

**Creating wealth in the West Midlands  
through sustainable Credit Unions**

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

**Executive Summary**

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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.

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.