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Book

Credit unions in Romania : a strong social enterprise model to combat financial exclusion and over indebtedness

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WORKING PAPER

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enterprise model to combat financial
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CIRIEC N° 2015/11



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***Credit Unions in Romania – a strong social enterprise model
to combat financial exclusion and over indebtedness****

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Working paper CIRIEC N° 2015/11

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Abstract

Credit unions are social economy entities that have an important contribution to preventing financial and social exclusion in Romania. Historically, we can speak about credit unions in Romania from XVIII century in Transylvania, until present. These social economy entities have been a considerable support during all these times for persons with low income in Romania, being credible institutions in the communist period, and also after 1990 Revolution, facing successfully all turbulent economic transformations and global challenges, adapting and developing themselves continuously until present, when they begin to embrace microfinance and adopt the European Code of good-practice in micro-finance. They have the potential to become a successful social economy model, very instrumental in providing affordable loans and safe saving and also contributing to local development through support for entrepreneurship and job creation.

Our paper has as objective to describe and analyze the specificity of Romanian credit union model, that could be seen in the same time as a social innovation, with a big multiplier effect in economy and society, generating inclusive growth and development; an overview of the dynamics of the sector, considering the most recent available statistical data. The paper will include the preliminary research results of the project “ICAR - inclusion by micro-credit and mutual help - sustainable strategy of social economy for employment and creation of social enterprises”, financed by European Social Fund - Human Resources Operational Programme, ID 148102, regarding the general context of access to financial services in Romania, financial exclusion and over-indebtedness.

Key-words: credit union, financial exclusion, social exclusion, social economy, mutual financial help, micro-credit.

1. History of credit unions in Romania

In Romania credit unions are established as non-profit associations, and are divided in two categories: credit unions of employees (established according to the law no. 122/1996) and credit unions of pensioners (established according to the law no. 540/2002). Credit unions can be considered as being part from category mutual saving societies or credit unions, having the main aim to raise funds from members in “social fund” and to provide them loans at affordable interests (sometimes also financial help in special situations - funeral expenses, etc.), contributing in this way to preventing social exclusion. According to the national legislation, credit unions are included in the category of non-banking financial institutions, and are registered in the Register of non-banking financial institutions of National Bank of Romania, together with the pawn houses and other entities which perform activities in this field. They are not credit institutions (financial monetary institutions), in the sense they cannot attract deposits or other repayable funds from public and cannot offer lending in their own and/or issue electronic money.

In Romania, the history of mutual credit dates from 18th Century when there such associations were established in Transylvania, on the model of guilds with aid character. According to Kivu M. research report: in 1722 in Resita appeared so called “brotherly chest” (Bruderslade), an association established on the model of the mining associations from Central Europe, that worked from 15th - 16th Centuries; in 1789 in Baia-Mare appeared Main Brotherly House, which later was extended to the metallurgists from town; in 1835 Home Storage “Kronstadter Allgemeine Sparkassa” was established in Brasov, formed from members’ deposits. In the second half of 19th Century appeared first credit unions resulted from social initiatives of small craftsmen, traders, professors, workers etc., who put a part of their savings in common, as base for obtaining credits (for example: 1846, in Brasov - Romanian Association of Mutual Aid of typographers workers; in Braila - “Twinning” Saving, Credit and Help Society; in 1858 in Bucharest - “House of help and provision of typographers workers”; in 1863 in Bucharest “House of mutual aid of typographers workers” under the presidency of C.A. Rosetti; in 1868 in Chirnogi village, Ilfov county - “Society of indoor relief of Chirnogi village”, considered the first modern credit association which was legally functioning in Romania - juridical person; in 1870 in Bucharest - “Saving - Association of popular credit”, savings and credits house funded by Petre S. Aurelian, etc.) (Kivu, 2011, quoted from Lambru, 2013, p. 37-38; UNCARS 2015).

Credit unions were always of considerable support for the persons with low incomes in Romania, being credible institutions in the communist period, and also after 1990 Revolution, facing successfully all turbulent economic transformations and global challenges, adapting and developing themselves continuously until present, when they begin to embrace microfinance. We mention that recently, in 2014, in the first stages of the European common

initiative JASMINE, 6 credit unions were selected for being beneficiaries of technical assistance, evaluation and training as micro-credits providers. The particular present organization of credit unions (for employees and for pensioners) in connection with the statute derived from labor is a legacy from the communist period, when these organizations were integrated in the communist welfare system, and offered the single loan option for citizens in the absence of the commercial banks. This rigid dichotomous structure follows the structure of the life cycle from the communist period: school - work - pension. So, for the employees there was the option of volunteer enrollment in the credit union of the employees under the direction of trade unions, and, when they retiring they had the option of volunteer enrollment in the credit unions for pensioners under the coordination of Ministry of Labor at that date (Lambru, 2013, p. 78).

Being organized around an employer – common bond being the employer – after the Revolution, credit unions faced the sudden collapse of big industrial enterprises, a change of the system, but, after a moment of crisis and confusion, they re-organized themselves and continued to activate as support for people.

2. Credit unions role in counter-act increasing poverty, financial exclusion and over-indebtedness in Romania

At present credit unions are considered main actors of social economy. They are social economy entities with an important role in tackling poverty and financial inclusion in Romania.

According to Eurostat data, in 2012 Romania had the 2nd highest risk of poverty or social exclusion, 41,7% of the total population being affected. In the same time Romania has the biggest quota of persons who live in rural areas from European Union (45% from the total population), and, according to National Institute of Statistics in 2010, the risk of extreme poverty is 4 times higher in rural areas (8,8%) comparing with the situation in urban areas (2,2%). Historically, credit unions and credit cooperatives are known to have served the rural areas, which had poorer access to financial services.

In Romania there is still little access to financial services. Romania is the EU member state with the lowest access to financial services.

Table no. 1: Account with a financial institution in 4 countries and Euro zone average – national and rural 2011 and 2014

	Account with a financial institution (%) ³		Account at a financial institution, rural	
	2011	2014	2011	2014
Euro Zone	90,6	94,8	89,08	94,75
Romania	44,6	60,8	37,40	56,38
Bulgaria	52,8	63,0	45,02	54,34
Serbia	62,2	83,1	52,74	79,39
Hungary	72,7	72,3	69,67	70,80

Source: Global Findex Database – processed by the authors.

According to the Global Findex database⁴ in 2014 only 60,8% of the population 15 years and over had an account with a financial institution, compared with the Euro zone average of 94,8%. Even compared with all its neighbor countries EU member and non-member Serbia, Romania is the country with the lowest access. This is although rapidly decreasing. Access in Romania has risen with 38% over the last 3 years from 44,6% to 60,8%, the highest increase among the countries in the region. Access is lower among the poorly educated (primary school or less) of only 34,4% and among the rural population 56,4%. The access among the rural population has risen at a faster pace than the average with almost 50% over the same period.

According to Global Findex 45,7% of the Romanians have borrowed money in 2014, 10% more than the Euro zone area and even more than its neighbor countries. The incidence of borrowing is higher among the rural population and those poorly educated, although these have poorer access to services.

Table no. 2: Incidence of borrowing⁵ among selected countries and average Eurozone area 2014 – general, primary education or less and rural

2014	Borrowed any money in the past year	Borrowed any money in the past year, primary education or less	Borrowed any money in the past year, rural
Euro area	35,4	..	35,9
Romania	45,7	45,3	45,6
Bulgaria	33,1	28,2	32,0
Serbia	32,1	28,9	32,2
Hungary	31,4	29,4	31,7

Source: Global Findex Database – processed by the authors.

³ Denotes the percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution (see year-specific definitions for details) (% age 15+).

⁴ <http://www.worldbank.org/en/programs/globalindex>

⁵ Denotes the percentage of respondents who report borrowing any money (by themselves or together with someone else) for any reason and from any source in the past 12 months (% age 15+).

Indebtedness of the Romanian households is increasing rapidly. According to Eurostat, Romania was the 5th country in terms of weight of households with arrears for current payments (mortgage or rent, utility bills or hire purchase), almost one in three households having difficulties with current payments, close to the rates registered in countries that faced most difficult financial crisis such as Cyprus. This has raised 3 times in 6 years. Most of the debts registered by Romanians are for utilities which are undergoing a price liberalization process.

Table no. 3: Arrears (mortgage or rent, utility bills or hire purchase) % of total population - Top 5 EU member states

GEO/TIME	2005	2006	2007	2008	2009	2010	2011	2012	2013
Greece	33,1	29,9	26,4	24,4	28,7	30,9	31,9	39,0	45,3
Bulgaria	22,1	22,1	31,0	35,5	34,8	33,8	30,9	31,5	36,1
Cyprus	21,8	22,0	23,0	14,1	23,3	28,0	28,4	31,5	33,6
Croatia	n.a	n.a	n.a	n.a	n.a	30,1	29,6	30,4	31,4
Romania	n.a	n.a	10,1	25,4	27,1	29,8	30,2	31,1	30,5

Source: Eurostat Arrears (mortgage or rent, utility bills or hire purchase) (source: SILC) [ilc_md05].

Over-indebtedness phenomenon affects particularly poor workers, unemployed persons, and even persons from the middle class. In many cases, the cause of over-indebtedness was the recourse to credits, sustained by aggressive and deceptive campaigns in order to compensate the lack of incomes and desire to purchase goods and services in a society of abundance. Payday lenders charging exorbitant rates and fees often drive desperate borrowers into spiraling debt.

The actual need for financial education of Romanian population is huge. A financial literacy study conducted in Romania in 2010 founds that from the Romanian population of 16 years or more

- 14% were *Financial followers* type – that inform themselves daily from various sources, monitor a wide range of financial trends (property market, interest rates, inflation rate, etc.), have good knowledge and understanding of financial issues, nearly all make use of various financial products and have the lowest distrust in the financial institutions.
- 29% were *Financial adopter* – also inform daily from various other sources, but monitor only few financial indicators, particularly interest rates, inflation rate, and changes in the level of public pensions, benefits and tax exemptions having medium knowledge and understanding of financial issues.
- 41% were *Financial reluctant* – with significantly lower levels of financial literacy, they have poor knowledge and understanding of financial issues and only 20% of them use a formal financial product.
- 14% were *Financially outsiders* – characterized by lack of participation, lack of knowledge and lack of awareness in relation to the financial

system. With only 3% of them using one formal financial product, they were considered to be financial illiterate. (Stănculescu, 2010, pages 46-47).

The poverty among pensioners from Romania is above average. The minimum pension did not keep the pace with the wage increase and with the inflation rate. According to Econtext, Romania is situated on the 3rd place in European Union with a rate of pensioners who must live at the limit of poverty of 41,7% (after Bulgaria 55%, Cyprus 49,9%). In total, in Romania live 5 million pensioners, approximately 2 million pensioners in poverty. In 2012, 1,8 million of pensioners were members in credit unions for pensioners, and benefited of affordable loans, financial aid in different situations, and a lot of social services - social shop, social hairdresser and barber, discounted trips, discounted services in surgery and physiotherapy clinic, etc. Credit unions for pensioners' means mutual help, social services, but in the same time they mean active ageing for many Romanian pensioners. Credit unions for pensioners succeeded to enhance the quality of life of these persons, optimizing opportunities for financial needs and social services, acting as the main driver of social innovation for an important part the category of elderly people in Romania lost by the state and social policies.

Credit unions for employees have re-positioned – from only employer common bond to professional bonds – such as medical professions, teachers, and territorial. Also membership includes now also self-employed. They activate in present in the low income market place. Their important role in society is tackling poverty, through low-cost lending especially for non-banked population. Like in other European Union countries, in Romania many people have difficulties in accessing or in using the financial services on the general public market. The financial exclusion is strongly connected with social exclusion. In 2012 credit unions for employees offered considerable support for 1,2 million Romanians. They offer affordable loans but also financial education for their members. In the above context, the project *“ICAR - inclusion by micro-credit and mutual help - sustainable strategy of social economy for employment and creation of social enterprises”*, financed by European Social Fund - Human Resources Operational Programme, ID 148102 and implemented by National Union of Credit Unions for Employees from Romania (UNCARS) in partnership with Civil Society Development Foundation and 8 county unions and 18 credit unions affiliated UNCARS, is a first step for the transformation of the actual system towards the approach of a credit union system as an important social economy sub-sector, with a type of credit union focused on the specific social mission of overcoming financial and social exclusion and over-indebtedness. This project has the main objective of strategic promotion of a successful model of social economy: micro-financing (mutual financial aid) as instrument of social inclusion and employment. New credit unions established in the framework of this project will respect European Code of good-practice in micro-finance (European Commission) which includes a set of standards for

management, governance, risk management, reporting and relations of consumers and investors in the sector of micro-credit in European Union. This new approach will have a multiplier effect, preventing financial exclusion of the persons who face poverty, creating employment and sustainable local development by financing small local business addressing better local needs.

3. The model of the Romanian credit union movement

From theoretical point of view, credit unions are considered organizations which follow organizational life-cycle theory. Ferguson and McKillop (1997, 2000) developed a well-known classification typology of the distinct growth phases of the evolutionary development of credit unions: nascent (formative), transition and mature. Credit union movements at a nascent stage of development tend to have a small assets size, high levels of structural and conduct regulation, a tight common bond, a heavy reliance on volunteers, and provide basic savings and loans products. Transition movements are characterized by large asset size, evolving regulatory and supervisory frameworks, less common bond restrictions, higher levels of product diversification, development of professional trade associations, less reliance on volunteers, development of central services and a greater emphasis on growth and efficiency. Finally, mature movements have large asset size, have undergone structural and conduct deregulation accompanied by increased prudential regulation, a loose common bond, diversified product portfolios, professionalization of senior management, centralized services, adoption of electronic technologies and a deposit insurance scheme. (McKillop, Wilson, 2014, p. 8-9). A new position regarding credit union's distinct developmental path is that of a path that moves from a nascent stage to a transitional stage through to a mature stage of development. Although this classification system implicitly assumes that credit union movements should pass through each stage in turn, the authors also emphasize that this linear path is not guaranteed in all instances. As well as facilitating the benchmarking of a movement, the development typology above can be used to identify and understand the interplay of factors which create a progression, or hindrance to progression, between the different developmental stages. (McKillop, Wilson, 2014, p. 16).

Credit unions can be understood by thinking about how they operate within five spheres of activities: members, community, state, structure, management (MacPherson, 1999). Applying all these theoretical frameworks to the Romanian credit union model, and considering also the fact that credit unions are essentially representative of local conditions, we can assume that the Romanian credit union model follow the path that moves from a nascent stage to a transitional stage through to a mature stage of development. In the period 1990-2015 credit unions have undergone an evolution from a nascent stage after the Revolution, to a transitional stage in the last years (social economy entities, micro-finance providers), on the foundations laid first during 18th and

19th Centuries). Credit union type of organizations lived in two different socio-economic systems, kept the strengths, adapted and transformed itself in time, reached maturity and gained people's trust, re-invented itself in terms of organization, products, services. It could be an example of what we name today at European level 'social innovation' - the model itself, and even its development path, and also an example for the importance of social capital in creating sustainable organizations beyond time and different socio-economic systems.

4. Overview and dynamics of the credit union sector in Romania

Using data from the Atlas of Social Economy 2014, we give below the overview of the credit unions sector in Romania in 2012, the dynamics of the sector and a preliminary analysis, looking at three main indicators: number of organizations – consolidation of the sector – mergers, assets, staff and volunteers.

In 2012, in Romania there were a total number of 2845 credit union organizations registered in the Register of Non-Banking Financial Institutions, Section B – Credit Unions of the National Bank of Romania.

From these there were active (registering annual financial statements with tax authorities) a number of 2767 credit unions, out of which 2569 credit unions of employees (92.84% of the total credit unions) and 198 credit union of pensioners (7.16% of the total credit unions), the activity rate for the total credit unions being 97.3%.

**Table no. 4: Total number of registered and active Credit unions
Activity rates in 2011 and 2012**

	2011	2012
Registered Credit unions (Registry of the National Bank of Romania)	2821	2845
Active Credit unions (with INS balance sheet)	2735	2767
Activity rate (%)	97.0%	97.3%

Source: the National Bank of Romania – Registry of Non-banking Financial Institutions, Section B – Credit Unions; INS 2011-2012; processed by FDSC-IES, 2014.

Credit unions cumulated in 2012 assets in value of 3.624.190 thousands RON (increasing by 7.31% compared to 2011), got total revenues of 589.143 thousands RON (increasing by 4.06% compared to 2011), and employed a total of 5403 persons (increasing by 1.31% compared to 2011).

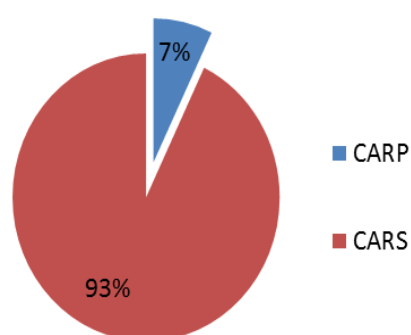
**Table no. 5: The main indicators of active credit unions
in the years 2011 and 2012**

2011	Number of organizations	Assets (thousands RON)	Assets (Euro)	Revenues (thousands RON)	Revenues (Euro)	Employees
Credit union, out of which:	2735	3.377.058	796.870.620	566.148	133.591.637	5333
Credit union of pensioners	193	678.768	160.166.120	145.194	34.260.837	2176
Credit union of employees	2542	2.698.290	636.704.500	420.954	99.330.801	3157

2012	Number of organizations	Assets (thousands RON)	Assets (Euro)	Revenues (thousands RON)	Revenues (Euro)	Employees
Credit union, out of which:	2767	3.624.190	813.328.097	589.143	132.213.420	5403
Credit union of pensioners	198	768.865	172.546.005	159.879	35.879.488	2240
Credit union of employees	2569	2.855.325	640.782.092	429.264	96.333.932	3163

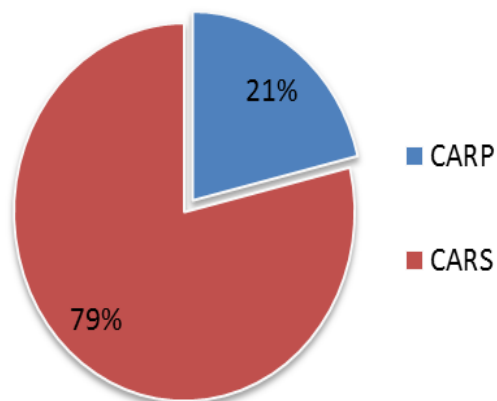
Source: INS, 2011-2012, UNCARS National Union of Credit Unions of Employees in Romania 2011-2012; processed by FDSC-IES, 2014.

Graph no. 1: Credit unions by type
(% number of organizations **2012**)
CARP (credit unions of the retired)
CARS (credit unions of employees)

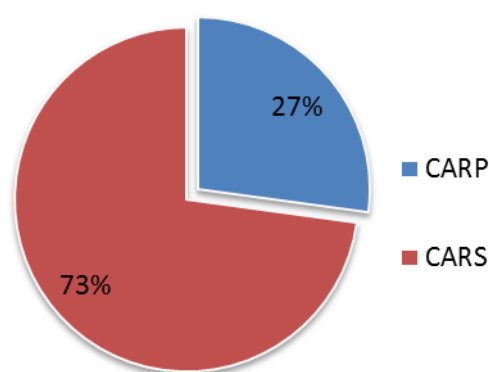


Source: Atlas of Social Economy 2014, IES – FDSC.

Graph no. 2:
Assets by type of credit union 2012
 (% in total active CU)
 CARP (credit unions of the retired)
 CARS (credit unions of employees)



Graph no. 3:
Revenues by type of credit union 2012
 (% in total active CU)
 CARP (credit unions of the retired)
 CARS (credit unions of employees)



Source: Atlas of Social Economy 2014, IES – FDSC.

For both types of credit unions, Atlas of Social Economy shows there were registered growth tendencies to all indicators in 2012 compared to 2011 (number of organizations, total assets, total revenues, social fund of the members, death aid fund for the members, permanent capital), and a more accelerated dynamics of indicators was marked out in case of credit union of pensioners.

Dynamics of the sector using the available data shows a positive evolution in terms of number of credit unions of pensioners in the period 2000-2012 and a decreasing evolution for the credit unions of employees affiliated to the National Union of Credit Unions of Employees in Romania (UNCARSR) due to the consolidation process that the movement is undertaking – mergers among the smaller CU.

In present, National Federation Omenia of the Credit Unions for pensioners, the most powerful pensioners organization from our country, has 142 credit unions affiliated from the total of 198, with 1.4 million members spread in urban areas (53%) and also in rural areas (47%).

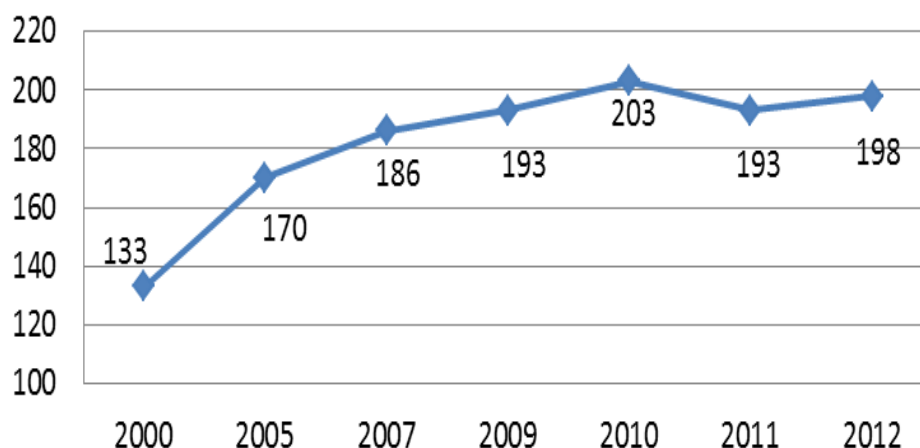
In 2012 UNCARSR had 1852 credit unions for employees affiliated, with a number of 474 members/credit union. Data provided by UNCARSR registers show a constant decrease of the number of credit unions affiliates (-46,25% in 2012 compared with 2004) and also a constant decrease of the members (-33,67% in 2012 compared with 2004). In 2012 the total number of members represented a percent of only 14,08% from the waged population in Romania, what suggests a possible high development potential for these entities if they are reformed and supported adequately as it is intended in ICAR project.

**Table no. 6: Evolution of number of CAR
(CU of pensioners in the period 2000-2012)**

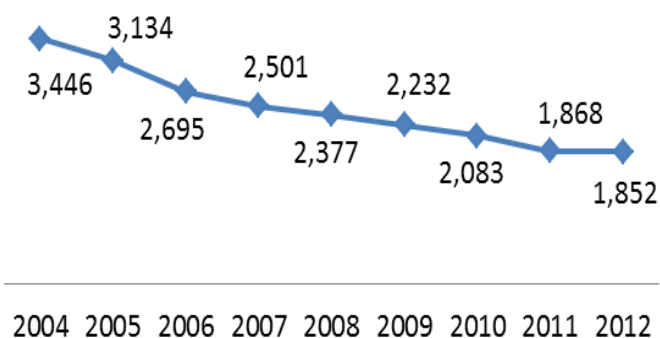
Number of organizations	2000	2005	2007	2009	2010	2011	2012
CU for pensioners	133	170	186	193	203	193	198

Source: National Institute of Statistics, 2000-2012; processed by the authors.

**Graph no. 4: Evolution of the credit unions for pensioners
in the period 2000-2012 - number of organizations**



**Graph no. 5: Evolution of the number of credit unions affiliated UNCARS
in the period 2004-2012**



On the basis of data from the Atlas of Social Economy, we provide below a profile for credit unions for pensioners and credit union for employees, using the main average indicators. CARP (CU of the retired) have on average higher assets and generate more revenues (due to the fact that these organizations run also other services for members and not just saving and loans).

Table no. 7: Credit unions profile in 2012 (average indicators)

	CARP (CU of pensioners)		CARS (CU of employees)	
	(thousands lei)	Euro	(thousands lei)	Euro
Fixed assets	3.883	871.409	1.111	249.330
Total revenues	807	181.100	167	37.480
Social fund	5.012	1.124.780	976	219.030
Total assets minus current debts (permanent capital)	3.828	85.907	1.096	245.960
Surplus	218	48.920	59	13.240
Employees - average	12		2	

Source: National Institute of Statistics, 2012; processed by the authors.

Assets

The credit unions in Romania show a slow tendency of consolidation with total level sector assets and average assets by union increasing constantly during 2005-2012. The Credit Unions of the Retires (CARP) have a stronger asset base than that of employees which may be due to the fact that they depend on members fix money pensions as opposed to the employees given the very bad employments situations in Romania over the recent decades – Romania has lost over 3 million jobs in 25 years.

Table no. 8: Credit unions assets, 2005-2012

ASSETS (Ron)	2005	2007	2009	2010	2011	2012
CARP						
Total (K)	196.560	318.804	507.371	674.163	678.768	768.866
Average (K)	1.156	1.714	2.629	3.321	3.517	3.883
CARS affiliated UNCARS						
Total (K)			1.676.562	1.859.216	2.078.301	2.085.624
CARS non-affiliated UNCARS						
Total (K)	297.129	442.988	n.a.	609.264	619.989	769.702
Average (K)	520	674	n.a.	892	920	1.074
ASSETS (Euro)						
CARP						
Total	54.247.392	95.527.522	119.739.221	160.137.533	160.166.120	172.546.230
Average	319.037	513.589	620.442	788.855	829.892	871.409
CARS affiliated UNCARS						
Total	n.a.	n.a.	395.667.524	441.629.492	490.408.221	468.048.474
CARS NON-affiliated UNCARS						
Total	82.002.815	132.738.441	n.a.	144.721.727	146.296.279	172.733.842
Average	143.512	201.960	n.a.	211.882	217.089	241.023

Source: National Institute of Statistics, 2005-2012; processed by FDSC-IES.

Volunteers vs. personnel

On average a CARP (CU of the retired) had 12 employees in 2012, a number which has decreased since 2005, most likely in an attempt to improve efficiency.

**Table no. 9: Evolution of main employment indicators in CARPs
(CU of the retired) 2005-2012**

CARP	2005	2007	2009	2010	2011	2012
Average no. of employees by CU	14	13	14	12	12	12
Total no. of employees in the CARP CU sector	2.345	2.368	2.724	2.510	2.176	2.240

Source: National Institute of Statistics, 2005-2012; processed by FDSC-IES.

The number of CARP (CU of the retired) run solely on a voluntary basis varied between 6,5% in 2005 and highest. 10,1% in 2011. Most CARP have around 1-5 employees 40,7% of the CARP, with the weight of those having over 20 employees decreasing from 17,6% in 2005 to 16% in 2012.

**Table no. 10: Distribution of CARP (CU of the retired) by intervals
of no. of employees 2005-2012**

Intervals – no. of employees	% CARP (INS)				
	2005	2007	2010	2011	2012
No employees – only volunteers	6.5%	8.1%	9.9%	10.1%	8.2%
1-5 employees	34.7%	36.6%	39.9%	37.6%	40.7%
6-10 employees	21.2%	17.7%	20.7%	19.0%	17.5%
11-20 employees	20.0%	19.4%	11.8%	18.0%	17.5%
over 20 employees	17.6%	18.3%	17.7%	15.3%	16.0%

Source: National Institute of Statistics, 2005-2012; processed by FDSC-IES.

Based on these data we can say that *credit unions in Romania are in a transition phase* with increasing assets, some still relying on volunteers, but showing a trend towards increased professionalization, less common bond restrictions, and a greater emphasis on growth and efficiency.

Size of the CU organization - membership and penetration

There are not complete published data on the situation of membership in credit unions and its evolution over the last years. The best records are to be found at the UNCARS – National union of CARS (CU of the employees). Their membership has declined over the last 10 years from 1.323.591 in 2004 to 942.381 in 2010, and has since 2011 returned to a slightly positive curve increasing with 12.000 over the last two years for which comparative data are available.

**Table no. 11: No. of organizations and membership in credit unions
in Romania 2011-2012**

Indicator	2011	2012
CARS affiliated UNCARS		
No. of CARS	1966	1912
No of members	944.564	954.979
Membri - medie	500	474
CARS NON-affiliated UNCARS		
No. of CARS	674	717
No of members	337.674*	339.858*
CARP		
No. of CARP	193	197
No of members		1.400.000**

*Estimated by the authors based on the average at UCARS affiliated.

** Based on estimated of the National Federation of CARP.

**Table no. 12: Evolution of number of unions and membership in CARS
(CU of the employees) affiliated to the National Union UNCARS 2004-2012**

	2004	2005	2006	2007	2008	2009	2010	2011	2012
No of CARS	3.446	3.134	2.695	2.501	2.377	2.232	2.083	1.868	1.852
Membership (thouds)	1.324	1.189	1.116	1.043	1.002	966	942	945	955
Average membership by unions	384	379	414	417	422	434	450	501	474

Source: UNCARSR 2004-2012.

We can see a process of consolidation among the CARS (CU of the employees) the number of organizations decreasing from 3446 in 2004 to 1852 in 2012, with the average number of members in an organization increasing from 384 to 474.

In terms of penetration⁶, Romania is the second country in Europe after Ireland if we use data from the national statistics and statistics of the two national umbrella organizations UNCARS and Federatia CARP Omenia. Currently WOCCU includes only members of FedCAR a small federation grouping only 19 of the 2826 registered and active credit unions.

⁶ Percentage of workage population that is member in a credit union.

Credit Unions Penetration, 2012				
Country	2012 Credit Unions	2012 Members	WORKAGE POP 2012	Penetration 2012
Europe				
Belarus (a)	20	2.538	6.816.019	0,04%
Estonia	21	4.060	839.925	0,48%
Great Britain	397	1.025.819	41.473.143	2,47%
Ireland	487	3.200.000	4.370.100	73,22%
Latvia	31	26.000	1.502.557	1,73%
Lithuania	63	135.920	2.448.889	5,55%
Macedonia	1	7.299	1.461.374	0,50%
Moldova	359	126.746	2.596.899	4,88%
Poland	55	2.590.713	24.273.127	10,67%
Romania	19	58.311	15.306.273	0,38%
Romania*	2.826	2.694.837	15.306.273	17,61
Russia	250	298.456	100.997.216	0,30%
Ukraine	617	1.095.883	31.453.125	3,48%
Total Member Countries	1.867	8.283.079	226.990.302	3,65%
Total Other Countries	453	288.666	6.548.345	4,41%
TOTAL for Europe	2.320	8.571.745	233.538.647	3,67%

Source: World Council of Credit Unions' annual Statistical Report.

* Figures for Romania included by WOCCU only 19 CARS affiliated to a small federation FedCAR.

5. Conclusions

There is significant evidence in the specialized literature that credit unions can succeed in addressing the low income market as long they have a robust commercial approach to development, have effective management systems in place and offer products and services that are attractive both to low income and moderate income consumers (Jones, 2008, p. 2145). In Romania credit unions are in the process of adjusting their mission and strategies in the new socio-economic context and finding their role in a context with extensive financial and social exclusion problems, and to be recognized as important actors of social economy. The recent trends of the system show and argue their importance for a considerable part of the Romanian population. Credit unions have survived and grown over many years in Romania, constantly evolving and consolidating themselves. In present, as actor of social economy, they are a key actor with significant potential in contributing to solving stringent problems of the population (financial exclusion of non-banked population, over-indebtedness, lack of financial education) and to create and accelerate local sustainable

development, by starting to provide micro-credit for small business development to their members.

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