit unions have experienced a steady but small growth (1%)⁴ over the last three decades but growth and uptake have not been as significant as expected, especially amongst ethnic minorities and in particular African-Caribbeans. Although the foundation of credit unions in the UK were laid by these communities, there has been a significant shift (reduction) in the number of Black and Minority Ethnic (BME) people participating in credit union activities in the UK. This is particularly so in the West Midlands areas whose ethnic minority population is only second to that of S.E London in the UK.

Unlike Irish communities who have been successful in transferring membership from one generation to another, this has not generally been true for BME communities, particularly the African-Caribbean people.

Despite promotion by government and regeneration stakeholders the growth and uptake of credit union services within the West Midlands has not increased as quickly as might be expected, especially in inner cities areas where a greater proportion of Black and Minority Ethnic communities are located.

Typically, the residents of such communities experience financial exclusion as the lack of basic bank accounts or the inability to acquire Credit Cards, Insurance and Mortgages simply because they are the most unlikely to pass the credit-scoring tests operated by the high street banks. Logically, in the face of a perceived 'red-lining policy' by traditional banks towards people from ethnic minority backgrounds, BME people and communities should find credit unions highly attractive as a credible alternative source of low-cost finance.

Given the poor uptake of membership within the BME communities, credit union practitioners perceive a number of possible explanations. These include hindering factors such as the image of a credit union as a 'poor man's bank', the name 'credit union' being wrongly associated with trade unionism and lack of relevant information.

⁴ Directors Training Manual. Module 1: Credit Unions in Perspective. ABCUL (2002)

The research conducted as part of the West Midlands Credit Union Project focuses on the image and perception of credit unions within BME communities in order to understand the reasons for their low uptake of credit union services. Specifically this addresses:

- The level of awareness of BME people of credit unions as financial service providers
- The opinions of credit union practitioners and ordinary citizens about BME people accessing credit unions services.
- The perceived barriers to BME people accessing credit union services.
- The effectiveness and appropriateness of existing policies and marketing strategies to attract BME members.

It is anticipated that research findings will inform the development of credit union membership recruitment strategies that are effective in attracting BME people and alleviating the financial exclusion prevalent in BME communities.

The research consequently sets out to test three broad hypotheses:

1. The majority of BME people do not understand the concept of credit unions. There is a misconception and/or image of credit unions as the 'poor man bank' due to:
 - Lack of information about credit union in the language the people can understand
 - Poor financial literacy
 - Poor marketing drive for credit unions
 - The name of credit unions being synonymous with trade unionism
 - Poor availability and accessibility of financial advisory and support system
2. Credit unions are for white middle-class citizens. They are not set up to attract BME people many of whom are socially disadvantaged in terms of access to financial services. Issues include:
 - Assessment as to whether there is an underlying tone or latent perception within BME communities that credit unions are 'not for them'.
 - Research survey reported in NewStarts and Regeneration magazines suggesting that more and more people especially BME people are

using Money Shops, Pawn Shops and Loan Sharks for their financial services.⁵

3. The 'new model' of credit unions, based on strong commercial focus and bigger sustainable organisations, is killing community based credit unions and therefore reducing the number of BME people using credit unions. Background observations include:

- Historically credit unions have served a multi-purpose function within BME and in particular African Caribbean communities. Originally they were set up as small community based operations with a strong social ethos. In this form they provided a social set up for people to meet and interact as members of the community as well as the provision of financial services.
- There are two conflicting schools of thought regarding credit union development. One sees the requirement for UK credit unions to be larger and sustainable. The other takes a view that 'one cap can not fit all' and that 'big is not beautiful' nor suited to the needs of community credit unions which are mostly of small size.

⁵ Regeneration Magazine (5 Dec 2002) - Reports Highlights Predatory Loans.

3. Methodology

The conclusions of this report are based on the following research:

Desktop identification and analysis of existing information:

- To obtain information about the historical and current trend of BME people participation in credit unions activities.
- To inform design of the Questionnaire Survey.

Questionnaire Survey

- To gather field survey information through structured sampling of the opinion and perception of target groups on the issues surrounding BME participation in credit union.
- Two target groups were selected as direct or indirect stakeholders of local credit unions.

Desktop identification and analysis of existing information:

Comprised:

- Review of the literature on BME people involvement in credit unions activities to identify past and current issues on access to and use of finance by BME people (Refer Appendix 1).
- Secondary information was acquired from database, books, journals, research reports and newspapers.

Questionnaire Survey

Research gave consideration to the ethnicity of the potential respondents to ensure proportionate representation and comprised survey targeting:

- 25 Credit Unions including community, employee and association credit unions
- 3 practitioners from each credit union, including directors, managers, members and volunteers
- 10 people living in close proximity to 12 areas close to each of the selected 25 credit unions.

A sample questionnaire was pre-tested on a random selection of the target groups in 4 different locations in Birmingham. This was to ensure that the questionnaire was pitched at the right level for the target groups and that anticipated feedback could be derived from the questions asked.

The cross regional survey was conducted on two main target groups identified as key stakeholders for the survey. Individuals were either involved in credit unions activities or likely to engage or be affected by credit union activities.

Targeted groups were:

1. **Credit unions practitioners** - directors, managers, employees, volunteers and members.
 - 25 credit unions including community, employee, residential and association credit unions were contacted to solicit their support and participation in this survey across the West Midlands region.
 - The questionnaire survey attracted response from 14 credit unions to provide 56 per cent feedback.
 - A maximum of 3 practitioners (directors, managers, volunteers and members) from each credit union selected for these survey responded to the survey (see table 9)

2. **Local citizens** (potential credit union members)
 - 120 people residing in close proximity to designated credit unions to solicit their support in carrying out a structured questionnaire interview in 12 different locations in the West Midlands. 50 responses (42%) were received
 - In sampling the opinions of potential credit union members the interviewers selected the location based on their ethnic minority population density, hence the bulk of interview took place in Birmingham.

The Questionnaire Survey was conducted in Dudley, Walsall, Wolverhampton and the Birmingham districts of Handsworth, Lozells, Newtown, Nechells, Ladywood, Kings Heath, Balsall Heath, Erdington and Highgate.

It should be noted is that where the questionnaire provided multi-choice answers, participants were allowed to tick more than one answer. For example, respondents gave more than one reason why they think people do not access credit unions activities.

4. Findings

4.1. Local Citizens Response

4.1.1. Demographic Profile of the Respondents:

The pie chart below (Figure 1) shows the gender breakdown of the respondents. The interviewers ensured that there was a rich mixture of male (56%) and female (44%) respondents so as to have a balanced viewpoint on the subject concern from both gender perspectives.

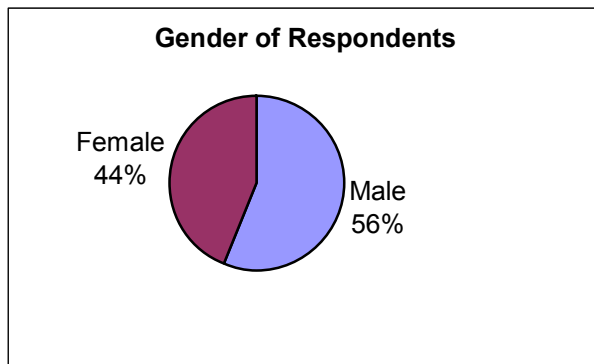


Figure 1: Gender of Respondents

The majority of respondents are Black Caribbeans (40%). White respondents (30%) closely followed them. If the Black respondents were treated as a whole (Africans, Caribbeans and others) then they would represent more than half of the respondents (54%). Also responding to the questionnaire interview are Pakistani, Indian and Bangladeshi. Noticeably absent are the Chinese whom the interviewers could not lure to participate in the survey. This notwithstanding it can be inferred that the survey enjoyed a significant representation from the mainstream ethnic groupings represented in the West Midlands area.

Ethnicity	Number	%
White	15	30
Black - African	3	6
Black- Caribbean	20	40
Black-Others (Mix)	4	8
Pakistani	3	6
Indian	2	4
Bangladeshi	3	6
Chinese	0	0
Irish	0	0
Others-please specify	0	0

Table 1A: Ethnic Groupings of Respondents

4.1.2. Employment Status of Respondents

The majority of the respondents (40%) are in full-time employment. This is significant in terms of access to financial services - having a bank account in the UK has become one of the conditions for mainstream employment in the UK. Furthermore, it also explains why more than two-third of the respondents (88%) have either a bank or a building society account (see figure 3)

Employed	Number	%
Self-employed	8	16
Full-time work (30 hours +)	20	40
Part-time work (16 - 29 hours)	7	14
Unemployed		
Temporarily away from job or business	1	2
Claiming Job Seekers Allowance	7	14
Other		
Retired	4	8
Looking after the home/children or other dependents	1	2
Doing unpaid voluntary work	1	2
Attending 6 th form College or University	2	4

Table 1B: Employment Status of Respondents

Table 2 below suggests that approximately two-third of the respondents (66%) earned below the threshold value (£12,000) estimated by the Office of Fair Trade (OFT) necessary to be able to access and run a current account in the UK. Only 16 per cent of the respondents clearly earned more that the £12,000 estimated to be sufficient to lure banks and other traditional financial services to open a current account for a prospective client.

Estimated Annual Income	Number	%
Under £3,000	13	26
£3,001 - £8,000	20	40
£8,001 - £15,000	9	18
£15,001 - £25,000	5	10
£25,001 - £40,000	3	6
£40,001 and above	0	0

Table 2: Personal/household Income of Respondents

The majority (88%) of respondents have a bank or building society account (see figure 3) below. A close scrutiny of the type of accounts held by the respondents showed that they mostly have savings accounts (29%) which don't have the same level of functionality as a current account in terms of direct debit, standing order and loan borrowing facilities.

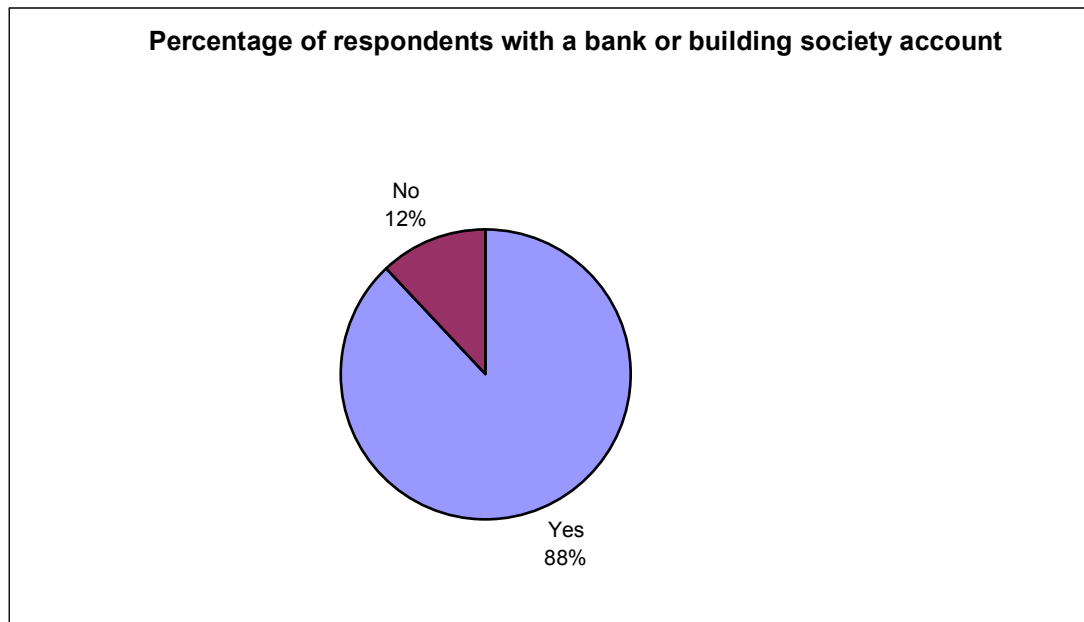


Figure 2: % Respondents with Bank or Building Society Account

The remaining 12 per cent without bank accounts were asked to give the reasons for their inability to open a bank or building society account. Their response was that 'Banks do not open accounts for people like me' (see table 3 below).

Reason for not having a bank account	Number	%
I do not need or want a bank account	-	-
Banks do not open account for people like me	6	100
Application rejected	-	-
I have never tried to open an account	-	-
Other reasons (Please specify)	-	-

Table 3: Why Respondents do not have an Account

Although the majority of respondents have a basic account, it was clear that only a few of them (9%) have access to bank borrowing facilities and high yielding investment accounts (see figure 3 below). This shows that although many low-income earners may, by default, have a saving or current account (a condition for employment in the UK) they will still experience financial exclusion where specific financial products and services such as loans, debit and credit cards are concerned. A Radstats report published in 2001 concluded that ' Banks are increasingly less willing to provide loans to poorer people and the objective scoring systems (including age, occupation and post code) now used to decide whether or not to provide a loan makes it very difficult indeed for such people to get credit from a bank'⁶

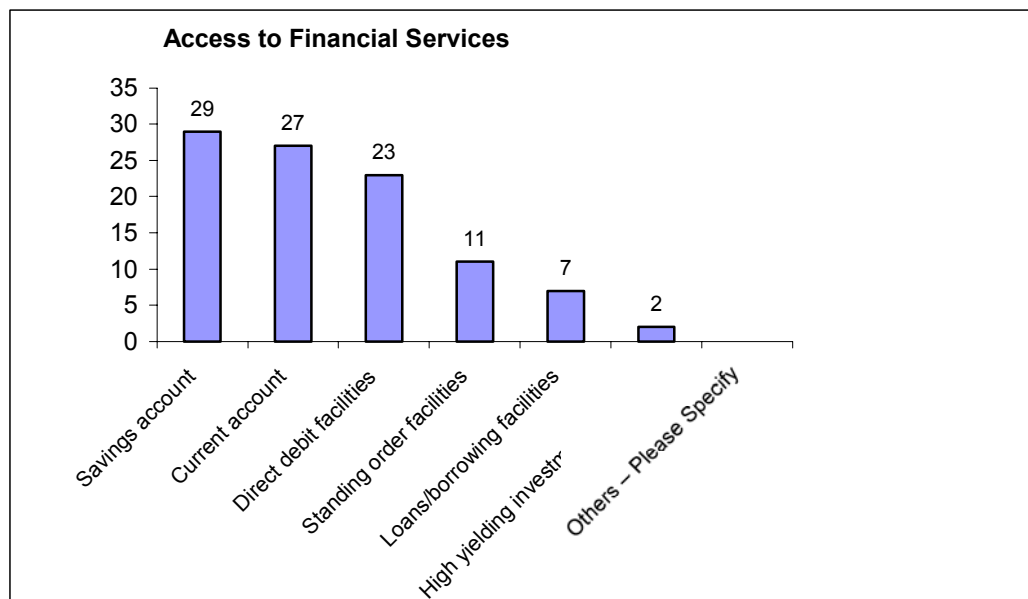


Figure 3: Respondent's Access to Financial Services

⁶ Robert Moore (2001): Access to banking services and credit for UK ethnic minorities, refugees and asylum seekers University of Liverpool. Radstats Report.

4.1.3. Awareness and Understanding of Credit Unions

The respondents were asked whether or not they knew anything about their local credit unions. More than half (56%) of the respondents were aware of their local CU (see figure 4). The 44% who were not aware of their local credit union gave different reasons for their lack of awareness. These ranged from lack of interest, to the name of credit unions being synonymous with UK labour movements, which were deemed as negative.

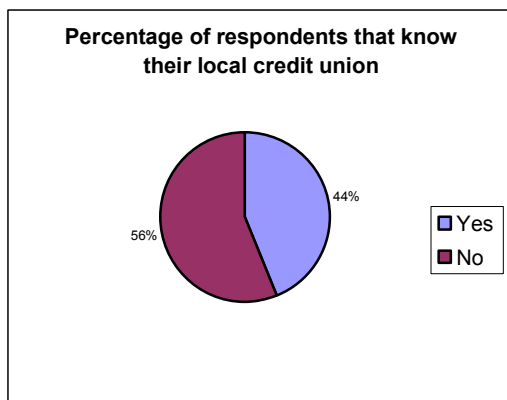


Figure 4: Awareness of Local credit union

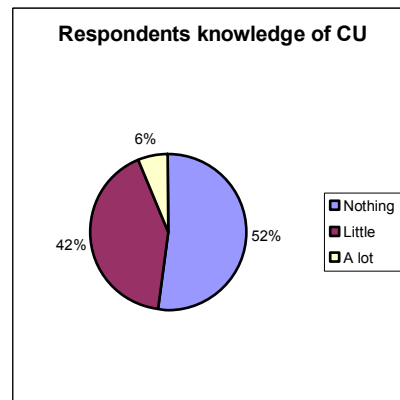


Figure 5: Respondents Knowledge of credit union

The respondents had the opportunity to give more than one reason for their lack of awareness of their local credit unions. Lack of information was the most cited reason followed by a complete lack of interest in credit unions. This perhaps could be a knock-on effect of lack of information about the benefits of credit unions membership (see table 4 below).

The picture painted above confirms a popular belief in the credit union movement that 'credit unions are the best kept secret'. For example in defining the basis of his research - Towards sustainable credit unions development, Paul Jones wrote 'If credit unions were once seen as the best-kept secret in Britain, the reality of this lack of growth [perhaps a reflection of the lack of awareness] amongst a significant sector of the credit union movement [and the UK society as a whole] is fast becoming a 'new best-kept secret.' It is this reality, the reasons for it and what to do about it, that forms the subject matter of this research project'⁷.

⁷ Paul Jones (1999) - Towards sustainable credit union development. An Action Research Report. Liverpool John Moores University. Published by ABCUL.

A poor level of understanding and lack of awareness of credit union activities amongst young people from ethnic minority communities was confirmed by the observations of the local survey team (see appendix 2).

Reasons given by the respondents	Number	%
Not interested	23	22
Lack of information about credit unions	29	27
Poor marketing drive	19	18
Image of credit union	14	13
Poor service proposition	12	11
Name is synonymous with labour movement	8	8
Others - <i>Please Specify</i> - 'Poor Product Marketing'	1	1

Table 4: Respondents Lack of Awareness of Local Credit Unions

Looking at the implication of the lack of awareness and knowledge about credit unions from another angle, it may be partly responsible for the poor uptake of credit unions products and services by the respondents. (See figure 6 below)

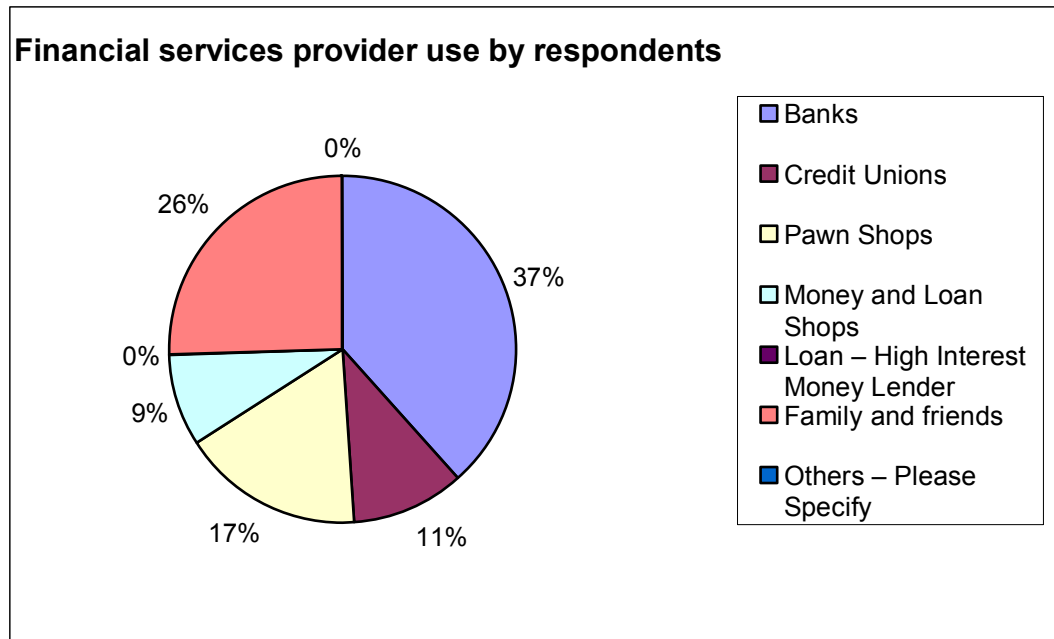


Figure 6: Type of Financial Service providers' use by Respondents

More than one-third of respondents (37%) carries out their financial activities through banks. In terms of alternative service providers credit unions came third after family and friends (26%) and pawnshops (17%) with 11 per cent. One significant factor in this finding is that it confirms other

research findings including a recent survey by CAP that BME people tend to run to family and friends when they need money.

4.1.4. Perception of Credit Unions as Financial Service Providers

The respondents were asked to give their opinion about credit unions as financial service providers. Table 5 below presents a multi-facet viewpoint in which only 29% (strongly agree or agree) of respondents believe that credit unions provide a viable alternative to banks. The number of respondents (21%) who believed that credit union is easily accessible is a major challenge.

Approximately a quarter (28%) of respondents believe that credit unions are not designed to meet the need of low income or poor people. Perhaps with some degree of caution it could be inferred that the lack of understanding and poor information about credit unions (see table 4 above) and the benefits it offers to low-income earners or poor people is responsible for this claim.

Nevertheless, it is highly significant to note that an average of 59 per cent of the respondents could not make up their mind about what credit unions have got to offer them. This viewpoint is clearly highlighted in the shaded column in table 5 below. This is a critical observation because this small group of randomly selected individuals are, by virtue of their low average income status (see table 2 above), generally perceived as key target groups for credit union membership.

Credit Union	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Is right for me	4 (9%)	5 (12%)	29 (67%)	5 (12%)	- (0)
It is for rich people	2 (4%)	8 (20%)	22 (54%)	8 (20%)	1 (2%)
It is not designed to meet the need of people with low incomes	2 (5%)	10 (23%)	24 (55%)	5 (11%)	3 (7%)
Is an alternative to banks	3 (7%)	10 (22%)	27 (60%)	5 (11%)	- (0)
Is easily accessible	2 (5%)	7 (16%)	26 (59%)	9 (20%)	- (0)

Table 5: Perception of Credit Unions as Financial Service Providers

The high level of in-decision by the respondents was also evident in their responses to the question - how would you rate the attractiveness of credit unions services to the following people? (See table 6 below). One-third of the respondents (33%) suggest that credit union services would mostly attract BME people. This figure is less than those who believe that credit unions service attract mostly white middle class citizens (39%).

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
White middle-class citizens	7 (16%)	10 (23%)	20 (47%)	4 (9%)	2 (5%)
Black & Minority Ethnic (BME) people	9 (21%)	5 (12%)	23 (53%)	3 (7%)	3 (7%)
Others	1 (3%)	7 (18%)	25 (66%)	4 (10%)	1 (3%)

Table 6: Who is attracted to Credit Unions Services?

Although analysis of table 6 above suggests that credit unions services would be more attractive to white people more than BME people.

Nevertheless, the respondents also indicated that both white and BME people are engaging and benefiting equally from credit union activities (see table 7 below). This shows that credit unions are open to all people, given adequate information (see table 4 and figure 6 respectively) the onus is on individuals and community group(s) to make the best use of the services on offer.

Participants in Credit Union	Number	%
Black & Minority Ethnic people	16	39
White people	16	39
Others - Please Specify (Equal Mix)	9	22

Table 7: Who is engaging and benefiting most from credit unions?

Furthermore, the respondents suggested that understanding of what credit unions are all about, financial literacy and access to financial information are some of the key reasons why white perhaps middle class people may benefit more from credit unions activities (see figure 8 below)

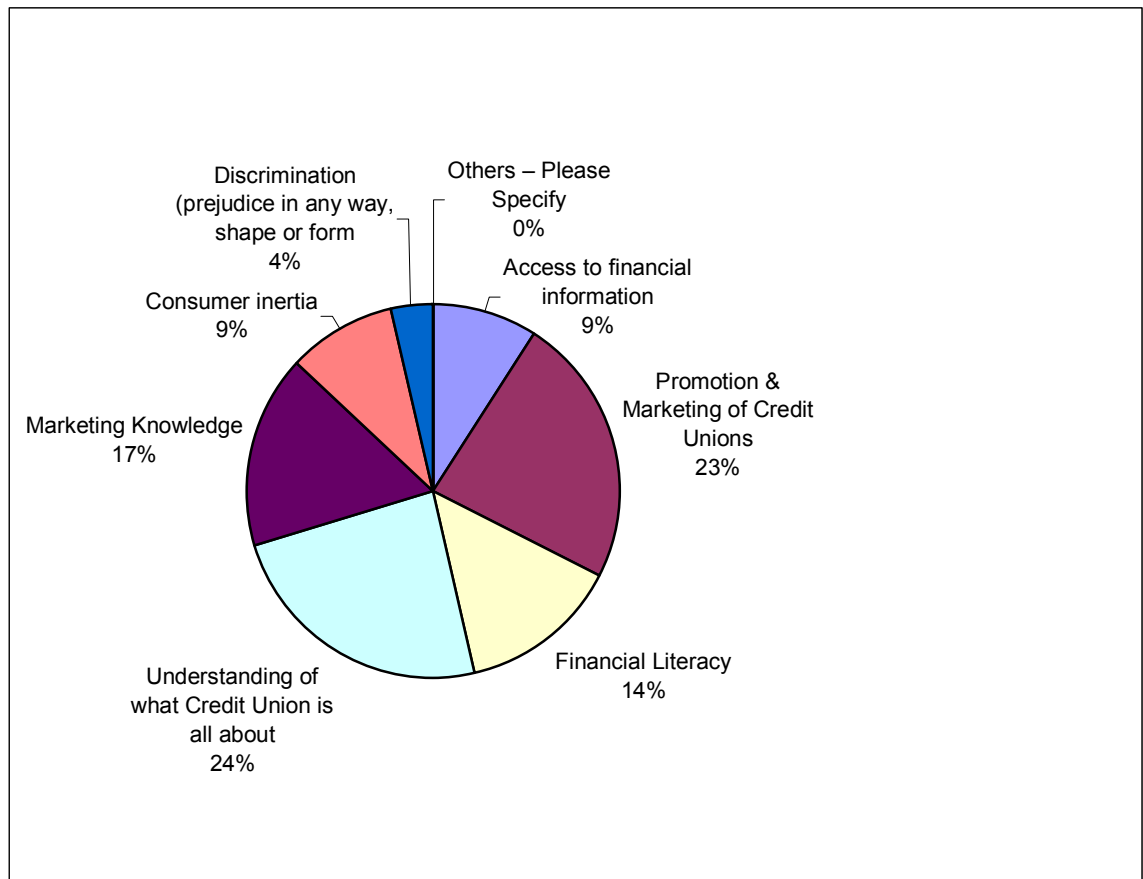


Figure 7: Reason(s) for better access to credit unions activities.

4.1.5. Promoting Credit Unions

Finally the respondents were presented with some information on the benefits of credit union membership. Based on this new piece of information 63 per cent of the respondents indicated that credit unions membership is an option for them in the future (see table 8).

Is Credit Union an Option in the Future	Number	(%)
Yes	27	63
No	16	37

Table 8: Is Credit Union an Option in the Future.

Furthermore, the respondents indicated that a clear understanding of what credit unions is all about, good promotion and marketing of credit unions coupled with the products and services on offer meeting their needs and competitive membership benefits will encourage them to become credit union members (see figure 8 below).

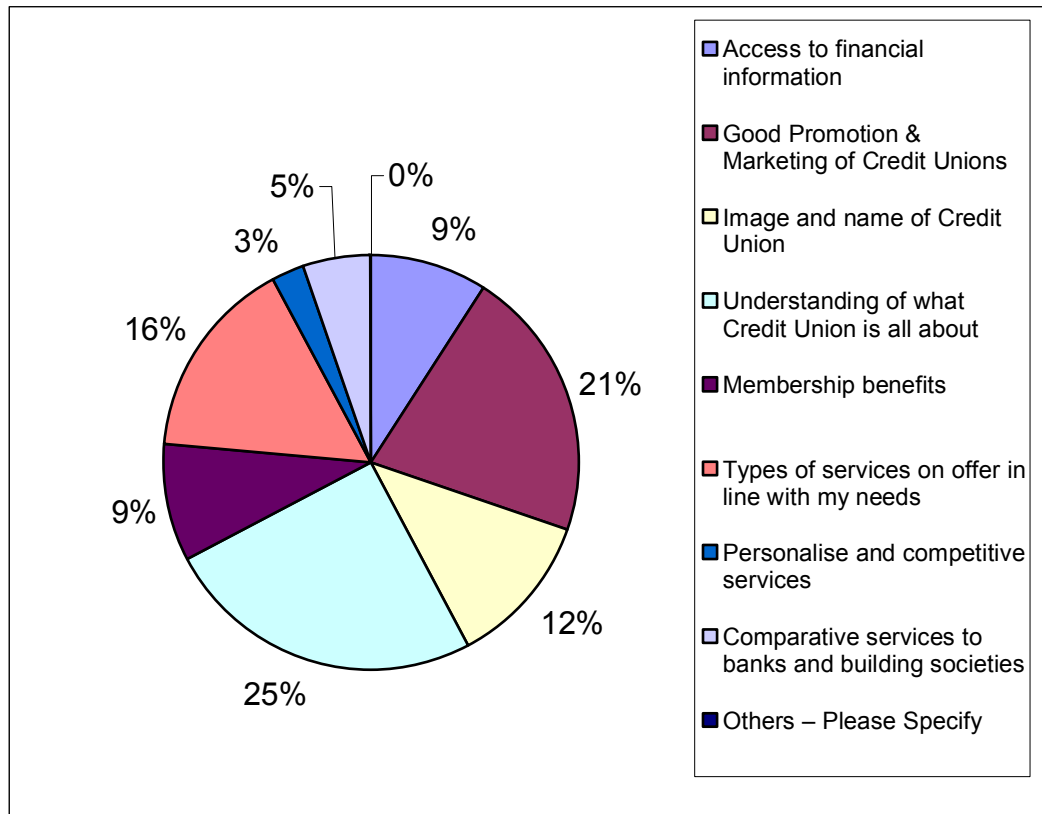


Figure 8: Factors Enhancing Credit Unions Membership

4.2. Analysis of the Response of Credit Unions Practitioners

The name and location of the credit unions that participated in the survey and the profile of the people who responded to the questionnaire interview is shown in table 9 below.

Location/Name of Credit Union	Number of Respondents
Citysave Credit Union (Birmingham)	4
Chaplaincy Savings and Credit Credit Union (Birmingham)	2
Ladywood Credit Union (Birmingham)	1
Balsall Heath Credit Union (Birmingham)	1
Erdington Credit Union (Birmingham)	1
Kingstanding Credit Union (Birmingham)	2
Castle Vale Credit Union (Birmingham)	2
Kings Norton Credit Union (Birmingham)	2
Handsworth Breakthrough Credit Union (Birmingham)	1
Little Acorn Credit Union (Coventry)	2
Leamington Spa Credit Union	3
Walsave Credit Union (Walsall)	3
Just Credit Union (Shropshire)	3
Worcester Black Pear Credit Union (Worcester)	3
Total	30

Table 9: List of credit unions who participated in the Survey

4.2.1. Credit Unions Development and Growth in Local Communities

The respondents were asked to rate the growth of their credit unions on a four-point scale ranging from highly significant to negligible (see table 9 below). Only 4 per cent of the respondents suggested that the growth of their credit union is negligible. However there is a wide gap between the respondents (12%) who believe the growth of their credit unions has been strongly significant and those who believe the growth is only significant (69%). The differences in opinion regarding how local credit unions have grown is perhaps due to the fact that there is no single reference point for the respondents to benchmark the growth of their credit unions.

Nevertheless the significant point is that the majority of respondents believed that their credit unions have grown. It's however important to be mindful that statistically the growth of credit unions has not been very strong. 'Within the non-work based sector, the majority of credit unions are recruiting only a couple of hundred members, at which point they plateau, with further growth coming only with great difficulty'⁸

Growth and Development of credit union	Rating				
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Highly Significant	3 (13%)	1 (5%)	13 (59)	4 (18%)	1 (5%)
Significant	3 (12%)	18 (69%)	2 (7%)	3 (12%)	0 (0)
Insignificant	0 (0)	3 (12%)	3 (12%)	15 (57%)	2 (19%)
Negligible	0 (0)	1 (4%)	4 (16%)	8 (32%)	12 (48%)

Table 10: Growth and Development of Respondents Credit Unions

Following on from this, the respondents were asked to identify which group of people are engaging and benefiting most from their local credit

⁸ Paul Jones (1999) – Towards sustainable credit union development. A Research Report. Liverpool John Moores University. Published by ABCUL

unions. There was a mixed response to this question (see table 11 below). On one hand white people were shown to benefit more from credit union activities (42%), but on the other hand the respondents also claimed that there is equal patronage of credit unions by all people regardless of ethnic backgrounds (40%).

Participants in Credit Union	Number	(%)
Black & Minority Ethnic people	7	18
White people	16	42
Others - Please Specify (equal mix)	15	40

Table 11: Who is engaging and benefiting most from credit unions

A number of interesting comments were made by many of the respondents regarding the ethnicity of the beneficiaries of credit unions services. A couple of the comments made are highlighted below:

- *'We do not count colour, we count humans'*
- *'We serve everybody'*
- *' I do not have the statistics'*

This apparent reluctance to classify the major beneficiaries of credit unions services by practitioners is not only limited to credit unions' decision-makers. A recent regional survey carried out by BME Social Enterprise Consortium (BSEC) also highlighted this issue - ' Many groups want to see themselves as servicing the whole community and did not want to declare an ethnic allegiance. In most cases this would be true and represents an element of inclusiveness and diversity that the research did not predict'.⁹

Whilst it is important for credit unions to appreciate, celebrate and encourage diversity in its membership, however it is equally important that credit unions know the correct and current profile of their members. This is important simply because this kind of statistical data helps towards crafting an effective marketing strategy and membership recruitment drive to attract the people who are currently under represented in the credit union living or working within its common bond.

⁹ BME Social Enterprise Survey Project (Research Report) - Understanding and developing black and minority ethnic participation in social enterprise activity in the West Midlands: a comprehensive profile. BME Social Enterprise Consortium (BSEC) October 2003. Page 19.

4.2.2. Comparing Credit Union Services with other Financial Service Providers

When asked the respondents to compare the services offered by credit unions to other financial service providers, all the respondents indicated that credit union services are better value for money than the available alternatives.

It is important to note that 48% of the respondents strongly believe that credit unions offer better services than banks. (see table 12 below)

All respondents agreed that credit union services are better than those offered by Money and Loan Shops on the high street as well as door-to-door predatory loan sharks. However they were quick to point out that the main reasons behind the recent surge in development and the activities of these alternative financial service providers are perhaps due to the factors highlighted below (see figure 9):

- *Lack of awareness of credit union as a viable and affordable alternative (19%)*
- *Poor financial literacy of consumers (18%)*
- *Poor man's bank image of credit unions (10%)*
- *Immediate access to finance (24%)*
- *Access to bigger loan (13%)*

An in-depth analysis of the fundamental issues surrounding the first three of the points noted above, centre around having access to timely, adequate and quality information about credit unions. Therefore credit union decision-makers need to develop a coherent information dissemination strategy for their target market.

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Banks	5 (17%)	9 (31%)	11 (38%)	2 (7%)	2 (7%)
Money Shops	20 (71%)	5 (18%)	0 (0)	2 (7%)	1 (4%)
Pawn & Jewelry Shops	19 (70%)	2 (7%)	5 (19%)	0 (0)	1 (4%)
Loan Sharks	25 (86%)	1 (3%)	2 (7%)	0 (0)	1 (3%)
Cash & Cheque Shop	18 (62%)	7 (24%)	3 (10%)	0 (0)	1 (3%)

Table 12: CU service better than other financial service providers?

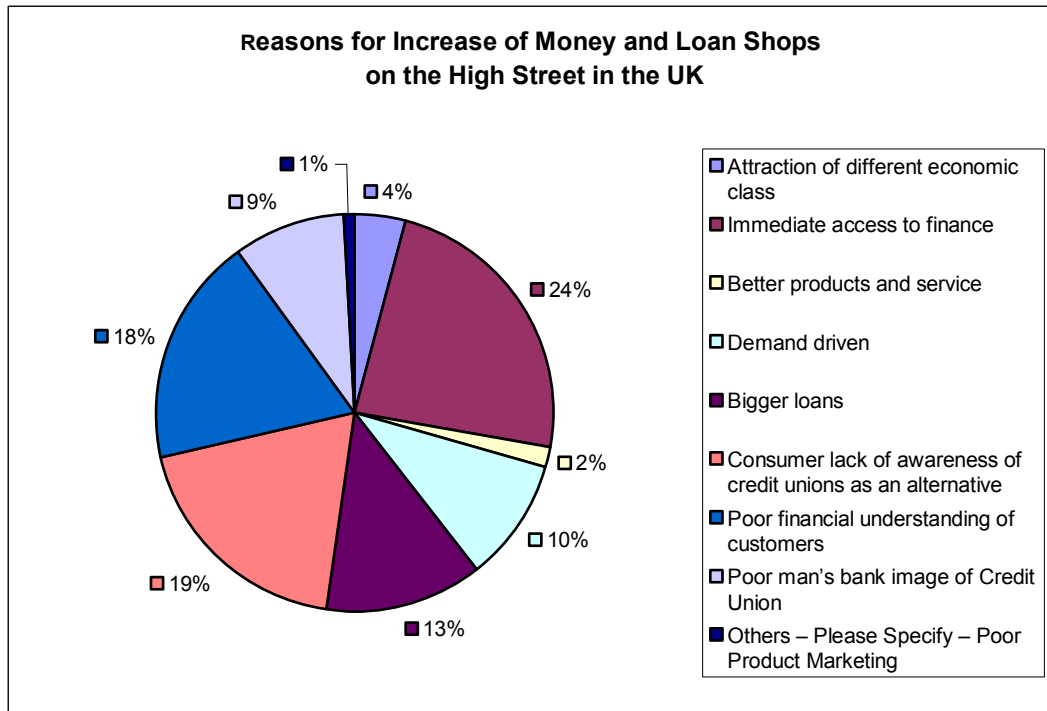
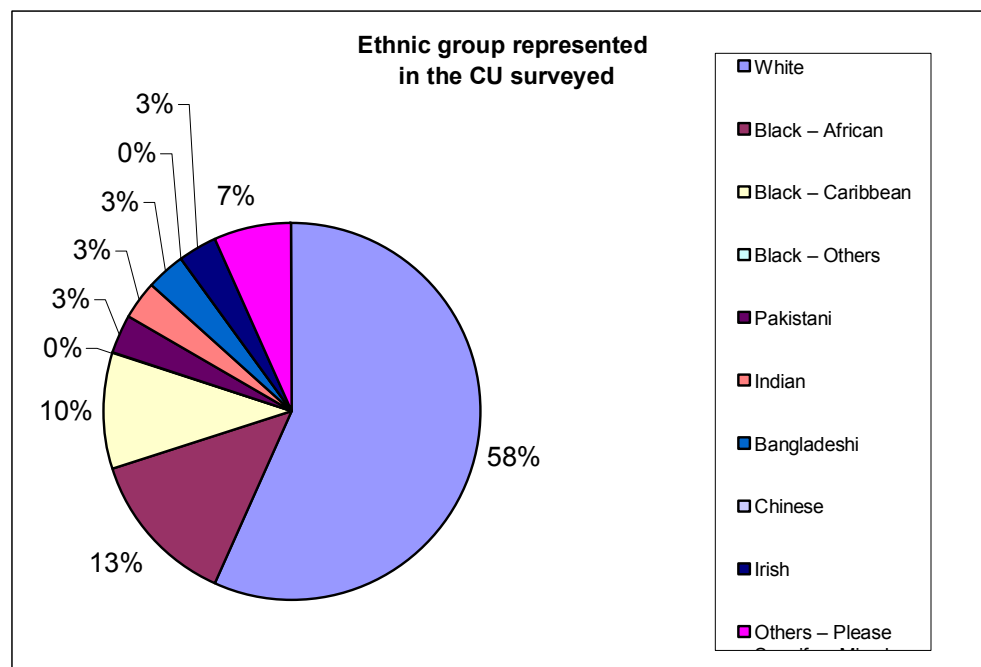


Figure 9: Why Money and Loan Shops are on the Increase

4.2.3. Black Minority Ethnic Participation in Credit Unions Activities

The respondents were asked to show how representative their credit union was of the local community. The bulk of the credit union members in the West Midlands are white (58%) and the closest ethnic group in terms of credit union membership are Black Caribbeans (13%). If the Black people

of African and Caribbean descent are taken together as a coherent unit, then they represent close to a quarter (23%) of the movement in the West Midlands. These figures mirror an earlier survey carried out by BME Social Enterprise Consortium (BSEC) which suggests that a much higher level of African/Caribbean organisations responded to the social enterprise than Asians¹⁰. The Chinese presence is shown to be either insignificant or non-existing (see figure 10 below). This is significant because the local researches could not attract any Chinese people to participate in a questionnaire interview targeted at local people. Whilst there is no concrete statistical evidence to support it, logical reasoning based on the two surveys carried out for this research suggests that the Chinese community are under represented in credit unions activities if not excluded through self-exclusion.



Figure

10: Ethnicity of Credit Unions Members in the West Midlands

The respondents were asked to rate the participation of BME people in credit unions on a four-point scale ranging from highly significant to negligible (see figure 11 below). Approximately one-third of the respondents (30%) suggested that BME people strongly participate in credit union activities. Nevertheless 50 per cent of the respondents disagree that BME people participate actively in credit unions activities.

¹⁰ BME Social Enterprise Survey Project (Research Report) - Understanding and developing black and minority ethnic participation in social enterprise activity in the West Midlands: a comprehensive profile. BME Social Enterprise Consortium (BSEC) October 2003.

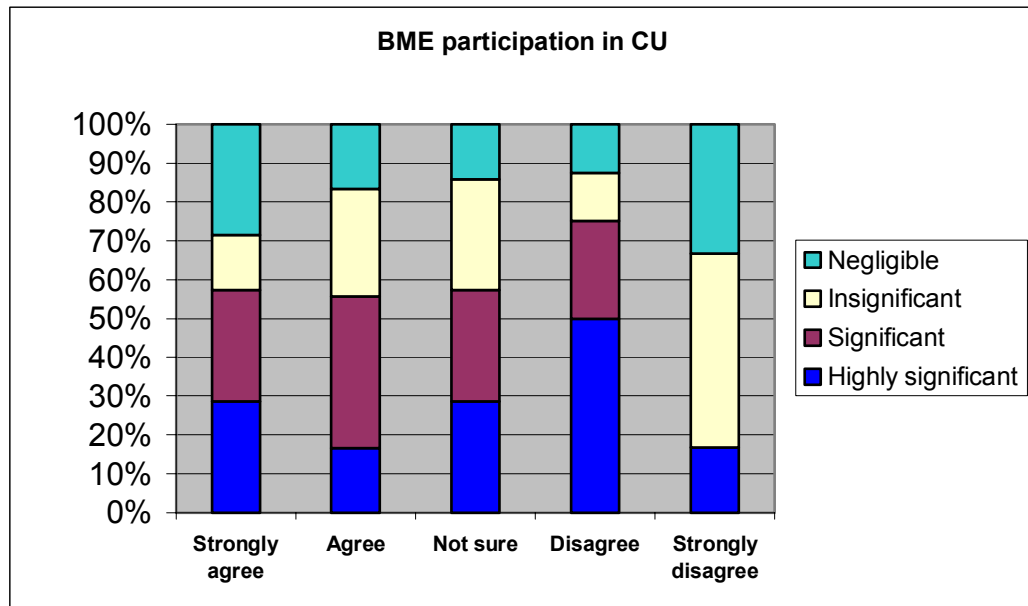


Figure 11: BME Participation in Credit Unions in the West Midlands

Respondents were also asked to identify and rank the factors, which they believe are responsible for the inability of some BME people to participate effectively in credit union activities.

Table 13 below suggests that lack of information about CU and awareness of the benefits of credit unions membership are the topmost reasons for BME people not actively participating in credit unions activities. This was followed closely by poor marketing of credit unions. If we turn the question around (see figure 8 and page 23 respectively) access to financial information, understanding of credit union membership benefits and financial literacy were the prime reasons why white people had better access and participate more in credit unions activities than other ethnic groups.

Perhaps the most lethal barrier to participating in credit union activities is financial illiteracy. Julian Dobson reporting on a financial exclusion survey carried out in Barton Hill area of Bristol wrote 'scheme to tackle financial exclusion may not work until a bigger issue is tackled - the lack of financial knowledge in poor communities'¹¹. Therefore credit union decision-makers need to include promotion of financial literacy in membership recruitment drives to be able to engage people from poor or ethnic minority

¹¹ Julian Dobson ' Money Make the World go Round' -Newstart Magazine (15th June 2001. pp. 12-13)

communities where language and cultural differences in understanding of financial matters can be a major hindrance to participation.

This issue of lack of access to financial information, financial illiteracy and understanding of the financial systems exists across the Atlantic. For example financial illiteracy and lack of understanding of the US financial system including credit unions were identified as factors responsible for more than half of the Hispanic population in USA not having a bank account.

Description	Number	Ranking
Not interested	7	6
Lack of information about credit unions	16	1
Poor marketing drive	11	3
Credit union service is not demand driven (e.g. size of loan)	5	9
Poor man's bank image of Credit Union	6	7
Lack of awareness of benefits of membership	16	1
Name is synonymous with labour movement	3	10
Attraction of different economic class	6	7
Immediate access to finance	11	3
Poor financial literacy of potential members	11	3
Others - <i>Please Specify - Low number of BME's</i>	2	11

Table 13: Barriers to Participating Effectively in Credit Unions

The reasons why BME people still have to patronise money, loan shops, loan sharks and catalogue companies etc (see figure 12 below) include:

- *Immediate access to finance*
- *Lack of awareness of credit unions existence*
- *Scale of operation of credit unions, including opening and closing hours.*
- *Bigger loans*

The fact that so many BME people are still victims of loan sharks despite increasing campaigns by the government to stop people from becoming victims of predatory loan providers demonstrates the weakness of current services on offer from credit unions.

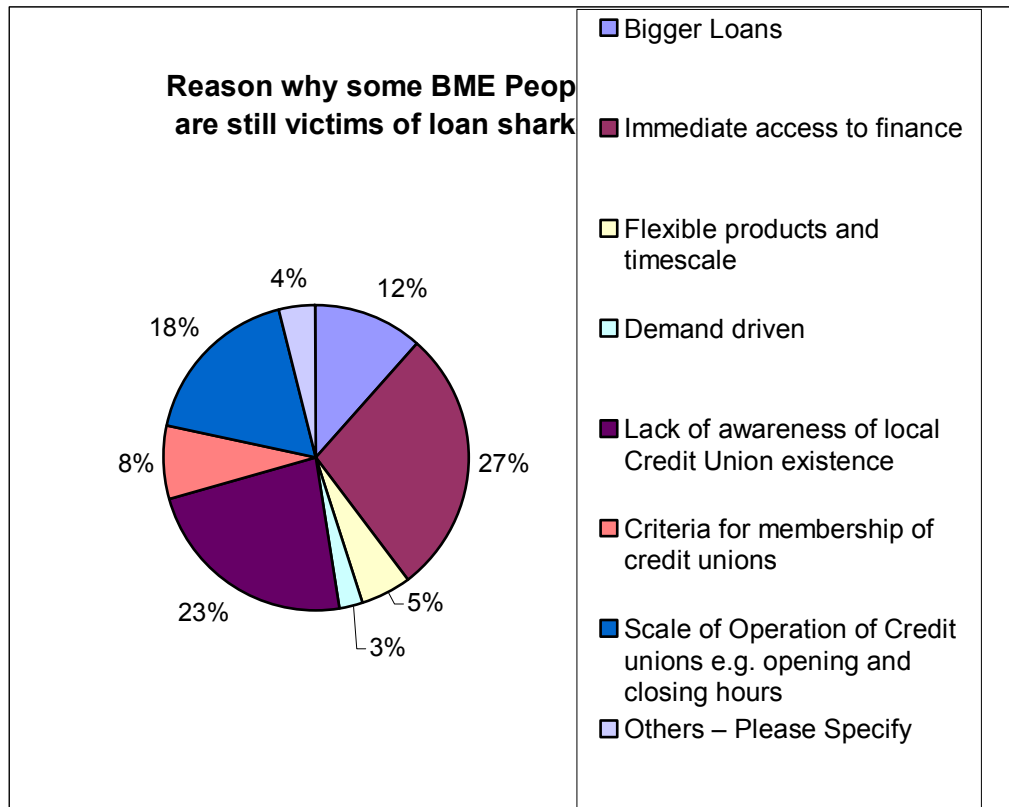


Figure 12: Why BME People are still victim of loan sharks

4.2.4. Future Prospects of Credit Unions in the West Midlands

The respondents were asked to rate the future prospects of credit unions in the West Midlands on a 5-point scale ranging from excellent (1) to no-future (5). Two-thirds (67%) predicted an excellent future for the movement in the West Midlands area. Nearly a quarter of respondents (13%) think that the movement has no future, with another 7 per cent predicting poor future prospects for credit unions. Although more people believe that the future is bright for credit unions, it is nevertheless important to acknowledge these contradicting viewpoints and find out why respondents believe that the future of the movement is not assured.

Although credit unions can be excused at it's present stage of development for not having control over some of the factors hindering growth they need to tackle critical problems in the general lack of awareness of credit union and financial illiteracy to ensure the excellent future prospects predicted by the majority of respondents.

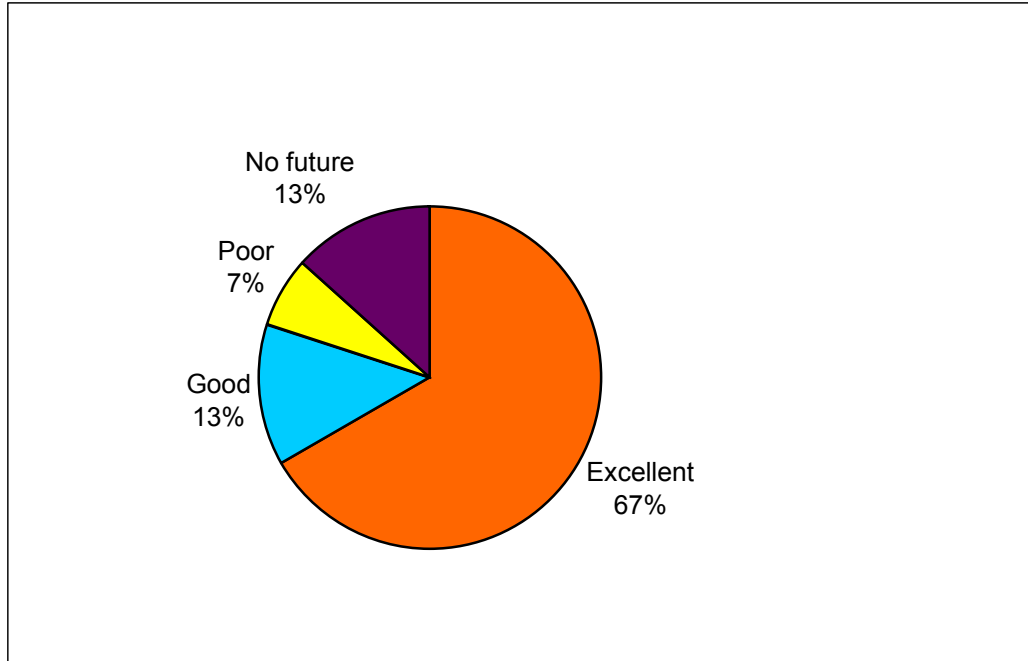


Figure 13: Future prospects of Credit Unions in the West Midlands

Respondents were asked whether or not they believe that credit unions can be built on strong commercial and social objectives. They all indicated that the future prospects of credit unions could be built on a strong commercial focus and social obligation (see table 14 below)

Description	Number	(%)
Yes	23	100
No	0	0

TABLE 14: CUs built on strong commercial focus & social objectives?

5. Conclusion and Recommendation

Hypothesis 1: The majority of BME people do not understand the concept of credit unions. There is a misconception and/or image of credit unions as the 'poor man bank'.

- The prevailing state of credit unions development in the region and in the British Isles generally is that credit unions are the best-kept secret in the financial services sector of the economy. The lack of understanding of the credit union concept cuts across the general population regardless of ethnicity.
- Both credit union practitioners and local citizens indicated a lack of access to quality, timely and desired information about credit unions coupled with a lack of awareness of the benefits of credit union membership.
- It is additionally apparent (table 13 and figures 5 and 6) that lack of information about credit unions, poor marketing, image and financial illiteracy of BME people are hindering the chances of greater number of BME people participating effectively in credit unions activities.
- The most lethal barrier to participation in credit union activities generally is the poor or lack of understanding of financial information and matters. Furthermore this research suggested that poor financial literacy of BME people make them susceptible to loan sharks and other usurious loan service providers. It is interesting to note that financial illiteracy and lack of access to information is also a key determinant factor for the fastest growing ethnic minority people (Hispanics) in America not having bank accounts and taking up credit union membership.
- Collectively issues of quality information and financial literacy are seen as central to the problem of credit awareness. Traditionally credit union intervention has centred on provision of information to potential members. There is little indication from research findings that such strategies are effective. Indications are that existing schemes to tackle exclusion may not work until the problem of financial knowledge in poor communities is tackled. Future credit union membership drives must therefore tackle the 'IF Syndrome' effectively in order to be successful.
- The lack of understanding of credit unions was particularly evidenced amongst young BME people (see appendix 2). Given that the foundation of credit unions originated from BME communities it is of particular concern that BME people participation in credit unions activities is not at par with the indigenous people.
- While the Irish communities within the UK have been successful in maintaining an 'ancestral' membership of credit unions, Caribbean communities have not.

This despite the fact that the two communities were the building block of the credit unions in the UK.

The poor uptake of credit union membership by the present generation of African-Caribbeans appears to have its roots in the changing orientation of the younger generation which has moved away from community and church halls. Added to this, the strong family bonds that ensure collective responsibility and bargaining are fast disappearing if not completely gone.

Community and church halls were the meeting points for credit union activities in the early days of its development in the UK. They remained largely the focal point for many of the community-based credit unions, which remains small in its membership and are struggling to attract new members¹².

Attracting the new generation of African Caribbeans and perhaps-other younger generation of ethnic minority people will require a major rethinking of how credit unions position themselves in the financial services market and how they are presented to these people. It is however important that whatever strategy emerges takes into consideration the 'benefits sought' and 'individual' financial requirements of the targeted group of people.

- The desire to access financial services especially credit for people on low income or experiencing some degree of poverty is comparatively the same irrespective of their ethnicity. However when access to desired finance is factored into the equation, BME people far often than not are denied access to finance more than indigenous people are. They are compelled to ask families and friends and when desperate often resort to immediate access but high cost finance from money shops, loan companies and predatory door to door credit providers or loan sharks.
- Credit union practitioners perceived an excellent future for the credit union movement in the region. More than half of the respondents (56%) indicated that credit union is an option for them in the future when they were presented with 4 major benefits of credit union membership (see appendix 3, page 55).
- Future growth planning for individual credit unions (and the movement as whole) should centre on developing a local but consistent awareness and financial literacy campaign. These should use different mediums to include local and community radio stations, local dialect newspapers, workshops and symposiums. Perhaps a major re-launch or opening of credit unions in danger of folding up, with a key theme based around recognised local needs. For example, 'we provide a better deal for single mothers' where the demographic profile suggests a higher number of single parents households.

¹² Paul Jones (1999) - Towards sustainable credit union development. A Research Report. Liverpool John Moores University. Published by ABCUL

- A strong financial literacy campaign partnership should be established with other key stakeholders within local communities, such as NACB, New Deal etc. to develop a much needed, consistent financial literacy strategy for the local community. One element of the strategy may involve development in conjunction with local radio stations of a consistent financial literacy, savings, investment and debt management programme with a strong credit union focus for the local people. Such programme to be at least a season long rather than a one-off arrangement.

Hypothesis 2: Credit unions are for white middle-class citizens. They are not set up to attract BME people many of whom are socially disadvantaged in terms of access to financial services.

- Although membership of the majority of credit unions in the West Midlands is white (see figure 11), there is no evidence in this survey to suggest that the greater level of participation of white people in credit union activities is as a result of direct exclusion (perhaps self-exclusion) of the BME people. (See table 11 and figure 12 respectively)

The credit union practitioners who contributed to the survey were very keen to portray that their credit unions was open to everyone and there is no ethnicity allegiance in the credit unions movement. Self-exclusion as far as they were concerned is a matter of choice, however research findings suggest that decision makers in credit unions need to go an extra mile in making information about credit unions available to all.

- Lack of understanding of credit unions and financial literacy is the key reason why many people, and in particular BME people, are not accessing credit union services.
- Credit unions need to clearly define and establish their position in the financial services market within their locality as distinct core service providers. Both the 'one cap fits all' altitude to service provision of many credit unions and the 'all thing to all men' approach of others are inappropriate for the new generation of upwardly mobile financial services consumers. They are relentlessly hybrid in their consumption pattern and are becoming more aware, demanding a specific but wide range of services and products.
- Consumers do not buy products and services, rather they buy the 'benefits' associated with them or derived from them. It is evident from the research that this is equally true for those within the BME communities. Credit unions therefore need to vigorously market the benefits of membership in a mass appeal format to potential members.
- Credit unions need to reflect and take account of the specific and/or special needs of the local community and its composition, in the development of

future services or products. To this effect credit unions need to develop auxiliary services or products to their core offerings which appeal directly to the existing or emerging needs of individuals or the community as a whole. For example many people within BME communities send money home to their families' and an emerging market for money transfer has relatively few recognised players in the UK.

Credit unions can exploit this opportunity and provide real value for their customers, as have credit unions serving Latino communities in America by developing their own Intranet money transfer service or entering into partnership with existing players such as Western Union.

They may also be able to provide a unique benefit, not currently available through Western Union or Money Transfer. For example, BME people increasingly use International calling cards, as they are deemed cheaper than BT landlines. Credit unions could additionally explore the possibility of jointly developing a credit union calling card to operate at a cheaper rate than that which is presently available in order to provide cheaper money transfer facilities coupled with cheaper telephone calls to confirm receipt of money transferred to their home land.

Hypothesis 3: The 'new model' of credit unions, based on strong commercial focus and bigger sustainable organisations, is killing community-based credit unions and therefore reducing the number of BME people using credit unions.

- Some sections of the credit unions movement in the UK have promoted credit union development based on strong commercial focus and bigger sustainable credit unions. However, there are significant numbers of opposition to the advocates of this new model simply because they believe that bigger credit unions will erode the remaining community based credit unions or hinder its future development.

While BME people have historically participated in community based credit unions, the research has found no indication that the dwindling number of BME people participating in credit union activities is as a result of the increasing number of community based credit union closure.

- Potential members and credit union practitioner respondents believe that the future prospects of credit unions are dependent on credit unions with both a strong commercial focus and social obligation.
- The future prospects of credit unions in the West Midlands in particular and in the British Isles in general could be excellent (see figure 14) if factors such as awareness, financial literacy, credit union image, immediate access and bigger loans can be timely and adequately addressed. Developing credit unions with strong commercial focus able to accommodate the requirement for diverse

financial services or individual needs for potential credit unions members is of paramount importance. Credit union decision-makers have an urgent need to develop a coherent information dissemination strategy for their target market.

- Because financial services have become personalised in the UK providers hoping to remain competitive need to develop and market services to individuals and clearly segment their marketing activities accordingly.

It is evident from questionnaire responses that many people within BME communities remain disaffected by the services provided by traditional financial service providers including banks, building societies and insurance companies. Recent closure of banks in rural communities has not changed their views for the better. Many are looking for alternative financial service providers to provide equitable services for those on low income.

Credit unions, promoted by the government and many other key stakeholders with a duty of care towards poor, low-income and ethnic minority people represent a credible and effective means of combating financial exclusion. They can play a critical role in improving access to financial services for people otherwise excluded or forced to seek out alternative sources of finance, which may include predatory loan sharks. To be attractive however, credit unions need to re-brand or reposition their services and products to promote an affordable but personalised service to those who may otherwise be financially excluded.

- There is a need for credit unions to review the level and degree of their community involvement. Participation in community development activities is crucial to creating a lasting impression and building credibility within the community. Credit unions needs to be aware of, and understand, the local aspirations, desires and needs (physical and psychological) of their host communities and create a participation strategy to embrace them. Examples of community participation activities that credit union could embark upon may include support of a local hospice, promote/sponsor grassroots sport and recreation activities, promote local history and culture, sponsor artistic events, shows and concerts.

6. Appendices

Appendix 1: Literature Review

Black and Minority Ethnic People Access to Finance in the UK.

The desire to access credit particularly for people on low income or experiencing varying degrees of poverty is comparatively the same irrespective of their ethnicity in the UK. A research carried out by the Policy Studies Institutes concluded that 'overall, the African-Caribbean, Pakistani and Bangladeshi groups were remarkably similar to other low-income households in the population as a whole, both in their level of borrowing and in their reasons for doing so'.¹³

However, this is where the similarity ends. When the issue of usage of credit and access to desired financial services are considered across the population, there is a sharp contrast; and far often than not ethnic minority people and businesses are denied access to desired finance compared to their indigenous competitors.

There are ample financial exclusion research papers and statistical data to suggest that ethnic minority people especially those on low income or social benefits are mostly likely to have experienced financial exclusion from traditional financial service providers. A recent CAP (Church Action on Poverty) report on exclusion of minority ethnic communities in Newcastle upon Tyne from financial services concluded that 'a third (38%) of our survey who do not have a current bank account are also likely to be excluded from other financial services. They are most likely to turn to informal sources such as friends and family when financial difficulty occurs. A significant factor is self-exclusion, partly based on previous rejection by financial service provider'¹⁴.

Analysis of the feedback of local citizens interviewed for this survey showed that 27 per cent of them use friends and family as their source of finance when the need arise (see figure). Furthermore this survey also confirmed the perception of self-exclusion amongst ethnic minority people. Approximately 12 per cent of the respondents do not have basic bank account (see figure 3). The respondents gave only one major reason for their inability to access a bank account - 'Banks do not open account for people like me' (see table 3)

The financial services sector is highly regulated in the UK. The recent dynamism in the industry is a combination of the deregulation's (FSA Act 1986 & FSMA 2002) and the free market economy. Banks and other major financial

¹³ Social Policy Research 104 - Credit use by people from minority ethnic groups (PSI).

¹⁴ Church Action on Poverty (CAP) Report - The Exclusion of Minority Ethnic Communities from Financial Services (2003).

institutions individually or collectively aim to satisfy their regulators whilst promoting their own commercial interest. Therefore providers of financial services have traditionally not been interested in poor people and have through credit scoring and red-lining strategy subtle but effectively excluded and discriminated against low-income people and ethnic minority communities.

Banks either exclude people with lower income or an account is not worthwhile for a person with such a low income. ' Banks are increasingly less willing to provide loans to poorer people and the objective scoring systems (including age, occupation and post code) now used to decide whether or not to provide a loan makes it very difficult indeed for such people to get credit from a bank'¹⁵

The Office of Fair-Trading (OFT) in a research paper titled - Vulnerable Consumer Groups suggested that an income of £12,000 is needed to secure a current account'¹⁶.

John Bridgeman, director-general of Fair Trading in a report titled Vulnerable Consumers and Financial Services, echoed this reality of this claim. 'He called for Government and regulators to ensure alternative financial products were made available to those on low or volatile income, ethnic minorities and the disabled'.¹⁷

Furthermore, he refutes the claims that those without basic financial services choose not to use them. He said, ' the fact is that those on low or volatile income, ethnic minorities and people with disabilities often do not have a choice about having current account, household insurance or short-term credit provided by the high street banks'.¹⁸

The importance of having a bank account cannot be over emphasised because it makes a range of other financial services cheaper and more accessible. For example many service providers prefer direct debit option as the business world move towards a paperless business transaction. Choosing this option of payment has its added benefits, which includes discounts, exclusive promotional offers and cheaper bills.

In terms of employability, many would be employers require their prospective employees to have a basic bank account for their wages or salary to be paid into. 'Only 12 per cent of employed people were paid in cash in 1998

¹⁵ Robert Moore (2001): Access to banking services and credit for UK ethnic minorities, refugees and asylum seekers University of Liverpool. Radstats Report.

¹⁶ The OFT's Research Paper 15, Vulnerable Consumer Groups: Qualification and Analysis (1998)

¹⁷ BBC News online - Your Money Banking for the Poor. Published Wednesday, January 13, 1999.

¹⁸ John Bridgeman (1999) - Vulnerable Consumers and Financial Services (OFT:1999)

(compared with 58 per cent in 1978), 'having a bank account is, therefore, increasingly a condition of employment' (OFT, 1999:20).

Goodwin's (1999) research findings showed that people from minority ethnic communities are three times more likely to be financially excluded than other parts of the UK society.

Ironically the financial exclusion experienced by ethnic minority individuals also applies to BME enterprises. 'Afro-Caribbean entrepreneurs face more difficulties securing backing for start-ups than their white and Asian equivalent. A report published by British Bankers Association [in September 2002], downplayed suggestions that banks are discriminating against black entrepreneurs, but acknowledges that they are less likely to obtain loans than other ethnic groups'¹⁹

Healthy and vibrant communities are economically active, without access to sustainable financial services such as cash; credits, bank accounts and insurance people are unable to be economically active in their local communities. The knock on effect of this on the local economy may include shops and other economic activities closing and neighborhoods becoming stagnant, perhaps spiraling downwards to crime and further isolation, which typify inner city areas where many ethnic minority communities are located in the West Midland areas.

A classic example is observable in Birmingham, for example the last major high street bank closed in Lozells area nearly 7 years ago and in terms of financial services the area is now isolated. The nearest banks to this ethnic minority community are almost 2 miles away in Soho Road. Hence Soho Road is more economically healthy than Lozells and Aston area combined where the unemployment and crime rate has escalated far above regional and national averages in recent times.

Recent figures from the Centre for Research into Socially Inclusive Services in Edinburgh suggest that more than two million adults in Britain - 7% of all households - use no mainstream financial services at all. More than 10.5 million - some 28% of the population - cannot save, insure their possessions or put money aside for a pension.²⁰

A similar study on financial exclusion - 'Kept out or opted out?' Commissioned by Joseph Rowntree Foundation confirms these figures ' as many as one and a half million households made no use at all of even basic financial services ... three-quarters of these households have never had access to mainstream

¹⁹ Banks admit low loan rate to black start-ups - Regeneration and Renewal Magazine (4th Oct.2002. pp10).

²⁰ Money Make the World go Round - Cover Story Newstart Magazine (15th June 2001. pp. 12-13)

financial services. They include older people on low income, young people, single women caring for children, and some ethnic minority groups'.²¹

Many of the financially excluded people turn to informal and often predatory sources of credit such as pawnshops, catalogue companies, door to door lenders, loan sharks and other forms of high interest paying loan arrangement to meet their immediate credit requirement.

Sourcing for funds from unregulated financial services providers can be dire - 'Imagine being so desperate to get your hands on a loan that you are prepared to pay an interest rate of over 900 per cent. That's the harsh reality facing huge sections of Britain's financially excluded communities who have to depend on 'doorstep borrowing' because they are snubbed by the high street banks'.²²

Credit Unions: Providing Access to Affordable Financial Services

Widening and improving access to financial services has become an integral part of the UK social exclusion agenda. There is a growing body of evidence linking financial exclusion to other forms of social exclusion, which affect the most deprived neighbourhoods including unemployment crime and poor levels of education and health just to mention a few.

Credit unions are heralded as an effective vehicle towards achieving the government goal of open access to financial services for all in the UK. Even banks often accused of promulgating financial exclusion are not left out of the call to promote Credit unions as alternative financial services providers to people who would otherwise be excluded.

' When Lloyds Bank moved out from the run-down inner city neighbourhood of Winson Green, Birmingham, the credit unions moved in. The community-run group took over the impressive old Victorian bank building, complete with banking hall and strong room...began offering a rather different kind of financial services'²³

Rotton Park-Winson Green Credit Unions demonstrated just how a properly operated credit union can provide a diverse but ideal alternative (sensitive and appropriate) to the services offered by conventional banks in a locality where unemployment remains high and income low.

²¹ Kept out or opted out? (March 1999) - Joseph Rowntree Foundation Publications.

²² Personal Finance - 'Joining a shark-free zone' (www.manchesteronline.co.uk/business/personal_finance/feature/stories).

²³ Andrew Bibby : Community Banking to help tackle social exclusion to financial services (Housing Magazine, 1999)

It is now widely accepted that credit unions have a vital role to play in government agenda to improve access to financial services. The Goodwin's Report (HM Treasury Taskforce report on strategy to increase access to financial services for people living in poor neighbourhoods concluded that 'Credit unions' can and should make a significant contribution to the promotion of wider access to financial services for less well off sections of the society'.²⁴

Furthermore, many organisations and research bodies also recognise the impact that Credit unions can make in promoting access to finance and protecting low-income people from predatory loan services provider. For example, Dominic Murphy, an adviser to Community at Heart (Barton Hill New Deal for Community Project) commenting on the financial exclusion survey carried out in Barton Hill area of Bristol said 'one apparently quick and easy solution to the problem of indebtedness would be for a local credit union to buy out the debts accumulated through doorstep loans and clothing catalogues'.

'We have people on this estate paying 100% APR to established companies for loan, and that could drop to 8% or 9% with a credit unions. That would make a real difference to a household's disposal income'²⁵

Furthermore, a survey recently carried out by Church Action on Poverty (CAP) highlighted that Credit unions need greater support to be able to actively service minority ethnic communities. 'The people we work with expressed a desire for greater access to affordable credit and credit unions are obvious provider of affordable and accessible loans and savings'.²⁶

At this junction it is clear that Credit unions are perceived as essential ingredients in tackling financial exclusion that is widening the chances of low income families and in particular ethnic minority communities to be able to access affordable, adequate and timely financial services at the point of need.

A quick comparison across the Atlantic showed that Credit unions are also perceived as essential financial services provider best equipped to meeting the financial services needs of ethnic minority communities. A report titled Credit unions Servicing Hispanics: National Perspectives (why Credit unions should service the Latino Market)²⁷ suggest that there is a close parallel in terms of

²⁴ Credit Unions of the Future. HM Treasury November 1999

²⁵ Money Make the World go Round - Cover Story Newstart Magazine (15th June 2001, pp 12-13)

²⁶ Church Action on Poverty (CAP) Report - The Exclusion of Minority Ethnic Communities from Financial Services.(2003)

²⁷ CUNA (2003/2004) - Credit Unions Serving Hispanics- A National Perspectives. (www.cuna.org/initiatives/hispanics)

the experience of this emerging community in America and the ethnic minority communities in the UK. Some of the similarities are highlighted below:

- i) The percentage of Hispanics without financial services is twice that of the population as a whole. Low-income households make up the majority of those without financial services. Goodwin's (1999) Treasury report suggest that minority ethnic communities are three times more likely to be financially excluded than other parts of the UK society.
- ii) Currently the Latino population is more likely to use alternative financial services such as check cashing outlets and pay day loans, frequently with usurious transaction costs.
- iii) Despite growing importance in the labour force, the Hispanics people inability to use financial services is hampered by earning disparities, higher unemployment levels and relatively lower household income levels.
- iv) Hispanics use businesses such as Western Union to send money to relatives in their country of origin. Latinos represent the largest segments of the money transfer market representing \$12 billion dollars annual remittance.²⁸
- v) Despite their need for financial services and their current use of alternatives, the majority of the Latino Community lacks participation in financial services at credit unions. This is due to some many factors which include:
 - Language barrier and self-exclusion
 - Lack of understanding of American financial services market
 - Product and services not designed with the Latinos in mind
 - Poor financial literacy
 - Inability to produce credit history and other information relating to purchases and consumer patterns (most Latin American Countries are still cash economies)

The report concludes that the Latino population offers credit unions a growing market of financial consumers. They represent the largest segment of the money remittance business and are potential consumers of the full range of financial products that the credit unions have to offer. The same is true for the minority ethnic communities in the UK.

Nevertheless, there is a need to change the prevailing norms, value and cultural systems that depicts the credit unions as the 'poor man's bank' and or a socially orientated savings club. The change is imminent if the movement is

²⁸ CUNA's 2003/2004 Credit Union Environmental Scan (www.cuna.org)

to have a mass appeal necessary to lure the new generation of ethnic minority people to take up membership of Credit Unions.

Credit Unions are bonafide financial institutions recognised and regulated by the Financial Service Authority (FSA) as financial service providers. Therefore they have to be seen and perceived as such regardless of the social responsibilities engrained in it fundamental philosophy.

Therefore for Credit Unions to optimally explore the opportunities presented by the diversity of the ethnic minority communities and the general population as a whole the traditional perception as a 'poor man's bank' has to die and a new orientation as the 'people's bank' needs to emerge. Alison Benjamin in the Society Guardian of Wednesday 21st Feb. 2001 best described what all credit unions should aspire to in an article titled - Attempt to extend credit unions to the well heeled. She wrote 'yet involvement of people like Hall [a high flyer] is crucial to credit as they edge their way out of community centres and church halls where they have been developed but also stereotyped, and look to play a serious role in the government's drive to tackle financial exclusion'.²⁹

Attracting high-income households across the ethnic groups and the general populations' doesn't imply that credit unions will abandon the poor or low-income people. The level of money that these households with greater disposal income can bring into credit unions will help the credit unions to best meet their social obligations to the low-income households quicker and better as a result of lack of financial constraints.

Furthermore, HM Treasury Report on Future Credit Unions in the UK suggests that 'Sustainability will only be achieved by community credit unions if they have an appropriate mix of people in work, providing savings needed to ensure adequate services to less well-off people,' the report said. Schemes needed to be 'developed as broader-based community institutions with a wider appeal, to complement the established banking sector'. Since the report, proposals for a universal bank have stolen the political agenda and banks themselves have introduced a number of basic accounts. Yet neither will provide loans for those on low income. For credit unions to take centre stage, they have to throw off their image as the poor man's bank.³⁰

The credit unions practitioners who responded to this survey believe that there is no conflict of interest rather there is mutually benefit for credit union to combine commercial focus and social obligation. The respondents were asked 'Do you believe you can have a credit unions built on strong commercial focus

²⁹ Alison Benjamin – Pay as you go – Attempt to extend Credit Unions to the well heeled. Society Guardian 21st Feb. 2001.

³⁰ Alison Benjamin – Pay as you go – Attempt to extend Credit Unions to the well heeled. Society Guardian 21st Feb. 2001

and social objectives?’ All the respondents agreed that credit unions could be built on strong commercial focus and social objectives (see table 14)

Nevertheless, the Credit Union still remains the main affordable option for poor people and people on low-income whom otherwise banks and other traditional financial institutions will exclude. A recent article written by John Husband published in the Mirror Newspaper highlighted below suggests that Credit Unions are a lifesaver for many low-income earners or people on benefits in the UK.

The ACTS credit unions in South East London proved a boon to Dana Hobbs. The 38 -year-old single mum from Lewisham had borrowed £700 from the Provident check trading company. The repayment totaled 32 weekly payments of £35, which worked out at £420 interest on the loan. ‘Then I had a leaflet through my door from ACTS credit union and I discovered their local payment point was right where I was working.’³¹

She cleared the remaining £500 with a fresh loan from ACTS, which cost her just £10.25 a week over the following year. ‘ I now have £700 saved with the union and my whole family have joined it-even my mum,’ she said.

³¹ John Husband - ‘Union Beat Loan Sharks’, Sunday Mirror 17th of Dec. 2003

Appendix 2: Local Researcher's Fieldwork Report

A brief overview of team observations during the questionnaire survey

The questionnaire research was conducted in Birmingham, Dudley, Walsall & Wolverhampton, which has a higher population of ethnic minority people. The survey team identified that young people of all races aged 16–25 years had little or no knowledge of credit unions. Young adults aged between 26-35 have heard about or used the Credit Union but had little knowledge of its purpose i.e. who it serve and the benefit of membership. Not many BME people have Credit Union membership; this could be increased by ways of promoting the image of Credit Union to a younger generation 6-18 years via youth groups and community centres. It could also be extended as far as introducing the concept to young single mothers for the future benefit of their children.

The research also identified that Indians aged 36-45 years has a similar operation scheme to credit union called 'Pooling' where members pool money together into a single pot where members can bid for it. The feedback also suggested that the older BME people have a greater understanding of credit Union and had actually brought it here from various islands of the Caribbean and Africa in the form of 'Partners'. The BME older generation has said that they initially started Credit Union and since its re-development the Credit Union has changed its focus.

Overall, we found that the financial services need of people especially low income or poor people are essentially the same regardless of whether they are black or white. However, the BME communities are suffering more from the non-existence of a financial institution that could support their business ideas and meet their personal needs.

There is a need to have Credit Unions services that meet the needs of BME people on low income and deprived areas to help creates socio-economic stability within the BME communities.

In conclusion, this research has found that if young BME people had knowledge and access to facilities such as Credit Union as an alternative to banks that they would use such facilities. Therefore, it can be suggested, that to move this process forward for promoting Credit Union to the younger generation, there is a need to initiate a pilot project starting with youth groups, after school clubs, community art centres and other relevant organisation.

Tunji Moore (2003)

Appendix 3: Research Questionnaires

Questionnaire A - Local Citizens living in close proximity to credit union

Part 1 - Demographic Profile of Respondent

(a) Please indicate your gender below.

Male Female

(b) Tick the box next to the age bracket, which best represent your present age.

Age Brackets (yrs)	Tick One Box
16 - 25	
26 - 35	
36 - 45	
46 - 55	
56 - 64	
> 64	

(c) Please indicate your ethnic origin by ticking the appropriate box.

Ethnicity	Tick One Box
White	
Black - African	
Black - Caribbean	
Black - Others	
Pakistani	
Indian	
Bangladeshi	
Chinese	
Others - Please Specify	

Part 1b - Socio - Economic Profile

(d) Employment Status:

Employed	Tick One Box
Self-employed	
Full-time work (30 hours +)	
Part-time work (16 - 29 hours)	
Unemployed	
Temporarily away from job or business	
Claiming Job Seekers Allowance	
Other	
Looking after the home/children or other dependents	
Doing unpaid voluntary work	
Attending 6 th Form, College or University	

(e) Income Status

Estimated Annual Income	Tick One Box
Under £3,000	
£3,001 - £8,000	
£8,001- £15,000	
£15,001 - £25,000	
£25,001 - £40,000	
£40,001 and above	

Part 1c: Access to Financial Services:

(a) Do you have a bank or building society account?

Yes

No

(b) If you answer to (a) above is Yes, what kind of services do you have access to?

Access to Financial Services	Tick all applicable boxes
Savings account	
Current account.	
Direct debit facilities	
Standing order facilities	
Loans/borrowing facilities	
High yielding investment account	
Others - <i>Please Specify</i>	

(c) If you answer to (a) above is No, what is the reason for you not having an account?

Reason for not having bank account	Tick One Box
I do not need or want a bank account (apathy)	
Banks do not open account for people like me	
Application rejected	
I have never tried to open an account	
Other reasons (Please state below)	

(d) Please indicate whether or not you have use the following services in the past.

Financial Services Providers	Yes	No
Banks		
Credit Unions		
Pawn Shops		
Money and Loan Shops		
Loan sharks		
Family and friends		
Others - <i>Please Specify</i>		

Part 2A - Perception of Respondents about Credit Unions

(e) Do you know anything about credit unions?

Nothing

(f) In your opinion what do you think a credit union is?

Understanding of Credit Union	Tick One Box
1. Social Club	
2. Labour Union Movement	
3. Financial Institution	
4. Loan Shop	
5. Cash & cheque Shop	

Note for the Interviewer: If the respondent answer is in box (3) or (4) above, then proceed to question10, otherwise stop the interview process at question 9. Thank you.

(g) Are you aware of your local Credit Union?

Yes No

(h) If you answer to question 8 above is No, what in your opinion would you say is the reason(s) for this. Please suggest reasons for this lack of awareness by ticking the appropriate boxes that apply to you below.

Lack of awareness of local Credit Union	Rank in order of importance
Apathy: I cannot be bothered	
Lack of information about credit unions	
Poor marketing drive	
Image of Credit Union	
Poor service proposition	
Name is synonymous with labour movement	
Others - <i>Please Specify</i>	

Part 2 B - Participation in Credit Unions

- (i) How would you rate your opinion of Credit Unions as a financial service provider? Please circle the appropriate number: (1) Strongly agree, (2) Agree, (3) Not sure, (4) Disagree and (5) Strongly disagree

	Strongly Agree			Strongly Disagree	
Is right for me	1	2	3	4	5
It is for rich people	1	2	3	4	5
It is not designed to meet the needs of socially disadvantaged people.	1	2	3	4	5
Is an alternative to banks	1	2	3	4	5
Is easily accessible	1	2	3	4	5

- (j) In your opinion, how would you rate the attractiveness of Credit Union services to the following people?

	Strongly Agree			Strongly Disagree	
White middle-class citizens	1	2	3	4	5
Black and Minority Ethnic (BME) people	1	2	3	4	5
Others	1	2	3	4	5

- (k) Who in your opinion is engaging and benefiting most from credit union activities? Please tick one box in each section

Participation in Credit Union	Tick one Box
<i>Ethnicity:</i>	
Black & Minority Ethnic people	
White people	
Others - <i>Please Specify</i>	

- (l) Think about your response to question 12 above, what do think makes these people better able to access the Credit Union?

Socio-Economic Issues	Tick all Appropriate Boxes	Ranking
Access to financial information		
Promotion and marketing of Credit Unions		
Financial Literacy		
Understanding of what Credit Union is all about		
Marketing Knowledge		
Consumer Inertia		
Discrimination (prejudice in any way, shape or form)		
Others - <i>Please Specify</i>		

(m) Listed below are some of the key benefits of credit union membership:

- Low cost loan
- Free loan protection insurance
- Free life saving insurance

Is Credit Union membership an option for you in the near future?

Yes No

(n) If your answer to 14 above is yes, please indicate by ranking what factors highlighted in the table below will help you to say yes to Credit Union membership.

Socio-Economic Issues	Tick all appropriate boxes	Rank
Access to financial information		
Good promotion and marketing of Credit Unions		
Image and name of Credit Union		
Understanding of what Credit Union is all about		
Benefits of membership		
Types of services on offer in line with my needs		
Personalise and competitive services		
Comparative services to banks and building societies.		
Others - <i>Please Specify</i>		

Thank you for taking time to complete this questionnaire, your contribution is highly appreciated.

Questionnaire B - Credit Union Practitioners

Perception of Credit Union Practitioners

1. Please indicate your present role in the credit union by ticking the appropriate box

Director Employee Volunteer Member

2. How long have you been a member of your local credit union?

Less than 1 year 1-3 years greater than 3 years

3. In your opinion, how would you describe the performance and growth of credit union in your local community:

Description	Ranking				
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
1. Highly significant					
2. Significant					
3. Insignificant					
4. Negligible					

4. Who in your opinion are engaging and benefiting most from credit union activities?

Participation in Credit Union	Tick one Box
<i>Ethnicity:</i>	
Black & Minority Ethnic people	
White people	
Others - <i>Please Specify</i>	
Socio-economic status	Tick one Box
Socially disadvantaged	
Financially excluded	
Unemployed	
Poor people	
Middle class citizens	
Rich people	
Others - <i>Please Specify</i>	

5. Would you say that the credit union offer (products and services) is better than the alternatives highlighted below?

Please circle the appropriate number: (1) Strongly agree (2) Agree (3) Not sure (4)

Disagree and (5) Strongly disagree

	Strongly Agree			Strongly Disagree	
	1	2	3	4	5
Banks					
Money Shops					
Pawn & Jewelry Shops					
Loan Sharks					
Cash & Cheque Shop					

6. A recent article in the Regeneration magazine reported the increasing number and activities of Loan and Money shop on the high streets. What would you say is the reason(s) for this?

Description	Tick all Appropriate Boxes	Ranking
Attraction of different economic class		
Immediate access to finance		
Better products and service		
Demand driven		
Bigger loans		
Consumer lack of awareness of credit unions as an alternative		
Poor financial literacy of customers		
Poor man's bank image of Credit Union		
Others - <i>Please Specify</i>		

7. How would you describe the future prospects of the Credit Union in your local community?

Please circle the appropriate number: (1) Strongly agree (2) Agree (3) Not sure (4) Disagree and (5) Strongly disagree

	Strongly Agree			Strongly Disagree	
	1	2	3	4	5
Excellent					
Good					
Not Sure					
Poor					
No-future					

Black and Ethnic Minority Participation in Credit Union Activities

8. (i) Presently, how would you rate the level of involvement of Black and Ethnic Minority people in your Credit Unions?

Description	Ranking				
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
1. Highly significant					
2. Significant					
3. Insignificant					
4. Negligible					

- (ii) How representative of the local population is your credit union?

Ethnicity:	Percentage (%)
White	
Black-African	
Black-Caribbean	
Black-Others	
Pakistani	
Indian	
Bangladeshi	
Chinese	
Others - <i>Please Specify</i>	

9. What do you think are the perceived barriers for Black and Ethnic Minority People participating effectively in Credit Union activities in the West Midlands?

Description	Tick all applicable boxes	Ranking
Apathy: I cannot be bothered		
Lack of information about credit unions		
Poor marketing drive		
Credit union service is not demand driven (e.g. size of loan)		
Poor man's bank image of Credit Union		
Lack of awareness of benefits of membership		
Name is synonymous with labour movement		
Attraction of different economic class		
Immediate access to finance		
Poor financial literacy of potential members		
Others - <i>Please Specify</i>		

10. Despite government financial literacy campaigns and the benefits that Credit Union membership offers; many Black and Minority Ethnic (BME) people are still the victims of loan sharks. Why do you think this is the case?

Description	Tick all Appropriate Boxes	Ranking
Bigger Loans		
Immediate access to finance		
Flexible products and timescale		
Demand driven		
Lack of awareness of local Credit Union existence		
Criteria for membership of credit unions		
Scale of Operation of Credit unions e.g. opening and closing hours		
Others - <i>Please Specify</i>		

BME People Participation in Credit Union

11. What kind of effect do you think the new model credit union with its focus on economic objectives over social objectives have on BME people participation in local Credit Union?

Positive Not-Sure Negative

12. Do you believe you can have a credit union built on strong commercial focus and social objectives?

Yes No

Thank you for taking time to fill this questionnaire your contribution is highly appreciated.

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