COMPARING AND BENCHMARKING THE PERFORMANCE OF CREDIT UNIONS IN SOUTHERN COLORADO

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ABSTRACT

To be sustainable in the market, a firm needs to understand its current performance in relation to competitors' in the same market. The performance of a company also can be important to the customers of financial institutes, for example, small business owners for fulfilling their financing requirements. We select credit unions in Southern Colorado and analyze their relative performance using data envelopment analysis. Credit unions are not for profit, co-op based, and owned by members or customers. In addition, they are governed by board members drawn from their affiliated members. As a result, the credit unions provide better rates and other benefits to their members. To be a member of a credit union, a potential customer must meet membership requirements.

We include fourteen credit unions in the Pueblo-Colorado Springs area and select pertinent variables for analysis. We employ data envelopment analysis, which is good for measuring relative efficiency and benchmarking, and provide (1) the results that reveal the performance of the credit unions, (2) the internal, external, and/or market related sources of inefficiency, and (3) potential improvements on variables.

Using the results of analysis, we suggest managerial implications for the credit unions and useful information for current and future members of the credit unions. Especially, because the credit unions are frequently financial sources of small businesses, this study will help entrepreneurs find a solid source of their financing requirements in the region. This study can be applied to similar analyses with slight revisions.