

Credit Unions and the Rural Social Economy

Freya Kristensen

Dr. Sean Markey

Dr. Stewart Perry

Propositions

- Credit unions have unique roles to play in financing the social economy
- As representatives of the social economy, credit unions can contribute to rural revitalization



Credit Unions:

- History of supporting marginalized and poor communities
- Mandate to lend to members
- Local investment



Rural Context

- Shift away from welfare state
- Primary industry decline (ie. resource extraction)
- High rates of unemployment
- Emigration of young people
- Business closures
- Services scarce & expensive



Rural Revitalization: CED Approach

- Local solutions to economic problems
- Adapt local assets for economic gain
- Social economy can meet local needs neglected by the private and public sectors



Credit Unions in Rural Areas

- Can fill credit gap
- Success of credit union dependent on vitality of local community
- Surpluses reinvested or redistributed
- Ability to start up and expand local businesses

(Green, 2003; Fairbairn et al., 1997)

Research Design

Three Phases:

- 1) Literature review on the social economy and credit unions
- 2) Semi-structured interviews with leaders in the social economy and credit union sectors
- 3) Eight case credit unions in BC and Alberta

Case Credit Unions

| | Approximate Town Population* | Number of Branch Locations | Assets | # Members |
|--------|------------------------------|----------------------------|---------------|-----------|
| Case 1 | 13,000 | 8 | \$524 million | 20,000 |
| Case 2 | 11,000 | 3 | \$169 million | 11,000 |
| Case 3 | 17,000 | 4 | \$221 million | 10,000 |
| Case 4 | 7,000 | 1 | \$154 million | 5,000 |
| Case 5 | 16,000 | 3 | \$458 million | 20,000 |
| Case 6 | 16,000 | 3 | \$158 million | 12,000 |
| Case 7 | 7,000 | 1 | \$303 million | 9,000 |
| Case 8 | 6,000 | 7 | \$163 million | 7,000 |

* town population refers to main branch location and is based on 2006 Canada Census data

Findings

There are both opportunities and barriers for rural credit unions as institutional representatives of the social economy



Opportunities

- Community Rootedness: perception that CUs are in touch with the needs of community
- Local Decision-making: internal decisions; balance community investment with profit-making
- Services for Marginalized Communities & NGOs: flexibility in granting loans

Informant Quotes:

“When we are out at community events with our credit union shirts on, people can make that connection between the credit union and the community. However, people don’t really understand us but we don’t say enough about ourselves. We need to beat our own drum more. I think people generally care about the same things as credit unions and if they were more aware of what we stood for there’s no way they wouldn’t bank with us.”

-Credit union representative

“Being a co-op is making a good balance between community and profits. For example, even in a time of trouble, you don’t lay off people to cut costs.”

-Credit union representative

Community (Re)Investment

- Percentage of annual profits invested in 'community'
- Traditional kinds of investments (ie. youth sports, local charities)

BUT...

- **Lack of meaningful contributions to strengthening the social economies of local communities in long-term, structural ways**



Barriers to Social Economy Investment

- Lack of awareness about the social economy and how to contribute
- Perception of risk
- Lack of measurement tools



Lack of Awareness

- Not part of mainstream culture within CU sector
- Staff knowledge of social economy is low
- Language of the social economy can be alienating
- Perception that investment in the social economy is costly

Informant Quotes:

“There is a business capacity issue in the cooperative sector. The people involved carry a hippy persona and have not brought business ethos. There is also a general lack of understanding about co-ops among the public. They seem to have a negative image and are not viewed as mainstream.”

-Cooperative sector representative

“We don’t know how to evaluate this animal. We set a basic module for evaluating business models and the social economy is not included in this. We don’t know what to look for and don’t understand the social economy business model and organization. There is a need for more training.”

-Cooperative sector representative



Risk

“Optics matter. From a corporate perspective, a risk management perspective has to be adopted in terms of supporting different initiatives. Looking through a risk management lens, are you going to take a position on homelessness?” -Credit union sector leader

- Potential adverse effects of taking a stand on issues
- Lack of specific data on what aspects of the social economy are successful



Lack of Measurement

- Performance metrics do not incorporate social economy criteria
- CUs not tracking the impacts of their community investments, donations, scholarships, etc.

Conclusions

- CUs struggling to find a niche for themselves between profit-making and their cooperative roots
- CUs have not taken advantage of their understanding of community in order to make strategic investments that would build the foundations of a social economy and more directly align with credit union principles

Acknowledgements

- My colleagues
- BALTA
- Case study credit unions
- Informants

References

Green, R. (2003). Social work in rural areas: a personal and professional challenge. *Australian Social Work*. 56(3), 209-219.

Fairbairn, B., Ketilson, L.H., & Krebs, P. (1997). *Credit Unions and Community Economic Development*. University of Saskatchewan: Centre for the Study of Co-operatives.