

**BC-Alberta Social Economy Research Alliance (BALTA)**  
**Research Project Proposal – D5-2008**

- A. Title: Credit Unions And Rural Reinvestment (D-5)**
- B. Cross-cutting: SERC 3 and SERC 2**
- C. Co-leads: Stewart E. Perry, Canadian Centre for Community Renewal (CCCR), and Sean Markey, Simon Fraser University (SFU )**
- D. No other researchers or organizations involved.**
- E. Brief description of project and its proposed objectives, outputs, and outcomes:**

This proposed project is a follow-on of an exploratory inquiry (SERC 3 Project C11-2007) into one aspect of development finance in the social economy—namely, the role of the credit union (CU) as it appears today in AB and BC. This follow-on has been augmented by increased attention to the rural context for credit union activity. C-11 sought out some critical informants in the two provinces for guidance in foreseeing further research by way of case studies of selected CUs and their social economy contributions. The new project will begin with four or more case studies of CUs in AB and BC, compare the cases, and extract from this an overall analysis of the current and potential place of the credit union in the finance of the social economy, but it will emphasize the role of the credit union in the rural context not only as a financier of the social economy but also of the small business sector. Thus the rural cases will include a general attention to how the CU reinvests in the community by serving small businesses as well as the local social economy. The focus for the urban cases, however, will not include attention to the finance of the small business sector. All the selected CUs will illustrate varying levels of activity with respect to development finance and the social economy. The research intends to identify the main factors that promote or deter credit union financing both for social enterprises and for other organizations and partners in the social economy. It will also explore (from the CU's perspective) why some community organizations can very productively enter partnerships with credit unions. Initial results may suggest the usefulness of follow-up inquiries with community organizations using or seeking to use CU assistance. Results should also help determine to what extent a more extensive inquiry (a follow-on study) would be useful.

**Objectives**

- To conduct at least four intensive case studies of CUs that range in their level of activity in financing the social economy.

- To prepare reports of each case that will examine the conditions that seem to underlie the particular performance in each case, with a view to understanding any differences in level of activity in financing the social economy.
- To determine whether the cases sufficiently illuminate the issues being examined or whether additional effort should be planned as a further follow-on project: that is, to pursue additional cases and/or take a questionnaire approach that will survey all or a sample of CUs in AB and BC.
- To determine, in terms of activities with respect both to the social economy and to the small business sector, how the selected rural credit unions perform a reinvestment function in rural settings.
- To gain a better understanding of the capacity and activities of the credit union sector for financing the social economy.
- To offer to the credit union sector a series of models (via output products specifically for the CU sector) for increasing the accessibility of financing for the social economies of the two provinces.

#### **Outputs:**

- A detailed array of common questions for data collection on each case, together with specialized questions for each case, to comport with BALTA requirements for comparability in all BALTA case studies.
- A series of publishable case studies and/or other research products on BC and AB credit unions and their financing relationships with the social economy.
- Publishable case studies of the reinvestment function of the rural credit union.
- A conceptual structure for understanding how credit unions relate to the social economy through a broader synthesis of cases and overall findings.

#### **Outcomes:**

- Increased BALTA collaboration with the credit union sector in both provinces.
- An increased understanding of the limitations and potential of the role of credit unions in development finance.
- Increased knowledge of variant models of credit union activity on behalf of the social economy and as reinvestment tools for the rural community.

#### **F. Purpose and Significance of the Project**

Credit unions in British Columbia and Alberta, as elsewhere, have, as part of their mandate, a commitment to providing financial and other related services to all their members in the communities that they serve. Their work not only serves directly their members but also indirectly, insofar as depository funds are

reinvested locally, rather than, as most often with conventional banks, at a distance in order to maximize profits. In rural settings, access to financial services are more limited, and thus the credit union has a greater significance, particularly with respect to the small enterprises typical of the rural context.

Given the mandate of member and community service and the related commitments to corporate citizenship, credit unions are a natural source of finance assistance for social enterprises and other organizations of the social economy that provide valuable services to many individuals and communities not adequately served by the for-profit sector. Despite the apparent symmetry, some credit unions are clearly more active in development finance of the social economy than others. Given the practical importance of financial backing for social enterprises and for other aspects of the social economy, the reasons for variation in CU activity here can inform the general prospects for that financial assistance.

It should be clear that this project specifically relates to the three strategic questions itemized in the original BALTA proposal:

- (1) What are the scope and characteristics of the social economy in the Alberta/British Columbia region? We need to better understand the social economy landscape, as it exists.
- (2) What are the scope and characteristics of social economy innovations that are achieving demonstrable social and economic results in the region or elsewhere? We need to understand what is working and why.
- (3) What are the key issues, opportunities, and constraints for adapting and scaling up, all across B.C. and Alberta, whatever is working (both within and outside the region)?

Moreover, in line with the infrastructure focus for SERC 3, the project directly addresses one of the key elements of the infrastructure for the social economy—namely, access to financial resources.

## **G. Participation of Student Researchers**

The project anticipates the assistance of a single senior level student researcher in a paid capacity. The potential research assistant has already been identified. She will have responsibility in at least five activities: literature identification and review; formulating the detailed research and interview questions; selection of credit unions to be studied; case research in a rural setting; and reporting on the research results. All of these will be carried out with the supervision and mentoring of the project co-leads. However, prime responsibility for supervision and mentoring will be vested in Sean Markey, who is based at the university at which the student is enrolled. The student's participation in this project will offer the opportunity to enhance the student's skills and experience in virtually all the steps and processes of case study research.

## H. Research Activities, Plan of Work, and Timetable

The first step in the research will be to use the results of the literature review and contacts made during the work of project C-11. The researchers will need to seek advantage of items from the literature not yet searched – for example, any more recent work from related BALTA and other projects. Other CCA work yet to be published that would hold relevance includes a recent CU survey and the work of the CCA task force on co-op development funding. Researchers should also keep updated on the results of two other on-going BALTA projects, one in SERC 3 for mining the existing data on organizations in the social economy and the other a cross-SERC effort to map, with new data, the entire range of social economy activities in the two provinces.

### Contacts Made in the CU Sector

For help in selecting cases to be subjected to intensive study, the C-11 project sought out representatives of the credit union sector in both BC and AB, for telephone interviews. (This work was conducted by William Kendall, C-11 research assistant.) From AB the manager of strategy and research from Alberta Central was interviewed. For BC, on the advice of John Restakis of the BC Co-operative Association, an interview was conducted with a former director of the CU Central for BC, who is currently the general manager of CCCRC Credit Union.

CUCBC itself was contacted several times, but an interview with the current head or other suitable representative could not be arranged, as Kendall was repeatedly informed that they were ‘too busy’ and would respond when they had more time. Similarly, the office of David Mowat, the [new] president and CEO of Alberta Treasury Branches (ATB), was contacted several times, but he was not available to be interviewed due to a hectic work schedule. (ATB is a crown corporation that operates branches in the CU sector in AB.)

From these contacts we aimed to get orientation to help identify potential cases of low and high levels of activity/interaction in the social economy and varying histories of acting as lenders or otherwise as financiers for initiatives within that economy. We also sought to establish relationships in which our informants would continue to advise and consult on subsequent research. Both objectives were met, as the contacts were sympathetic commentators on the ideas and aims of the project and indicated their availability for further consultation.

Our main contacts were:

Jill Kelly, former CUCBC director and now General Manager of CCEC Credit Union.

- Phone: 604-254-4100
- E-mail: [jkelly@ccec.bc.ca](mailto:jkelly@ccec.bc.ca)

Liena Kano, Manager, Strategy and Research, Alberta Central

- Phone: 403-258-5922
- E-mail: [liena.kano@albertacentral.com](mailto:liena.kano@albertacentral.com)

A range of specific credit unions, including both rural and urban, was pinpointed in discussions with these contacts, offering a range of relevant financing activities for potential case selection.

### Case Selection for BC

BC credit unions with significant history of development finance that were suggested as possible cases for Phase II include:

- Vancouver City Savings Credit Union (Vancity): Vancity was formed in 1946 and is Canada's largest credit union today with approximately \$12.3 billion in assets and more than 381,000 members and 57 branches throughout Greater Vancouver, the Fraser Valley and Victoria. Vancity is an obvious choice for its size and history of community involvement. In 2005, Vancity contributed \$6.9 million to the community through a number of programs and grants to non-profit organizations. In addition to grants, Vancity offers innovative financing products, programs and partnerships tailored to the needs of the non-profit sector and supports new areas of the economy such as social and environmental enterprises. It currently sponsors an initiative for assessing results in social economy activities.
- Nelson and District Credit Union (NDCU): NDCU operates three branches in Nelson and adjacent districts in the Kootenays, BC. While an aggregate member count was not available, one of their branches, located in Rossland has 3,500 current members. Assuming similar sizes for other branches, the approximate total member count should be around 10,500. NDCU was incorporated in 2000 and since that time has invested more than \$1.2 million dollars back into the community. In 2006 NDCU invested \$221,665 into surrounding communities. This amount reflects 17% of Nelson & District Credit Unions - Earnings from Operations (earnings before taxes, dividend pay-out to our members and our community investment program). This percentage is a significant benchmark considering the Big Banks aim for 1%. In addition to providing grants and scholarships NDCU provides financial support and development financing for local, small scale, non-profit organizations
- Grand Forks Credit Union (GFCU): GFCU is located in Grand Forks, BC and serves Grand Forks and citizens in the surrounding Boundary area. GFCU was incorporated in 1949 and operates a single branch in Grand Forks. GFCU has approximately \$190 million assets and

about 10,000 members. In March 1, 2006, GFCU began offering the Community Builder Mortgage Initiative to non-profit groups. The initiative provides non-profits with .50% of every mortgage they refer to GFCU. GFCU offers scholarships and donations to individuals and organizations demonstrating commitment to the community. In addition GFCU provides at least some financing to approximately 40 registered non-profit organizations. GFCU has also gained attention for its issuing of 'community dollars' to encourage purchasing goods and services provided by local community organizations around holiday time.

- CCEC Credit Union: Located on Commercial Drive in Vancouver, BC, CCEC CU was incorporated in 1976 with the specific purpose of enhancing the capacity of the non-profit, co-operative and small business sector of the surrounding community. CCEC has forged a number of significant partnerships with local community organizations, including those providing services to women and the gay, lesbian and transgendered community.

By their mandate CUs are committed to serving communities or community sectors that may not be well served by traditional financial institutions. Considering this, naturally no CUs would be eager to be portrayed as providing relatively lower levels of development finance or community involvement than other CUs. However, as suggested by both interviewees, CUs are nevertheless sensitive to the distinct (and different) needs of the communities they serve. As such, it is likely that a CU located in the poorer neighborhoods of East Vancouver or rural BC would provide a higher level of development finance to the local non-profits than CUs located in more affluent neighborhoods with less significant nonprofit development activity. Richer communities have different collective demands. As such, it was suggested that a CU from an affluent urban community would provide a good example of CUs with relatively less community development financing.

In view of this, a possible BC candidate is North Shore Credit Union (NSCU), a large CU located in North Vancouver, BC. NSCU has approximately 40,000 members and \$2.0 billion in assets. NSCU operates as a full service financial institution and has 13 branches located throughout the Lower Mainland of British Columbia and in Squamish, Whistler, and Pemberton.

Since no other BC CUs with potentially relatively lesser development finance activities were suggested for study, it is expected that other potential cases can be unearthed by different sources.

### Case Selection for AB

While a helpful recent survey on AB community investment provided by Liena Kano did not identify disaggregated information on individual AB CUs, our own inquiries suggested the following as possible cases for the AB CUs with large involvement in development finance and community investment:

- Servus Credit Union (SCU), formerly known until 2006 as Capital City Savings, provides full financial services to 193,000 member-owners from 50 service locations in 27 Alberta communities. With \$4 billion in assets, SCU is the largest credit union in Alberta. In 2002, SCU received the Edmonton Philanthropy Day *Outstanding Corporation Award* for its commitment and financial support of the community and for its encouragement and motivation of others to take leadership roles toward philanthropy and community involvement. In 2006 SCU (then still Capital City Savings) won a *Building a Better Future Award* from The Ethical Funds Company. In 2007 SCU provided donations and/or development finance to 525 organizations. SCU is active in investing and financing community organizations that support education, persons with disabilities, seniors, social enterprises and other organizations providing social programs and community services.
- Community Savings is based in Red Deer. Community Savings has over \$2.7 billion in assets and more than 110,000 members. Community Savings supports a wide range of organizations and activities through its sponsorships and donations. It focuses on nonprofits, service and youth clubs, community facilities and events, sporting activities, schools, and postsecondary institutions. Community Savings also provides no charge banking services to all not-for-profit organizations, a policy that amounts to an additional gift-in-kind contribution of approximately \$800,000 per year. In 2007, Community Savings invested nearly \$1 million in the 24 communities they serve. Community Savings was the recipient of the 2005 *Community Economic Development Award*, a presentation made by the Canadian credit union system.
- First Calgary Savings is based in Calgary, AB. The organization was established in 1987 through the merger of seven open-bond credit unions, as well as two additional credit union purchases. With \$1.9 billion in assets under administration, and more than 100,000 member-owners and 16 branches First Calgary Savings is the third-largest credit union in Alberta. As a member of Imagine Canada, First Calgary Savings is committed to giving back a minimum 1% of pre-tax profit to the community.

Credit unions with what is possibly less involvement in development finance in Alberta were as difficult to identify as those in B.C. However, one

possibility is First Choice Savings and Credit Union. Located in southern Alberta, it serves Lightbridge and surrounding communities. First Choice has \$301.6 million in assets with 17,000 members spread over 6 branches. They note that their community commitment includes maintenance of business and social relationships reflecting leadership, integrity and responsibility while contributing to social and environmental well-being of the community in which it works by reinvesting resources and leadership. Despite this clear commitment to community building First Choice may be relatively less involved in the role of providing development finance and thus may prove a useful AB case of CUs with less involvement in the social economy.

### *Selection and Assignment of Cases*

Given these leads as to potentially fruitful cases, a selection will be made among them and others, as may be suggested by further contacts in the field, to assure a range of development finance activities. In addition, as only one CU in each jurisdiction has so far been suggested as a possible case with less involvement in development finance, further inquiry may yield a more comprehensive vision of CUs and provide more concrete evidence of the range of CU community involvement. It should be noted that the tentative categorization of CUs may change as further data become available.

### *DATA COLLECTION*

Depending somewhat upon the geographic accessibility of the target CUs for the researchers, personal interviews will be held with at least two top staff and/or board members, and potentially also an additional lower level staff member such as loan officer. Telephonic interviews may also be utilized. A flexible interview outline will be used to assure cross-case comparability, and the generic case study framework previously prepared for BALTA will guide the construction of this outline, so that BALTA's aim of acquiring comparable data in all its case studies will be followed. Although it is likely that full data collection will be pursued in only four or five cases, lesser inquiries will likely be conducted at other CUs.

Interviews will direct us to documentary items that will also be examined, but for all cases one or more annual reports will be scanned before the initial interview in order to suggest or guide some of the questions to be posed.

### ***Special variables to be considered***

Preliminary contacts suggest a great range of activity with respect to financing the social economy, though loans, for example, may often be made under different names as 'commercial' or 'community' lending. Our interviews also suggested some specific variables that may contribute to the level of credit union involvement in development finance.

- overall size and budget;
- surrounding community demographics, including rural vs. urban;
- accounting practices, reporting, fiscal margins; and
- training and/or other prior experiences with the social economy (undergone by credit union loan officers or other staff or board members).
- total re-investments in the community (and elsewhere) categorized by targets for credit and/or equity arrangements in the small business sector.
- Role of CUs in leadership in fostering and building the capacity of the social economy sector.

We will seek out all types of financial involvement in the social economy, including supportive employee time and money donation policies; credit arrangements; equity investments; allied technical assistance; grants and donations; etc. The scale of these activities will be documented.

We will include the full range of those targets for financial assistance which can be considered aspects of the social economy: affordable housing; social enterprises and supportive purchasing portals; community-run (and other targeted) development funds; microfinance funds and technical assistance; health and home care service organizations; daycare and other educational initiatives; “Fair Trade” and other low-income producers assistance; “Clean/Green” technology/energy initiatives; SE/CED basic organization support and core funding; and other “base of the pyramid” projects. However, relevant targets will not include what appear to be purely charitable concerns, such as general support for Boy Scout troops, etc.

Activity with the social economy targets will be contrasted with CU activity with other community concerns (individual mortgages, etc.), as well as with investment activity outside the community (including reserve bonds).

### ***Other considerations***

Other than financial contributions to the social economy, productive results may come from other credit union activity. What in general does the credit union do that promotes or restricts the growth of the social economy? For example, do credit union people engage in a general leadership role with respect to the social economy either locally or in a wider context?

Also, of particular interest will be how the CUs themselves assess their activity in this whole sector. To what extent do they conduct any assessment? What are the assessment procedures? What criteria do they use for assessing their performance? How, if at all, has assessment informed their activity in this sector and/or stimulated changes in it?

In line with co-op ideology, the CUs might be expected to communicate among themselves about this activity, to offer ideas or other assistance. Do they in fact do so? Are there any joint actions or projects in this sector of activity? (Does this research itself seem to stimulate the idea of joint initiatives?) What seems to be involved in the presence or absence of joint work in this sector—e.g., the presence/absence of joint activities with other foci?

### **Timetable**

In June and again in late August 08, discussions will take place with the proposed research assistant to orient her to BALTA, the project, and the expectations of her participation. In the period September through December, the team will be conducting background research (including further literature review), making the final decisions on cases, preparing profiles of the cases, finalizing interview questions, and making a tentative schedule of case visits. In the months of January and February 09, site visits and telephone contacts will complete data collection. Write-ups will be concluded in March and April. Thereafter plans will be made for any follow-on research, including an overall conceptualization of the results of our work.

#### **I. Communicating the Research Results – Academic Community**

It is intended that reports of the case studies be submitted for publication in appropriate formats for academic journals. We will also consider the potential of collecting the cases together with assessments and overviews for book publication.

#### **J. Communicating the Research Results – Practitioner Community**

Written reports will be submitted to non-academic venues, such as Making Waves or internet sites. Oral presentations will be made at CCEDNet and potentially other social economy practitioner conferences and the occasions scheduled by the BALTA project generally where practitioners are participating. We will also explore how we can make our results available specifically to the credit union sector.

#### **K. Monitoring Project Progress**

Ongoing evaluation of the project and its progress will be assured by a process of internal monthly reports on activities. These will include a specific conclusion as to adequate or inadequate progress. As such they will ensure that the team leaders recognize problems when they occur.

## L. Research Tools

Since the research will depend upon person (or telephone) interviews, a copy of the interview guide together with details of the research plan will be submitted for BALTA ethical review before the commencement of the case studies.

## M. Budget and Contributions

Category	Requested of BALTA	Other Contributions
Student salaries	\$8,832	-
Student benefits/overhead costs through CCCR (10.5%)	\$928	-
Researcher Release Time		Stewart Perry: ca. 50 days (ca. \$25,000) Sean Markey: ca. 30 days (ca. \$9,000)
Research Support Costs (e.g. supplies, communication costs)	\$200	\$100
Knowledge Dissemination	-	-
Travel	\$4,050 Project Leads - \$2,250 Student - \$1,800	-
<b>TOTALS</b>	<b>\$14,010</b>	<b>Est. \$24,100</b>

### Budget explanation:

- Student salaries and benefits – 8 mos. X 12 hrs/wk x \$23/hr plus 10.5% benefits through CCCR
- Researcher released time: estimates of number of days that each team co-leader expects to devote to the project x approximate daily rates at each institution. (For SP: CCCR consultant rate of \$300/day; for SM: \$300/day)
- Travel: For distant site visits, 4 x \$850; for local site visits, \$200; for Vancouver team meetings, 3 x \$150.
- Supplies and other: Long distance telephone charges not otherwise defrayed; minimum office supply purchases.

Budget September 2008 – March 31, 2009 = 12,790  
 Budget April 31, 2009 – April 30, 2009 = 1,220 (one month student salary)