



Introduction of the Model Credit Union Building methodology allows Credit Unions to better serve their members

March 2020



Employees of CU "Kredyt-Soyuz" working on MCUB during CAP Specialist's quarterly monitoring visit, 2020.



Tractor purchased with a CU loan by agricultural producer Tetiana Kovbasiuk. (Source: CAP Project, CU "Kredyt-Soyuz")

Disclaimer: This progress update is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of World Council of Credit Unions and do not necessarily reflect the views of USAID or the United States Government.

Political and economic uncertainty has been a reality for Ukrainian credit unions (CUs) for quite some time, jeopardizing their ability for long-term strategic planning. Due to the instability, most CUs choose conservative business models, limiting their exposure to risk and at the same time their potential for growth.

To improve business planning among CUs, the Credit for Agriculture Producers (CAP) project introduced World Council of Credit Union's (WOCCU's) Model Credit Union Building (MCUB) methodology to six pilot CUs. The model allows for risk analysis and strategic planning based on historical data, as well as the CUs' current experience. This well-tested methodology based on WOCCU's global experience refocuses CUs to mobilize deposits to finance lending activities. Increased savings allow CUs to increase their loan portfolio and its maturity, enabling them to serve a larger number of community members.

Kredyt Soyuz from the Cherkasy region is among the pilot MCUB CUs. This large CU has 14 branches and serves more than 13,000 members, of which close to 10,000 are women. The use of MCUB has allowed the CU to establish a development action plan, tracking results while linking plans to its budgeting process. Since introduction of MCUB in 2019, Kredyt Soyuz increased deposits by 44% to UAH 36 million (USD 1.5 million¹) and the total loan volume by 23%. At the end of 2019, these loans exceeded UAH 95 million (USD 4.0 million). The average loan size increased by 26%, to UAH 15,000 (USD 633), and loans were provided for longer terms. Concurrently, membership grew by 18.5%.

Improved results and planning have allowed Kredyt Soyuz, in collaboration with IFC, to obtain a credit line from a commercial bank for UAH 1.2 million (USD 50,675), allowing for additional lending due to better liquidity management.

Borrowers also felt positive changes in working with their CU. Tetiana Kovbasiuk, a family farmer from the Chygyryn region secured her largest loan to date. She reported: *"I have been working with the CU for three years. Previously, I received several loans up to UAH 30,000 (USD 1,267) each. But now... the CU issued a UAH 115,000 (USD 4,856) loan for a three-year period. Thanks to the loan, we purchased a tractor, and we will pay it back in a year."*

The head of the Kredyt-Soyuz Board Volodymyr Kazarinov comments on the innovations: *"The MCUB allowed us to evaluate the dynamics of the credit union's development to see how we compared with international standards. This toolkit was also used to prepare our strategic plan for 2020-2022, which was submitted to the regulator. Thanks to MCUB, we found a compromise, which allowed us to implement a wide range of ideas and still have a balanced result."*

¹ Exchange rate used as of Jan 1, 2020 of USD 1.00 – UAH 23.68