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Credit Unions: Historical Evolution and Current Development

Article provides analysis of Ukrainian credit unions' historical evolution and current development. On the basis of historical analysis and critical overview of current trends and legislative regulation of Ukrainian credit unions' functioning author presents a hypothesis stating that establishment of system for adequate administrative control of Ukrainian credit unions' functioning is required due to increasing level of financial crimes in Ukraine.

Complete transformation of Ukrainian economy into socially-oriented market system and post-crisis recovery is possible only provided that complex financial-credit system is established. Any critical situation demands for search of multiple social protection formats and tools. State support of vulnerable categories must be followed by gradual implementation of social protection mechanisms based on principles of optional insurance and mutual support. Credit unions in Ukraine which popularity is constantly growing can become one of such mechanisms as an important element of non-banking institution system.

Credit unions are attracting more clients than other financial currency market institutions due to effective combination of two key functions – accumulation of currency and its disposition in credits (unions are mostly functioning on the cooperative basis proved to be democratic and humane).

Credit unions also launched a highly popular consumer loan – commodity installment (later appeared also in Ukrainian banks).

Still, development of cooperative movement is closely connected to specific problems including accumulation of practical experience of unions' establishment and functioning, improvement of legislation regulating the financial aspects, activation of cooperation with international organizations.

One of the most important issues today is the necessity to define and prove capacity of credit units to accumulate savings of private households and use these resources to support community and small business enterprises. The revival of Ukrainian credit-cooperative sector provides unions with extra capacity for its key task completion – to serve Ukrainian citizens. That is why comprehensive analysis of financial and cooperative legislation is required.

Keywords: creditunion, the mechanism of state regulation, administrative and legal measures, offense.