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The Origins, Ethos and Evolution of Co-operative Credit in Ireland

*Celebrating the Centenary of the birth of **Nora Herlihy***

IRD Duhallow Women's Forum

Editors: Carol Power, Ray O'Connor, Olive McCarthy and Michael Ward

The Origins, Ethos and Evolution of Co-operative Credit in Ireland

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Editors: Carol Power, Ray O'Connor, Olive McCarthy and Michael Ward

Graphics Editor: Helen Bradley

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Foreword
by Jimmy Deenihan TD Minister for Arts, Heritage and the Gaeltacht

As Minister for Arts, Heritage and the Gaeltacht, I am delighted this book has been published to highlight the significant contribution of Nora Herlihy and her peers to the Credit Union movement in Ireland. Her foresight in recognising the need for a co-operative strategy for communities based on a model of self help and mutual aid is very relevant today. As highlighted in section 2, the success of co-operative credit in Ireland is due to its ability to adapt itself to changing conditions and diverse needs, characteristics that are all too important today when we need innovative solutions to the many challenges facing today's society. In his section, Vincent Tucker identified co-operatives as children of distress – they emerge when private enterprise and the state are not catering for the needs of the community. Their ethos is still relevant today with social enterprises providing essential services to those most in need in our society.

The cooperative credit movement in Ireland emerged at a time when people were suffering financial hardship due to the rise of industrial capitalism. The movement aimed to improve society by allowing people to help themselves out of the cycle of poverty by providing access to credit. The dawn of the credit union movement was particularly revolutionary for rural Ireland, at a time when transportation was severely underdeveloped, access to financial institutions was virtually impossible.

This movement in Ireland was one of the largest voluntary movements in the country pioneered by Nora Herlihy, Sean Forde and Seamus MacEoin. Nora, a native of Ballydesmond on the Cork/Kerry border was an exceptionally strong and independent woman, at a time in Ireland when women did not hold positions of power in society.

In 2011, a time when we as a nation are again in the midst of another credit crunch, it is the credit unions and the local development sector that can offer solutions to families and communities. In section 3 we see that throughout her life, Nora Herlihy was forever seeking new insights and initiatives to improve the society in which she operated. The innovativeness and the resolve with which the credit union movement was established still exists today and it is this that I believe will help society to manage new challenges and opportunities to meet the diverse needs within our communities. Despite the recent world wide economic collapse, credit unions continue to maintain the trust and confidence of their members. As discussed in section 5, they also engage in wider aspects of the community agenda, through their sponsorship of, and donations to, a wide array of community and voluntary groups, they contribute to the enhancement of the social, civic and cultural fabric of the community. Local Action Groups such as IRD Duhallow have the capacity and local legitimacy to serve and deliver a wide range of services in their local areas and work alongside credit unions in supporting greater access to credit, sustainable employment and locally relevant services.

I am pleased to see that this book has been produced in the same spirit of co-operation between IRD Duhallow and the Centre for Co-operative Studies and Department of Geography, University College Cork. In particular the Duhallow Women's Forum has reflected the strong role women play in local development and family finances. It draws together the knowledge and expertise of academics and practitioners and serves as an example of what can be achieved when the university and community groups work together. Ní neart go cur le chéile.

The information and analysis is presented in a format that is as accessible to the general reader as it is to credit union activists and academic audiences. It is enhanced by the vast array of photographs, maps and illustrations that complement the essays.

Similar to the spirit of co-operatives, the LEADER Programme plays a hugely significant role in enabling communities to help themselves through animation and supports communities throughout the country to preserve their rich cultures and heritage. This publication, funded by LEADER, will help ensure that the historical significance of the credit union movement in Ireland is recorded and preserved.

I am also very pleased to learn that in appreciation of the key role Nora Herlihy has played in Irish society, Duhallow Women's Forum honored her in their 2004 calendar, Mná Dhuthalla reflecting the strong role women play in local development and family finances. The proceeds of this book will go towards the erection of a public art monument to Nora Herlihy, a fitting tribute to her and an important development in the preservation of our heritage as well as a significant addition to the emerging public art of the Duhallow region.

Jimmy Deenihan

Jimmy Deenihan TD

Minister for Arts,
Heritage and the Gaeltacht

17 November, 2011

Preface

The early development of Ireland's credit union movement was strongly influenced by the knowledge and understanding of credit unions acquired by Nora Herlihy and other pioneers. Through their commitment to the meticulous study of the movement internationally, they learned of the possibilities and opportunities offered by credit unions. Through its teaching and research, the Centre for Co-operative Studies at University College Cork is committed to maintaining the centrality of education to the successful development of the movement. This volume of essays continues this tradition and is a celebration of the credit union movement – Nora Herlihy's great legacy to Irish society.

In recent years, the first credit unions to be established in Ireland have been celebrating their 50th anniversaries. The Centre for Co-operative Studies, in conjunction with the Department of Geography at University College Cork, was keen to mark this milestone appropriately with a publication that would reflect on the development of the movement and look forward to the future. It was deemed fitting that this landmark publication would commemorate the centenary of Nora Herlihy's birth, which occurred in the year 2010.

As Nora Herlihy understood only too well, the availability of finance is a key component in enabling aspirations to be fulfilled. Rather appropriately, it was in the spirit of co-operation upon which credit unions were founded that funding was secured to produce this book. The key co-operators were the Centre for Co-operative Studies and the Department of Geography, University College Cork, Duhallow Women's Forum (a representative forum for various women's groups within the Duhallow area), and Rathmore & District Credit Union. Through IRD Duhallow, LEADER funding was secured to enable work on the book to commence during Nora's centenary year.

Nora Herlihy is widely acknowledged as a key protagonist in the early development of the credit union movement in Ireland. However, she was also a pioneer in another sense: Through her contribution to the credit union movement, she was a key activist in Irish society during the 1950s – a time when the involvement of women in public life was, for the most part, uncommon. Although Nora spent most of her adult life in Dublin, she grew up in the village of Ballydesmond in the barony of Duhallow on the Cork-Kerry border. The people of Duhallow are proud to claim Nora Herlihy as an important figure in their heritage. In recognition of her pioneering role, members of the Duhallow Women's Forum were keen to support the publication of this book to commemorate the centenary of Nora's birth.

Ballydesmond lies within the common bond of Rathmore and District Credit Union. The credit union celebrates Nora's life in the Nora Herlihy Centre, which is attached to its Ballydesmond sub-office. When credit union manager, John O'Neill, and the board of the credit union heard of our plans for this commemorative publication, they were keen to support the venture.

The editors wish to acknowledge the financial contribution and the efforts of Duhallow Women's Forum and Rathmore and District Credit Union (especially John O'Neill who embraced the project so enthusiastically). Special thanks also to Maura Walsh, Manager, IRD Duhallow, for her role in facilitating the financial arrangements for the project, and to the staff of IRD Duhallow, especially Helen O'Sullivan, Catherine Crowley and Eileen Linehan.

A sincere thank-you goes to the authors who contributed essays to this book. Photographs and illustrations bring the text to life and we are most grateful to Helen Bradley, Department of Geography, for preparing maps and images for publication. Thanks to Patrick Casey for his photographic work in Ballydesmond and Rathmore, and to Mary Murphy, Kieran O'Connor and Conor Murphy for photography in other locations.

We wish to acknowledge the support of many individuals and institutions who were helpful to us in sourcing information and photographs for this publication, including: John Knox, Sinead Butler, Alan Moore and Sinead Lynam (ILCU), Donal Scannell and Michael Harty (Thurles Credit Union), Niall Clarke and Noel Madden (Ballinasloe Credit Union), George Cantwell and Anthony Byrne (Ballyphehane Credit Union), Bernard Farry (Comhar Creidmheasa Chriost Ri Teoranta), Eileen Fitzgerald (St Michael's Credit Union, Blackrock), Elma Shine (Cahersiveen Credit Union), Seamus O'Donohoe (ICOS), Tom Fitzgerald (Muintir na Tire), Jonathan O'Brien, T.D. and Éanna Buckley (Cork City Foras Co-op), Paul Donegan (Carbery), Brendan Lynch (Donore Credit Union), St Anthony's & Claddagh Credit Union, Cork & Ross Diocesan Office, Mary Crumley, Joan Gallagher (Derry Credit Union) and Finbarr Barry (Bandon Credit Union). Thanks also to John Stephen O'Sullivan, Emma O'Connor, Sarah O'Connor, Majella O'Sullivan, Aoife Sammon, John Crowley and Mary Collins.

The editors wish to thank the anonymous peer reviewer for his/her feedback and advice on this publication. Also, thanks to Professor Denis Lucey for his help and advice and, in particular, for his detailed reading of the text.

Finally, thanks to Sheila Carroll of Creative Republic for her work on the design and layout of this publication.

Carol Power
Ray O'Connor
Olive McCarthy
Michael Ward

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Noreen Byrne is a researcher in the Centre for Co-operative Studies and a lecturer in the Department of Food Business and Development, University College Cork. Noreen's main research interest is in co-operative identity. In September 2010, she was nominated by the then Minister for Finance to the Credit Union Advisory Committee for a three year term.

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A.T. Culloty (**Rev.**) has written about the life of Nora Herlihy and also the local history of the Ballydesmond area.

Ella Kavanagh is a lecturer in the Department of Economics, University College Cork. Her research interests are in the area of monetary economics and monetary policy. She has also undertaken research on the historical development of financial institutions in Ireland.

Ian MacPherson, who specialises in Co-operative Studies, is Professor Emeritus in History at the University of Victoria, Canada. He has written extensively on co-operatives and over the years has served on several co-operative boards at the local, provincial, regional, national and international levels. He led the process and wrote the documents whereby the International Co-operative Alliance adopted a Co-operative Identity Statement at its 1995 Manchester Congress.

Olive McCarthy is a researcher in the Centre for Co-operative Studies and a lecturer in the Department of Food Business and Development, University College Cork. Her research interests include credit unions, community co-operatives and agricultural co-operatives. Olive is academic director of the MBS degree in Co-operative and Social Enterprise.

Tom McCarthy has been involved in St. Gabriel's Credit Union since its foundation in 1965. He has served as chairman of Chapter 11 of the Irish League of Credit Unions on a number of occasions. He was a member of the League's Standing Orders Committee for a period of 9 years and was Chairman for 6 years. He served as a Director of the League for 9 years and was League President from 1991 to 1993. He was co-ordinator of the Diploma in Credit Union Studies in University College Cork from 1993 to 2009.

Eoin McLaughlin is a graduate of National University of Ireland, Maynooth. He received a postgraduate scholarship from the Irish Research Council for Humanities and Social Sciences to conduct his PhD research on microfinance and financial development in Ireland in the nineteenth century. He is currently a postdoctoral research assistant in the University of Edinburgh.

Alan Moore is General Manager of the Irish League of Credit Unions Foundation. Alan has worked in the international development sector for over 10 years with both the ILCUF and Concern. He is also a qualified chartered accountant.

Carmel Motherway is an independent consultant and researcher on credit unions. Her specialities include credit union marketing, lending and governance. She is currently reading for a PhD with the Department of Food Business and Development, University College Cork.

Ray O'Connor is a lecturer in the Department of Geography, University College Cork. His research interests focus on the voluntary sector and active citizenship. He has published in international journals and has written books and chapters in books with staff from the Centre for Co-operative Studies and the Department of Geography.

Mary O'Shaughnessy is a lecturer in the Department of Food Business and Development and a researcher in the Centre for Co-operative Studies, University College Cork. Her research interests include rural development and social and co-operative enterprises.

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John Stephen O'Sullivan
Tá John S. O'Sullivan ina chónaí sa Ráth Mhór, Co. Chiarraí, an áit inar rugadh é i 1940. Fuair sé oideachas sa Ráth Mhór, i Sráid an Mhuilinn agus i nDroim Conrach. Bhí sé ina mhúinteoir i scoileanna náisiúnta i Ráth Ana, Co. Cheatharlach (1960-'63) agus i gCnoc na Graí, Co. Chorcaí (1963-'99). Is ball é de Chlub C.L.G. na Rátha Móire, de Dhaonscoil na Mumhan agus de Chumann Luachra.

Carol Power was awarded a postgraduate scholarship by the Irish Research Council for the Humanities and Social Sciences to complete her doctoral studies in the Department of Geography, University College Cork. She graduated with a PhD for her thesis on voluntary local business associations and economic development. Since then she has been a researcher in the Centre for Co-operative Studies, UCC.

Kathleen Prendergast is Community and Enterprise Development Officer with South Tipperary County Council. Kathleen has spent over twenty years working as a volunteer in Tipperary Credit Union. She chaired the ILCU Rationalisation Committee. Kathleen is currently a director on the board of the Social Finance Foundation. She lectures on the ILCU/University of Ulster Advanced Certificate in Credit Union Practice programme and is a guest lecturer in UCC. Kathleen is one of the founding members of the European Financial Inclusion Network and is actively involved in the creation of new models to advance thrift in communities.

Vincent Tucker was a lecturer in Sociology and a Senior Fellow in the Centre for Co-operative Studies at University College Cork until his untimely death in 1997.

Maura Walsh holds a BSc (Econ) from London University and a Diploma in Social Science. Maura was appointed Manager of IRD Duhallow in 1991. An advocate of the "bottom-up" approach to rural development, Maura has managed the successful introduction, development and implementation of the LEADER Programmes, the Social Inclusion Programme, the LIFE+ programme and other initiatives in Duhallow. Maura is an active member of the Irish LEADER Development Network and was involved in the founding of ELARD (European LEADER Association for Rural Development). From her day to day work in Duhallow over the past 20 years she has recognised and affirmed the huge role played by women in the rural economy. For the last 3 years Maura has chaired the National Women in Agriculture Conference and played a pivotal role in the establishment of the Duhallow Women's Forum.

Michael Ward is Professor and Head of the Department of Food Business and Development and Director of the Centre for Co-operative Studies, University College Cork. His research interests focus on agricultural and rural co-operatives, community and workers' co-operatives and credit co-operatives. He has been active in developing successful new postgraduate and distance education programmes in the fields of co-operative organisation, food marketing and rural development.

Graphics Editor: Helen Bradley is the Geographical Information Systems (GIS) Development Officer in the Department of Geography, University College Cork. She teaches GIS and cartography at undergraduate and postgraduate levels and co-ordinates the Higher Diploma in GIS. She has produced maps for the *Atlas of Cork City* and *The Iveragh Peninsula: A Cultural Atlas of the Ring of Kerry* as well as other Department of Geography publications.

Introduction

Carol Power

When the first credit union in Ireland was established in 1958, one could hardly have envisaged the extent to which the movement would be embraced by the Irish public. Since then, credit unions have established a presence in almost every community and the movement has become one of the largest voluntary organisations on the island of Ireland. The evolution and development of the credit union movement is a story of humble origins, a movement which sought to empower individuals through community co-operation. It is an inspirational story that demonstrates the capacity of individuals to bring about positive societal change through co-operation.

Within social movements and organisations, key figures emerge as guiding lights to shape and influence organisational development. Ireland's modern credit union movement is indebted to the efforts, commitment and determination of early pioneers, such as Nora Herlihy, who researched the possibilities of a co-operative credit system and shaped the early development of the movement. This volume of essays – incorporating scholarly analyses and personal reflections – is, we hope, a fitting tribute to Nora Herlihy, who believed in the sharing of knowledge and ideas for the betterment of society. The book is organised into thematic sections, focusing on historical aspects of the credit union movement and its precursors, the contributions of Nora Herlihy and some less well-known local pioneers of the movement, the role of credit unions in contemporary society and the challenges they face, and the wider application of the co-operative ethos in contemporary society and economy.

To develop a full understanding of the evolution of the modern credit union movement, it is necessary to appreciate the historical context in which it developed. Section 1 of this volume comprises a series of essays which examine the infrastructure for savings and loans in Ireland in the nineteenth and early twentieth centuries. Ella Kavanagh provides an overview of the history of saving and accessing credit in Ireland, primarily in the nineteenth century. Kavanagh outlines key developments in the banking sector, including the development of new banking products and the geographical expansion of the banking network. Also highlighted are the roles of trustee savings banks and post office savings banks in mobilising savings. This essay also considers the role of loan fund societies and agricultural credit societies in providing credit.

Eoin McLaughlin's short feature on post office savings banks tracks their development from their inception and considers the spatial diffusion of the network. In the following essay, McLaughlin considers in detail the history of loan fund societies in Ireland, developing an understanding of the various strands of loan fund societies that operated during the nineteenth century. He highlights similarities and differences between these societies and the modern credit union movement. One of the key differences highlighted as a key factor contributing to the success of credit unions is the fact that borrowers in a credit union are also members, in contrast to loan fund societies, where savers/investors were members, but borrowers were not.

Section 2 charts the advent of co-operative credit in Ireland in the 1890s to the events and circumstances that led to the emergence of the modern credit union movement in the late 1950s. In an essay originally published in 1983, the late Vincent Tucker traced the origins and development of the co-operative movement in Ireland. Although written almost thirty years ago, the essay remains relevant for understanding the development of co-operatives in Ireland and, hence, it is included in this volume. The essay considers nineteenth century experiments which sought to empower groups of working class people to improve their lot through co-operative effort. The influence of Irish figures on the development of the co-operative movement in Britain is also considered. The essay outlines key developments in the consumer co-operative movement in Britain and explains why this sector largely failed in Ireland. The predominantly rural nature of Ireland's society and economy in the late eighteenth and early nineteenth centuries lent itself more to agricultural producer co-operatives than to consumer co-operatives.

Modern credit unions were not the first experiment with co-operative credit in Ireland. Ray O'Connor explains the role of the Irish Agricultural Organisation Society in developing co-operative credit societies in Ireland during the late nineteenth and early twentieth centuries. While these credit societies were numerous, even at their peak in 1915 less than 0.5 per cent of the population were members. Their significance lies in their role in introducing the concept of co-operative credit to Ireland, thereby laying some of the foundations for the emergence of the modern credit union movement in the 1950s. In a short feature to accompany this essay, O'Connor examines the spatial diffusion of co-operative credit societies throughout Ireland in the period 1894-1910, highlighting the role of IAOS organisers in the emergence of key regional strongholds of these centrally planned societies. This is the first time, to our knowledge, that these societies have ever been mapped.

In a series of three essays, Ray O'Connor tracks the emergence of the modern credit union movement in Ireland. In the first of these, he examines the influence of Catholic doctrine and the advocacy of key clergymen and educationalists, as well as rural and community activists, in advocating the idea of co-operative credit. In a short feature, O'Connor highlights the impact on the movement of developments in adult education, where learned academics introduced the co-operative concept to those who would emerge as key pioneers of the modern credit union movement in the 1950s. In the third of this series of essays, O'Connor outlines a series of events in the 1950s that led to the establishment of credit unions. While many community activists and organisations, including Muintir na Tire, experimented with credit unions, it was Nora Herlihy and her cohort, inspired by a series of educational initiatives and gatherings, who would prove most successful in delivering credit unions from concept to reality. A short feature by Carmel Motherway, highlights the ingenuity of Nora and her peers in using the newsprint media in an innovative way to promulgate the co-operative message. Section 2 closes with a brief history of the foundation of Ballyphehane Credit Union, the first credit union to be formed south of Dublin.

Section 3 highlights the role of Nora Herlihy and other key individuals in the development of credit unions in Ireland. Nora's biographer, A.T. Culloty, gives a personal insight into Nora's character and reflects on her life and works. We are reminded that Nora's determination and tenacity in driving forward the credit union movement was motivated by her desire to improve the quality of life for others. She remained humble in her achievements, believing that she was just one 'cog in the wheel' that enabled the Irish credit union movement to become established and ultimately flourish.

Ian MacPherson considers Nora Herlihy's pioneering role in an international context. Like her counterparts in other countries, Nora was dedicated to studying the experiences of credit union movements internationally. Her understanding of the needs of credit union members was derived from her childhood experiences in Ballydesmond and her teaching career in Dublin. Nora recognised the potential of key networks – the Irish Countrywomen's Association (ICA), the Catholic Church and other organisations – for disseminating the credit union message and mobilising action.

Nora Herlihy's birthplace and childhood home of Ballydesmond lies within the common bond of Rathmore & District Credit Union. The people of this community value the memory of Nora as part of their heritage. This and other aspects of local history are celebrated in the Nora Herlihy Memorial Centre established by the credit union in Ballydesmond. Local historian John Stephen O'Sullivan provides a brief history of the Ballydesmond area, bringing us on a virtual tour of the heritage centre.

Nora Herlihy is widely recognised as a key driving force of the credit union movement in Ireland. However, credit unions are grassroots organisations and, without the vision and efforts of key individuals at community level, the movement could not have achieved the success that it has enjoyed in its first half-century. Such individuals are the unsung heroes of the credit union movement. In a personal reflection, Tom McCarthy pays tribute to just a few of these key people.

Section 4 charts the development of the credit union movement in Ireland since its inception. In an essay on the development of the credit union movement in Ireland during its first four decades, Ray O'Connor provides an analysis of the evolution of the movement from its initial phase of rapid expansion (1958-1972) when credit unions were becoming established, to a phase of transition (1973-1980) when growth stabilised but credit unions began to become more formal in terms of accommodation, staffing and so on, to a phase of consolidation (1981-2001). O'Connor places the development of the movement in its wider socio-economic context.

Credit unions in Ireland face significant challenges in the new millennium. The movement in Ireland is highly fragmented, with over 500 independent, autonomous credit unions catering for an island-wide membership of 2.98 million. Debate concerning the future direction of credit unions is characterised by tensions between the need to remain true to the values and ethos of the movement and the need to maintain relevance to members in a rapidly changing financial services environment. Noreen Byrne et al. explore the various options that credit unions can pursue to enable them to continue to provide an effective service and remain relevant to their members' needs in the 21st century.

The history and development of Rathmore and District Credit Union is outlined in an essay compiled by its staff and volunteers. While each credit union operates in unique circumstances and their success is founded on the efforts of individuals, it is also true that developments in Rathmore mirror trends in the wider movement throughout Ireland in terms of growth, expansion in the range of services offered, computerisation, staffing and development of new premises. Therefore, this essay will be of interest not only to local readers but also to a wider audience.

The Muintir na Tire organisation played a key role in instigating the development of Rathmore and District Credit Union. In a short feature to accompany the Rathmore essay, Ray O'Connor provides a brief history of Muintir na Tire guilds in the Rathmore area from the 1940s to 1971. During this period, the role played by Muintir na Tire in rural community development was highly significant. Based on annual reports submitted to Muintir na Tire, O'Connor provides an overview of the range of issues in which guilds in the Rathmore area were active. He highlights Rathmore and District Credit Union as one of the greatest of Muintir na Tire's legacies in that area.

Section 5 considers some of the issues facing the credit union movement today. Credit unions play an important role within their communities by promoting financial inclusion thereby, ultimately, facilitating wider social inclusion. Their co-operative status places an obligation on them to uphold the co-operative principle of social responsibility. Through financial sponsorship and other types of support, credit unions contribute to the enhancement of the civic, social and cultural fabric of society. The role of credit unions in promoting community wellbeing is considered in an essay by Power et al.

The onset of the international financial crisis at the end of the first decade of the new millennium has heightened concern about the need to educate the general public about financial matters. In Ireland, the collapse of the 'Celtic Tiger' economy, and the consequent impact on the personal finances of its citizens, has highlighted the need for building the capability of individuals to manage their finances. In an essay on credit unions and financial capability, Noreen Byrne et al. explore how the credit union can help to enhance the capacity of individuals to manage their personal finances. While financial education is important, changes to the financial services infrastructure can play an important role in encouraging individuals to form good financial habits and make sound decisions on their personal finances. The promotion of thrift and prudent use of credit has always been an important component of the credit union ethos. Byrne et al.'s essay considers the role of credit union practice and a range of targeted initiatives in fostering financial capability in Ireland.

The early establishment of credit unions in Ireland occurred within a wider context of transition from a 'traditional' society to a 'modernising' one. The promotion of financial inclusion was the driving force underpinning the establishment of credit unions. Today, in the developing world, large sections of society experience financial exclusion. Nick Chisholm's essay examines the role of co-operative credit in the developing world, with a particular focus on saving and credit co-operatives, micro-finance institutions and their impact on the struggle of women to extricate themselves from poverty. The Irish League of Credit Unions (ILCU) Foundation has been active in fostering and supporting credit unions as a vehicle for co-operative credit in the developing world. Its work is outlined in a short feature by Alan Moore.

While Ireland in 2011 is a radically different society to what it was in the 1950s when credit unions emerged, in many respects, the challenges remain the same. There is a need to create sustainable employment and to provide services in an economic climate characterised by recession and austerity measures. Nora Herlihy's interest in credit unions developed from her initial studies of the co-operative movement more generally. Her pursuit of the financial co-operative agenda resulted from a belief in the centrality of access to money in helping people to help themselves. Credit unions, in terms of their widespread adoption and popularity, can claim to be the biggest success of the co-operative movement in Ireland. During the first fifty years of their existence, their impact on the economic welfare of communities throughout Ireland has been tremendous. However, Olive McCarthy et al. show that the co-operative sector has relevance for a whole range of economic sectors. Their essay provides an overview of co-operative structures, processes and the co-operative ethos in Ireland, and highlights the range of sectors in which co-operatives are active.

Social enterprise offers one of a number of alternative means of addressing some of the challenges faced by contemporary Irish society. In this context, it is important for social entrepreneurs and policy-makers to develop an understanding of how social enterprises can sustain themselves. Credit unions emerged to cater for a market segment that conventional financial institutions had no interest in developing. Credit union pioneers were motivated by societal needs rather than the goal of profit. Today, social enterprises in Ireland and elsewhere share many similarities with co-operatives: they are typically not-for-profit, democratically governed organisations that emerge to fulfil a social need within communities. Work integration social enterprises (WISEs) represent a key component of the social enterprise sector in Ireland. In her essay, Mary O'Shaughnessy explores how various categories of WISE in Ireland employ differentially weighted resource mixes to enable them to remain financially viable.

IRD Duhallow is one example of a community-based, integrated rural development company that promotes and supports a range of social enterprises in the area that produced Nora Herlihy, one of Ireland's greatest social entrepreneurs. In a case study of IRD Duhallow, Maura Walsh provides some practical examples of the social enterprise model. While these enterprises benefit from a range of European Union financial instruments, their success is dependent on the commitment of individuals in the community who are driven by their social conscience in a way similar to that which motivated Nora Herlihy to foster the development of the credit union movement.

Co-operation among co-operatives is a key co-operative principle. It is founded on the belief that co-operatives can optimise their positive impact on members and on the wider movement by working together for mutual benefit. Linkages between credit unions and other co-operative sectors in Ireland is the subject of Bridget Carroll's essay. Carroll reviews existing linkages between credit unions and other co-operatives and highlights the potential for further co-operation. These linkages offer a way forward in relation to a number of key issues in society, such as provision of housing, environmental sustainability and employment creation, as well as facilitating education about the co-operative approach. The co-operative approach to personal finance has improved the quality of life for many citizens and has facilitated greater financial and social inclusion. In the year 2011, when Ireland's social and economic wellbeing is threatened once again, co-operatives offer alternative solutions which can be optimised through cross-sectoral linkages.

It is not possible to predict the future of the credit union movement in Ireland. We are living in an era where the economic sovereignty of the country has been compromised, where the survival of the Euro currency is in question, and the damage that has resulted from poor regulation and irresponsible lending by mainstream financial institutions has taken the European project to the brink of collapse. However, what is certain is that the spirit of ingenuity and determination that established the credit union movement is still very much alive in Ireland. These traits will resurface to meet new challenges and to take advantage of opportunities in the rapidly changing world in which we live.

Nora Herlihy was not a financial guru who foresaw the future; she was a primary school teacher who saw a need and met that need in a highly innovative way. Nora's approach was very scholarly: she spent an inestimable number of hours studying co-operatives and co-operative credit systems and identifying the best way to embed these in Irish society and culture. She was not motivated by a desire to raise her profile or to profit in any way from the hours of work she invested in the fledgling credit union movement. The centenary of Nora's birth passed by unnoticed in February 2010 – a fact that perhaps bears testament to the humility of a woman whose impact on Irish life may never be fully understood or appreciated. We hope this volume will, in some small way, rectify that oversight.

SECTION 1

Financial services in Ireland: a historical perspective

A brief history of saving and accessing credit in Ireland

Ella Kavanagh

Introduction

This chapter charts the development of the financial services sector in Ireland during the nineteenth century, focusing on the sectoral expansion and spatial diffusion of savings and credit facilities.

The nineteenth century witnessed significant developments in banking with the advent of joint stock banking, branch banking and deposit banking. The principal function of the early private banks of the eighteenth century and the early nineteenth century had been to facilitate trade and exchange through the issue of bank notes and the discounting of bills of exchange. Banks catered for landlords and the merchant class, excluding large segments of the population, such as the poor and small farmers. The Loan Fund Societies and the Agricultural Credit Societies developed to satisfy the specific lending needs of these marginalised groups while financial institutions such as the Trustee Savings Banks and the Post Office Savings Banks emerged to mobilise savings.

As Ireland became part of a political, economic and monetary union with Great Britain – through the Act of Union in 1800 and the Assimilation of Currencies Act in 1826 – many financial institutions and banking developments were either "imported" into Ireland from Great Britain - the one exception being the Agricultural Credit Societies, which were a German import - or were established by the British government, e.g. the Post Office Savings Banks.

Financial institutions faced the problem of assuring individuals who accepted their notes or deposited money with them that their institution was secure and that their money was safe. The nineteenth century is characterised by numerous instances of financial fraud and bank failure. Furthermore, in the context of an underdeveloped transport infrastructure, physical access to financial institutions was a key consideration. This chapter focuses on the organisational structure of financial institutions, the nature of the financial failures in the nineteenth century and the increasing role of the government in their regulation. The geographical diffusion of financial institutions, which made them more accessible to the public, is also considered.

Developments in Banking

The instability of the private banks during the eighteenth century led to a call by absentee landlords and merchants for a national bank to be set up in Ireland, modelled on the Bank of England. In 1783, the Bank of Ireland was established by royal charter and had a number of special privileges, which set it apart from the private banks and which engendered confidence in the bank. Its liabilities (bank notes and deposits) were guaranteed by the government up to £600,000[1] and by the unlimited liability of its stockholders in excess of this amount. In contrast the liabilities of the private banks were backed only by their own resources and the personal property of the partners. The latter was limited by the Act of 1783 to six people.[2] Therefore the private banks were much more vulnerable to "runs" – the presentation by the customers of the bank of large amounts of bank notes for conversion into gold.

The weaknesses in the Irish private banks were exposed by the severe depression and price deflation following the cessation of the Napoleonic wars.[3] All agricultural prices fell very sharply in 1815. Between 1818 and 1822 they were halved. The private banks had neither the resources nor the experience to enable them to survive such a period of pressure.[4] In 1820, 16 of the

31 private banks in Ireland failed or were suspended. Of the 15 banks that survived the panic of the early 1820s, only 6 were located outside of Dublin.[5] Hence the provision of banking services, such as the issue of bank notes and the discounting of bills, was severely curtailed throughout the country. In response to this instability and the need for stronger banks to meet the commercial and economic needs of the country, new legislation (Bank of Ireland Act 1821) was enacted. This curtailed some of the privileges of the Bank of Ireland but allowed the establishment of banks of issue, with more than six members, provided that they were located 50 miles outside of Dublin.

Subsequent changes to banking legislation in 1824 (Irish Banking Act) and in 1825 (Banking Co-partnership Regulation Act) enabled joint stock banks[6] to be created in Ireland. In response, 11 joint stock banks were formed during the 1820s and 1830s, 7 of which survived into the twentieth century and up to the 1960s.[7] The joint stock banks had a number of advantages over the private banks in instilling confidence and in providing banking services nationwide. They were owned by a large number of shareholders who could freely trade their shares e.g. the Provincial Bank had 900 shareholders in 1846.[8] This large and diversified shareholding made the bank less exposed in the event of one or a number of shareholders facing financial distress. The shareholders had unlimited liability, making them liable for all the debts in the event of the bank being dissolved. Another advantage was that their capital could be kept in a liquid form in case it was required. There were also advantages to having a board of directors managing the bank as they were "chosen to fill the office from their superior knowledge of mercantile and banking business"[9] in contrast to the private banks where management was frequently entrusted "to one or two partners; men who cannot be expected to act with the caution and prudence of an elected body, answerable for their conduct to the great body of proprietors; men too, who have their prejudices to indulge, their friends to please and their partialities to gratify".[10]

The joint stock banks, like the private banks before them, issued their own bank notes. Unlike England where the banks could only issue notes of £5 and upwards, the Irish and Scottish banks could issue notes from £1 upwards. "The existence of a small note issue in Scotland and Ireland helped greatly in the popularising of the banking habit".[11] The Bank of Ireland, the Provincial, the National and the three northern banks – the Ulster, Belfast, and the Northern were all banks of issue. The decision by the Royal and the Hibernian to locate in Dublin meant that they were precluded from issuing bank notes. We noted earlier that the 1821 Act gave the Bank of Ireland exclusive rights to issue notes within a 50-mile radius of Dublin. The 1845 Act removed this privilege and allowed only those banks that were lawfully issuing notes in the year prior to the act, to continue to print bank notes. The distribution of future note issue was also fixed by the act - the Bank of Ireland as the largest bank providing 59%, the Provincial 15%, the National 13% while the three Northern banks accounted for the remaining 13%.

The emergence of new banking products

The traditional banking activity in Ireland was the discounting of bills of exchange[12] for landlords or their agents and merchants.[13] Bills were discounted by the banks, either for notes or coin over the counter or for credit to their customers' accounts. Bills were classified according to where they were payable. English bills were payable in London, Liverpool or Manchester and were representative of produce exported from Ireland to Britain. Irish bills comprised both local bills that were payable at the places where they were discounted and bills that were payable in other towns in Ireland. English bills were preferred by the banks to Irish bills and the interest rate charged was consequently lower.

The joint stock banks introduced to the Irish market banking products that were already available elsewhere. For example, the Provincial Bank introduced the Scottish "cash credit" - an overdraft secured by the signing of a bond and two sureties - which was more flexible than discounting bills.[14] They were also more adventurous in giving out loans and were willing to accept individual promissory notes, government stock and life assurance policies as security.[15] In general, loans were short-term. Although deposit accounts were a feature of the early private banks, the Provincial Bank claimed to be the first bank to pay interest on deposits.[16] Again this was a feature of the Scottish joint stock banks and, with the exception of the Bank of Ireland, all the Irish joint stock banks paid interest. The Bank of Ireland began to pay interest in 1864 in response to increasing competition from other banks. Cheques or drafts were used to make payments from deposit accounts.

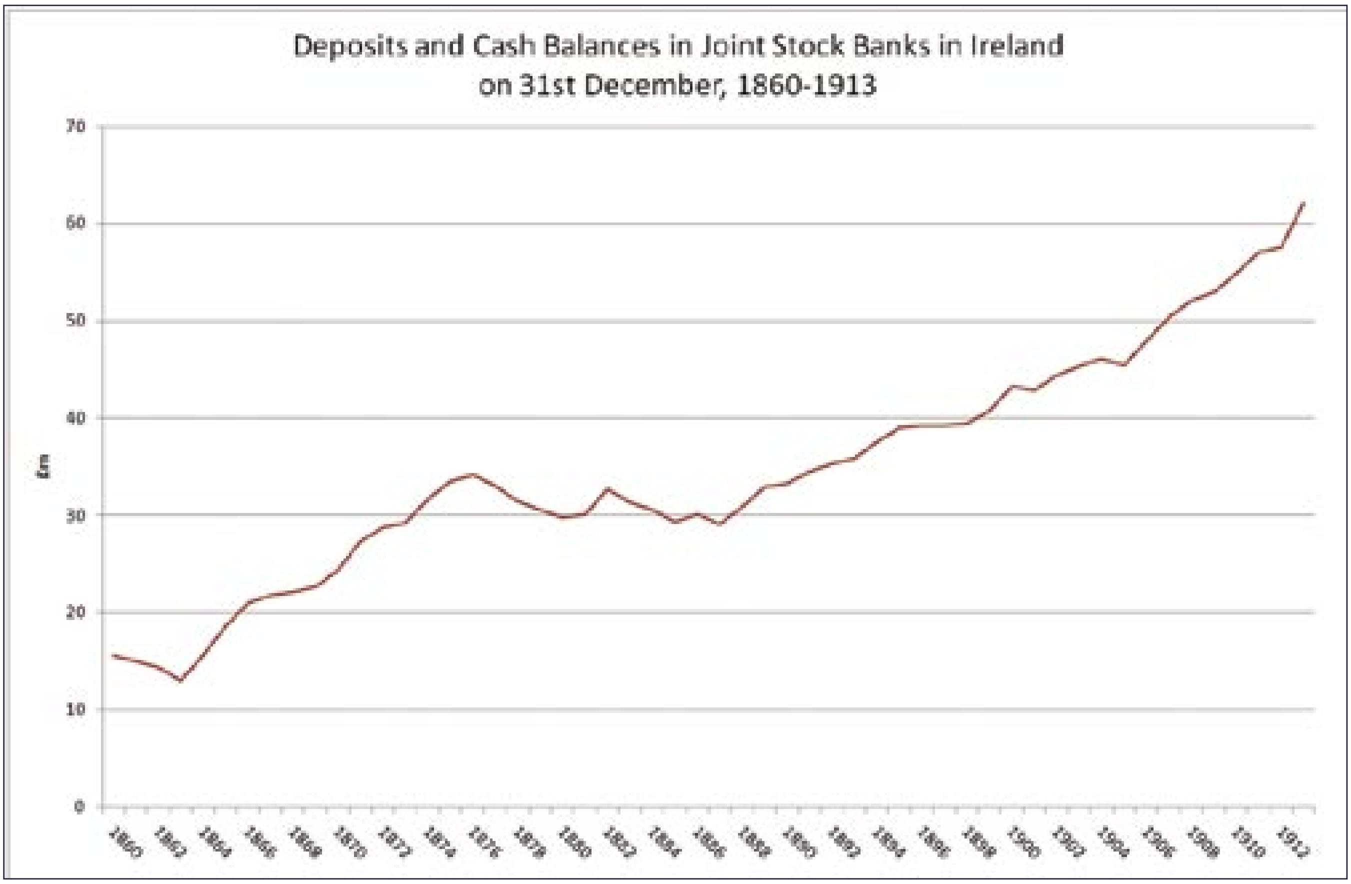
The geographical expansion of the banking network

The early joint stock banks, the Hibernian and the Northern, were located in Dublin and Belfast respectively, which left the rest of the country with a few remaining private banks, all of which were locally based. Unlike privately owned banks, joint stock banks had the necessary resources to develop a branch network. Their incentive for creating branches was to collect deposits. It also facilitated the expansion of their notes and lending business and the diversification, as far as possible, of their portfolio of loans. However, setting up a network of branches presented difficulties for banks: firstly, how to obtain staff familiar with banking matters and with sufficient local knowledge to assess the creditworthiness of potential borrowers; and secondly, how to regularly supervise the branches given the poor state of travel and communication. The Provincial Bank which pioneered branch banking in Ireland and the Bank of Ireland employed different ways of establishing their branch networks. The Provincial bank modelled theirs on the Scottish system. Each branch of the Provincial had a manager, employed for his banking expertise, and an accountant, who reported directly to the head office in London. Many of these were Scottish bankers. A board of directors "of the first respectability" was established for each branch to provide the manager with local information on the customers of the bank. The Bank of Ireland, on the other-hand, favoured the appointment of agents who were chosen for their local knowledge and commercial experience. However it was difficult to find individuals who displayed the necessary banking experience and, by 1836, the Bank of Ireland decided to dispense with this system and appoint their sub-agents, who were from Bank of Ireland headquarters, as branch managers.

The spread of branches was very rapid. By 1845, the Provincial Bank had 37 branches, including one in each of twelve of the 13 largest towns (those of population exceeding 10,000) outside a 50-mile radius of Dublin. The Bank of Ireland followed suit and by 1845 had 24 agencies in operation. All the other joint stock banks, with the exception of the Royal Bank and the Hibernian Bank, had established a branch network prior to the famine. The 10 joint stock banks in 1845 had 173 offices. Branch development continued unabated in the second half of the nineteenth century as spatial competition continued and, by 1910, there were 505 branches (including head offices) always open or one for every 8,300 persons.[17]

Banking failures

Despite the development of the joint stock banks, the banking system was still subject to bouts of instability and there were a number of banking failures. One which is of particular interest is the Agricultural and Commercial Bank, established in 1834, which was referred to as the "poor man's bank". Many of its features made it more risky and less secure than the other joint stock banks. Unlike the other banks it issued £5 shares to attract small shareholders[18] and "available evidence seems to suggest that the majority of its shareholders were from the poorer classes of society".[19] Furthermore the members of the board of directors were not wealthy. Its main business was the discounting of bills, typically of low amounts for small merchants and poor farmers. There were also many examples of inexperienced managers being in charge.[20] The Banker's magazine claimed that for the Agricultural Bank "the (bank note) issues were unlimited and unchecked; the discounts were profuse; the advances without security, extraordinary for their liberality".[21]



• **Fig. 1** *Deposits and cash balances in joint stock banks in Ireland on 31st December, 1860-1913*

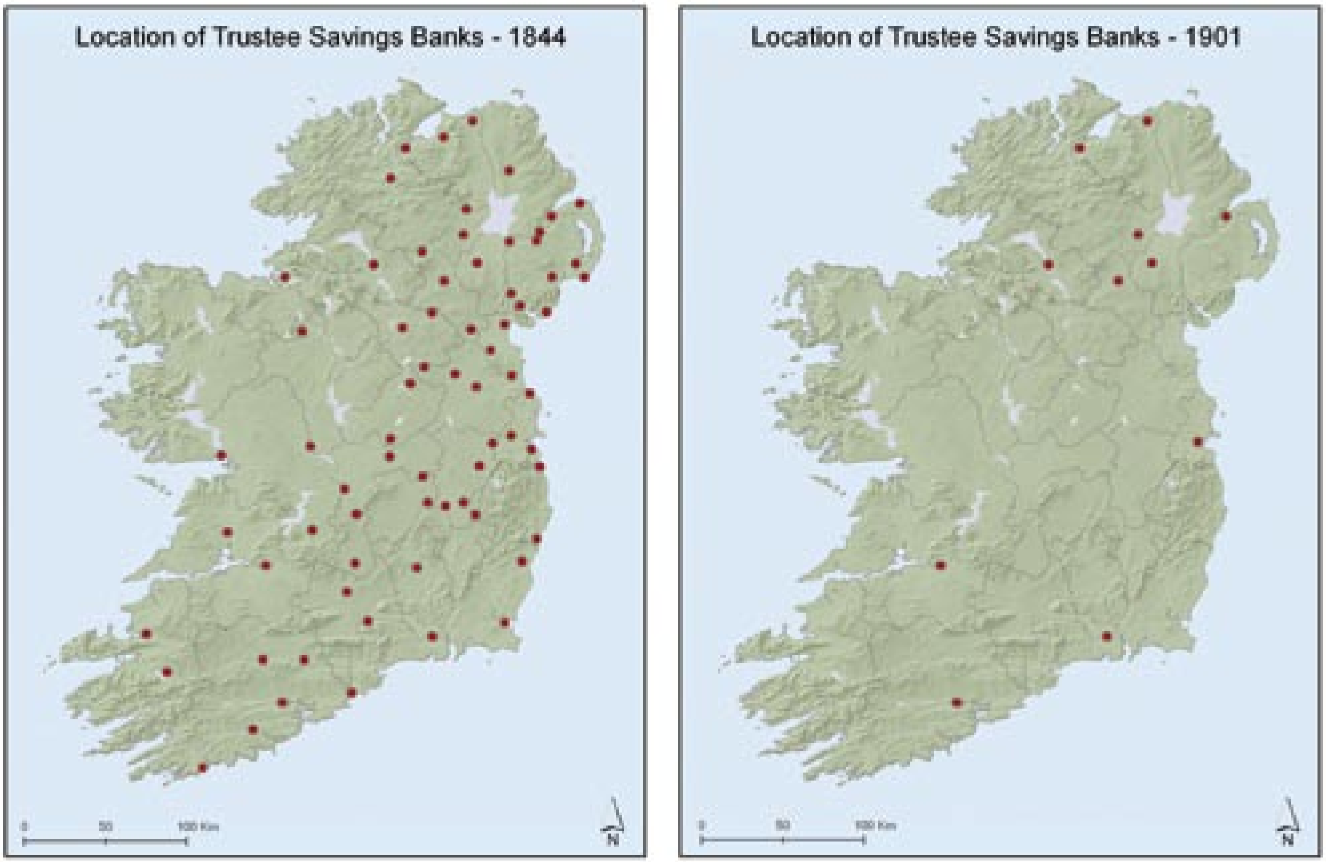
The bank ultimately failed. Other sensational banking failures included the Tipperary Bank (Sadleir's Bank) in 1856 (and the associated suicide of John Sadleir), and the Munster Bank in 1885, both of which placed the entire banking system under severe pressure for a time. However despite these failures, Fig.1 shows very strong expansion in the deposits and cash balances in Irish banks during the second half of the nineteenth century.

3. Mobilising Savings – Savings Banks

Before the famine, banks' customers were almost exclusively from the upper and middle classes.[22] Consequently there were few, if any, opportunities for a person to deposit small amounts of money that could be withdrawn when required. Savings banks had emerged in Scotland to promote saving among labourers and domestic servants. Such savings would then be available to spend during periods of sickness, unemployment, old age or other eventualities. These savings banks were imported into Ireland from Great Britain and the first savings bank was established in Belfast in 1816.[23]

Savings Banks were generally established by leading gentlemen in an area – professionals, businessmen, landlords and clergy. Trustees were appointed to act as custodians of the money. A large savings bank had a number of managers and various officers such as a treasurer, who could be a banker or a clergyman in the town, an actuary (secretary) and cashiers. In a small bank, the actuary may have been the only officer. The success of these banks depended on how confident potential savers were that the personnel in the bank were trustworthy and would not abscond with their money. Savers were also concerned that their funds would be employed safely so that their value would be maintained and interest paid. The safe-keeping of deposits was of paramount importance. At the time, the safe-keeping of savings was of greater importance than the actual amount of interest received.[24]

In 1817, the government introduced legislation for both England and Ireland to encourage the establishment of savings banks. This legislation was intended to restrict depositors to those of the "humbler classes of the community", by imposing a limit of £50 on the

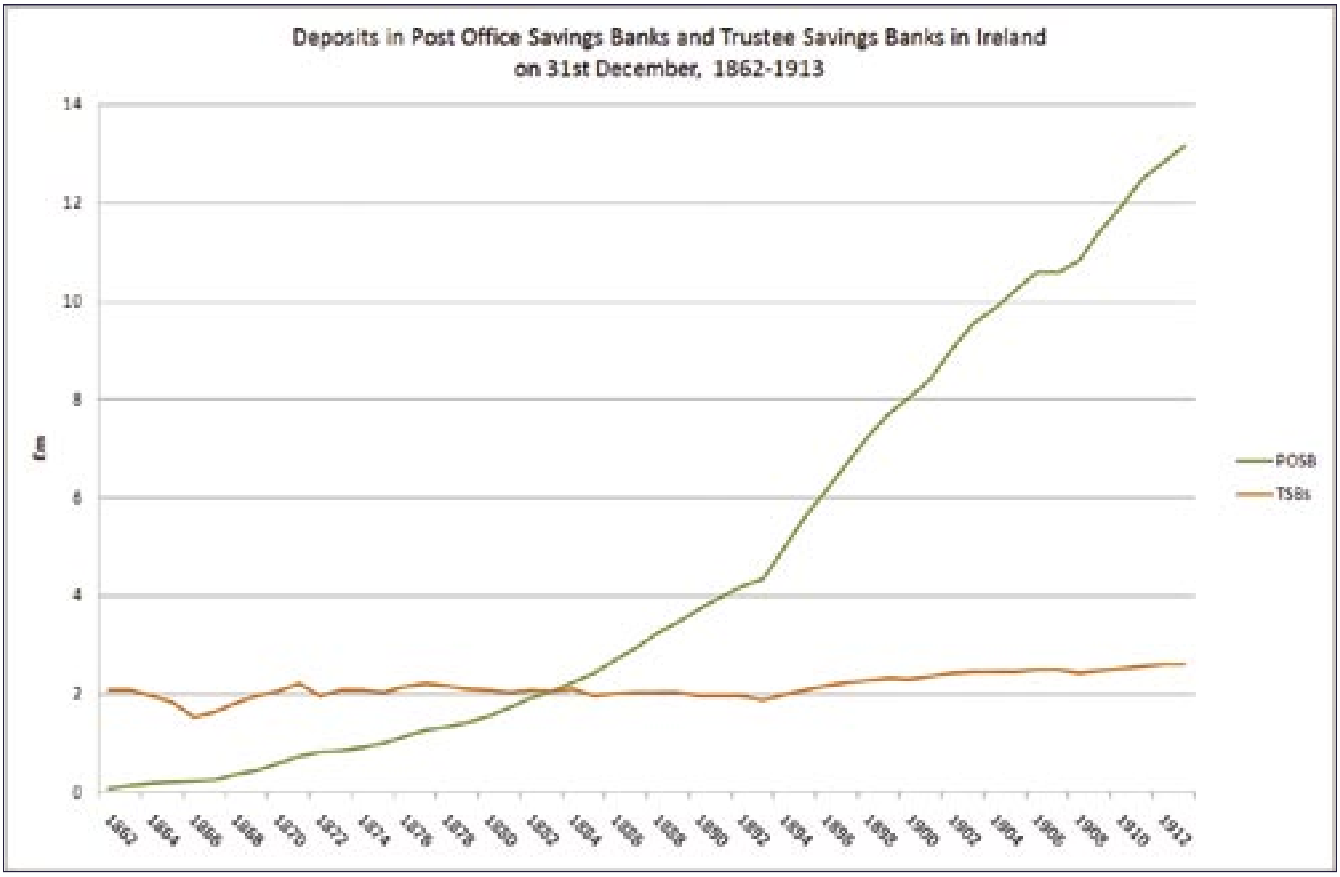


• **Fig. 2** *Savings banks in Ireland, 1844 and 1901*

amount that could be deposited in any one year and on the total amount of savings.[25] The savings banks were allowed to transfer their deposits to the National Debt Commissioners (NDC) in London for the purchase of government debt. This was made compulsory in the 1824 act. The government also agreed to pay a guaranteed rate of interest to the trustees[26] on monies received, which was higher than the interest rate paid by the banks. The only regulation introduced at this stage was that the banks had to make regular returns to the NDC.

Despite government support, savings banks in Ireland faced mixed fortunes. In 1817, there were four trustee savings banks in Ireland.[27] They spread rapidly during 1818 and 1819 and by the mid 1820s, at the time of the formation of the joint stock banks, the Irish network had essentially been established.[28] In 1844, before the famine, there were 73 savings banks but by 1901, the number had dwindled to 11. Fig. 2 shows the location of savings banks in these two years. Another indicator of their changing fortunes is the growth in deposits. The annual average growth rate of deposits was 9% during the 1830s and total deposits reached £2.3m in 1841. Deposits fell to £1.3m in 1848. There was little recovery during the second half of the nineteenth century and by 1900, deposits had only reached their pre-famine level of £2.3m (Fig.3). Trustee Savings Banks were not a successful import into Ireland. Even during the pre-famine period of growth, the ratio of savings banks to population was much lower in Ireland relative to Great Britain. According to O'Gráda, the main reason for this was the "Irish economy's relative backwardness and overwhelmingly rural character".[29]

Much of the explanation for the decline in savings banks lies with the governance and management of these banks. During the 1830s and 1840s a number of them failed, which reduced savers' trust in these institutions. The Tralee Savings Bank closed on 3rd April 1848, with claims amounting to £37,000 and with only £1,600 in the bank. The failure was a combination of a series of frauds by the actuary and an absence of internal monitoring by the trustees and the managers. The types of fraud committed by the actuary included: taking money from the savings bank by recording accounts



• **Fig. 3** *Deposits in Post Office Savings Banks and Trustee Savings Banks in Ireland on 31st December, 1862-1913*

as closed when in reality they were still open; receiving deposits after office hours and not recording them in the daybook; entering lower amounts in the daybook than were actually received. The actuary also accepted deposits well in excess of the amounts legally allowed and with fictitious names.

In the case of the Cuffe Street Savings Bank in Dublin, which closed its doors in May 1848, the National Debt Commissioners (NDC) were aware of the deficiencies of the bank but supported the concealment of this information from the depositors. The fraud had come into the open in 1831 when the actuary absconded with monies. The investigator appointed concluded that the bank should be kept open as over time its surpluses would cover the deficiency. However, the deficiency continued to expand as more accounts came to light and interest to be paid accumulated. The bank recorded the deficiency in the accounts that they furnished to the NDC but these accounts were not shown in the bank office, as the bank was legally required to do, because once the deficiency became apparent, it was likely that the bank would fail. It seems that the NDC agreed. Accordingly the trustees were under the belief that they would be bailed out by the NDC i.e. the British Government, if there was a run on the bank. Depositors began to question the unavailability of accounts resulting in a run on the bank in 1845 and again in 1848.[30] Due to the nature of this case, the government took liability and paid out £30,000 to depositors. Not only did a collapse affect the depositors themselves, it caused a run on other savings banks. The run on the Dublin Savings Bank resulted in their funds declining from £400,000 to £120,000 during March, April and May 1848. These scandals undermined people's faith in these banks.

Another factor reducing the attractiveness of setting up these banks was the legislation introduced in 1848 in Ireland. There had been a number of changes in the legislation regarding liability in the event of losses, as the government traded off their desire to promote savings through the creation of new societies against their desire to limit failures. According to the 1844 act, it appeared that the trustee/manager had no liability at all, unless they had specified to the NDC a sum for which they would be liable.[31] This act, although applying to England, appears to have raised uncertainty about whether it applied to Ireland and was held partly responsible for the run on the Dublin Savings Bank in 1848. However the 1848 act, which applied to Ireland, restored liability to trustees and managers (unless they had signed a document limiting their liability to not less than £100), making these banks an unattractive business proposition for trustees and managers.

The difficulty of ensuring the safety of savings banks' deposits led to the establishment of the Post Office Savings Bank in 1861 in which the state guaranteed the repayment of every depositor. The government appointed their agents, the post office masters/ mistresses to collect these deposits and forward them to the Postmaster General in London. A number of procedures were introduced to ensure the safe transfer of funds. From the perspective of the depositor there was no risk, as they received a guarantee that any money deposited would be repaid with interest. Like the Trustee Savings Banks, the money was placed with the National Debt Commissioners (NDC) and the rate of interest was fixed at 2.5% by the act of 1861. To target the small saver, there were restrictions placed on the sums that could be deposited in any one year and the total amount that could be deposited. Naturally the expansive branch network, particularly in rural areas (in Ireland in 1852 there were 486 post offices in contrast to 52 savings banks) combined with the government guarantee greatly favoured the collection and indeed the mobilisation of small savings.

The Post Office Savings Banks (POSB) became an important repository for funds with average annual growth rates of 14% and 12% in the 1880s and 1890s respectively, despite the fall in the population of 15% between the years 1881 and 1911.[32] Initially in 1870, the deposits of the POSB were less than one third of those in the TSBs. However, by 1913, POSB deposits of £13.1m were over five times those of the TSBs.

Providing Credit – Loan Fund and Agricultural Credit Societies

Although the joint stock banks provided discounting, overdraft and loan facilities, they "did not, by and large, begin to make small loans or deal with the poor until the 1860s".[33] This type of lending was viewed by the banks as too risky. In their place, other providers of credit to that market emerged – local moneylenders, the butter merchants and loan fund societies. The interest rates charged by moneylenders were very high. Hollis and Sweetman[34] quote rates from a number of different sources of between 25% and 100%. Similarly the butter merchants, who lent money to farmers for around a 6-week period, charged rates of between 15% and 20% for the period of accommodation.

The loan fund societies were set up to provide small loans to "indigenous and industrious persons". Similar to the legislation of 1817, which sought to encourage the establishment of savings banks, in 1823 the Charitable Loan Societies (Ireland) Act was enacted to encourage charitable loan fund societies in Ireland. Early funds were supported by donations from philanthropic individuals and organisations but by the 1830s they supported themselves through interest bearing deposits. The purpose of the funds was to encourage investment and to fulfil a charitable role in allowing borrowing in times of distress. By the mid 1830s over 100 loan funds were in operation. The number of loan funds reached its maximum in 1842 with 300 loan funds in operation, and 488,702 loans issued. Hollis and Sweetman highlight the importance of these funds in the Irish financial system and particularly for the poor.

> *"Fund lending was about 10% of the total in pre-Famine Ireland and almost 100% of the "formal sector" loans between £1 and £10".*[35]

They were less important in terms of deposits, accounting for less than 5% of the deposits held by the commercial banks although some attempted to act as savings banks for the poor.

The famine and high emigration, which had little impact on the joint stock banks, had a major impact on the loan fund societies. In 1847, the value of loans made by the loan fund societies fell by £906,750 and the number of loans declined by 240,000. The number of loans and the level of funding provided by the loan fund societies declined during the second half of the nineteenth century in response to the increased income of the "poorer" classes and the entry of the banks into the small loan market (£5-£10) which had previously been the exclusive preserve of the loan fund societies.

The specific credit needs of smaller farmers motivated the Irish Agricultural Organisation Society (IAOS) to introduce co-operative credit societies or agricultural banks as an adjunct to the co-operative movement. The IAOS's view was that the joint stock banks provided limited amounts of credit and for too short durations, required prohibitive security (in the form of sureties) and was very costly for small farmers to obtain. These agricultural banks were modelled on the Raiffeisen banks that had developed in Germany. They were structured as follows. A number of people would be joined together to form a credit society and membership would be confined to people of solid local reputation. Funding would be obtained either from the banks or from collecting deposits. This money would only be lent to members of the society, who would be known by the officers and the other members. Members had to accept unlimited liability. The local nature of these societies was crucial because:

"without the members' inside knowledge the local credit association could hardly have charged much lower interest rates than the local money lender; and the association itself would not have become creditworthy to outsiders, were it not for the members' solidarity i.e. their joint, several and indefinite liability".[36]

The first agricultural credit society was set up as an experiment by the Irish Agricultural Organisation Society (IAOS) in Charleville, Co. Cork. In 1908, the number of societies peaked at 267 societies but by 1910 the number had fallen to 237. The number of societies continued to decline during the 1920s and the 1930s, reaching 35 in 1935.[37] They were unsuccessful at mobilising deposits or attracting them away from the POSBs, the TSBs or the Joint Stock Banks. In 1911, total deposits of the agricultural credit societies amounted to £27,290 (loans amounted to £56,055) in comparison to £2.6m for the Trustee Savings Banks and £13.2m for the Post Office Savings Banks.

A number of reasons can be given for their lack of success. It is questionable whether there was an actual need for a specific institution to provide credit to small farmers. There were also difficulties with the organisation of the societies themselves. Some were totally dependent on government funding (which was withdrawn in 1913 and 1914) and many were unable to compete with the existing POSBs (where deposits were guaranteed by the state) and collect sufficient deposits.[38] This was despite the 4% interest rate paid by the Agricultural credit societies in comparison to 2.5% paid by the POSBs. It would appear that many depositors did not believe that one could depend on the members and the officers of the committee to monitor how loans were being used and thus ensure the safety of their deposits. Along with this, there was no external monitoring by the government. The unlimited liability of members made these societies unattractive for farmers and effectively precluded wealthy and better educated individuals from getting involved in the management of these societies.

Conclusion

During the nineteenth century a number of different financial institutions were started in Ireland and, by independence in 1922, Ireland had a well-developed banking system. As we have seen, the structure of Irish banking and the principles of branch banking were laid down in the nineteenth century and did not fundamentally change until the 1960s.

We noted that the savings institutions, particularly the Post Office Savings Banks, were successful at mobilising savings due to the high savings rate in Ireland and the government guarantee. However, institutions that were targeted at lending to specific groups, such as the poor and the small farmers, did not survive long into the twentieth century, both because of the way that they were organised and, it would seem, the lack of demand for their services. It would not be until 1958 that a new co-operative institution, the credit union, would be established in Ireland targeted specifically at those groups who were not served by the Irish banking system.

The Post Office Savings Bank, 1862-1911

Eoin McLaughlin

Introduction

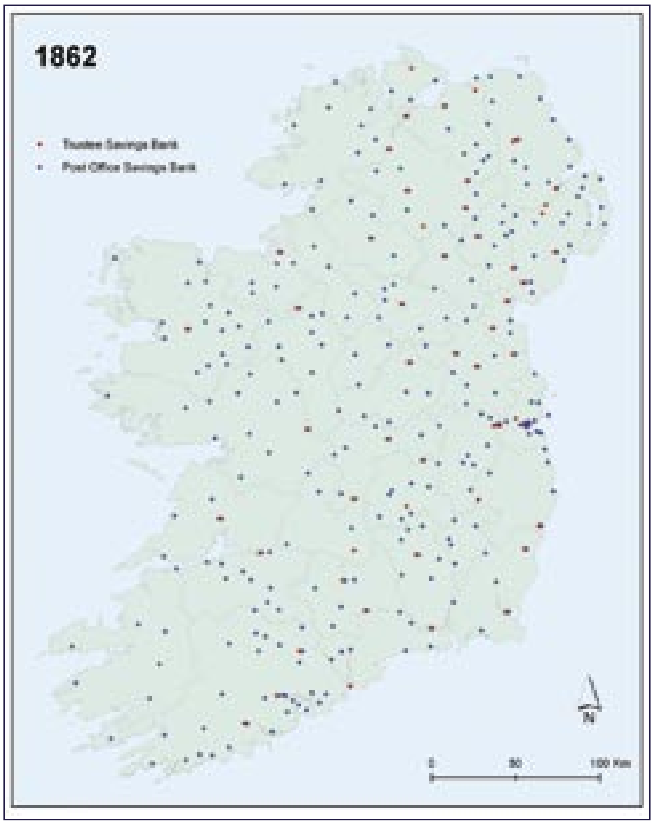
The significance of the Post Office Savings Bank (POSB) as a savings institution can only be appreciated in the context of the troubled history of the savings banks (discussed in the previous essay) – officially known as TSBs from 1863. Trustee Savings Banks (TSBs) were first introduced to Ireland in 1816 and were modelled on Scottish savings banks. The number of TSBs grew steadily and by 1844 there were 78 independent units in operation. They subsequently declined in the post-famine period; this decline was caused by a number of high profile frauds that were uncovered during the famine. Frauds took place in a savings bank in Dublin (St. Peter's Parish) and two in Kerry (Tralee and Killarney), and resulted in considerable losses to depositors. Thereafter, the number of TSBs in Ireland went into decline.[1]

The Irish frauds preceded similar events in England and Wales and, initially, there was a mistaken belief that the Irish experience with TSBs was something idiosyncratically Irish. However, when similar frauds were brought to light in England, the TSB system across the British Isles was fundamentally challenged.[2]

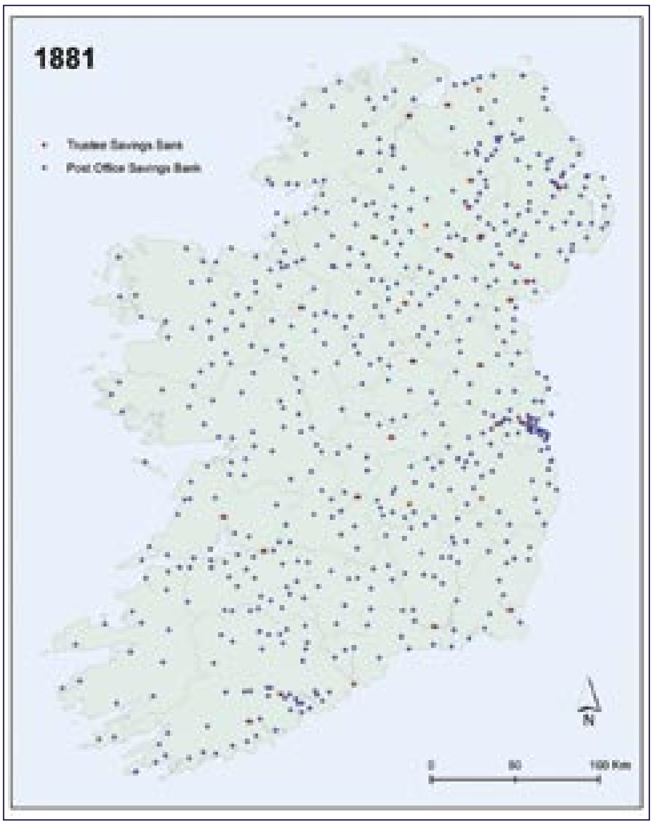
The POSB was established in England and Wales in 1861, and the following year it was introduced in Scotland and Ireland.[3] It was the largest branch banking institution in Ireland and provided savings services to the public. The collapse in confidence in the TSB system led to the creation of the POSB. When William Gladstone, Chancellor of the Exchequer, proposed to establish a state run savings bank using the medium of the Post Office, his primary concern was with England and Wales and less so with Ireland. However, the impact of the POSB on Ireland was immense. For example, when the POSB was introduced to Ireland in 1862, almost immediately 300 branches were opened and the number of branches steadily increased throughout the remainder of the nineteenth century.

The significance of the POSB was its accessibility and the rate of interest that it paid on savings deposits. By 1881 most towns and villages in Ireland had access to a branch of the POSB, and the POSB branch network had greater coverage than the TSBs had provided at their peak. The savings of the POSB quickly surpassed those of loan fund societies and more notably TSBs. Deposits held in the POSB were second only to those held by the joint stock banks. The POSB also paid a fixed rate of interest, 2.5%, that was higher than the market rate of interest paid by the joint stock banks. The ostensible aim of the POSB was to promote thrift and this can be seen by the annual and total deposit ceilings; £30 (€2,760) from 1862 to 1892, increased to £50 (€4,600) thereafter, subject to a total deposit limit of £150 (€13,800).[4]

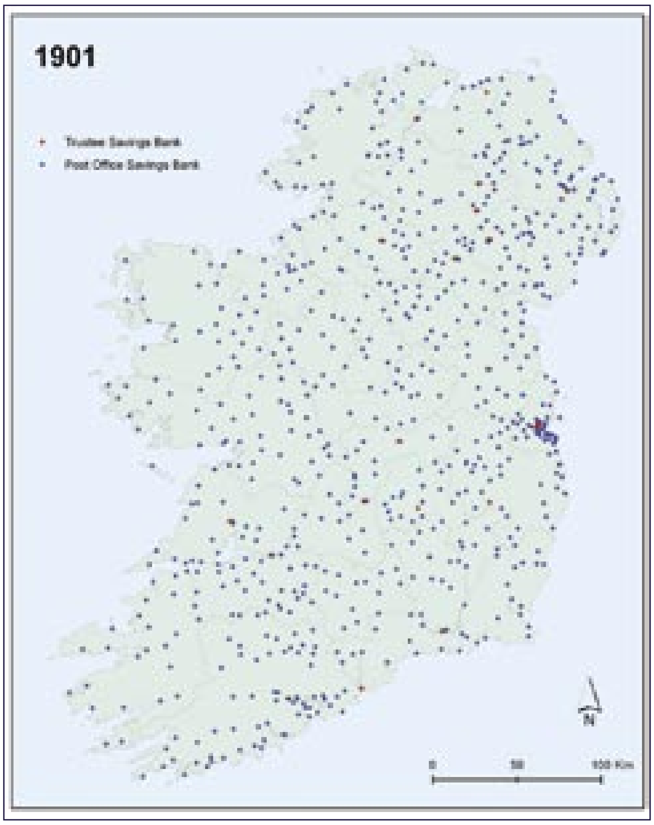
The growth in savings in the POSB attracted criticism as the POSB did not lend to the public but instead used its funds to purchase government debt – Consols. For example, the 1914 report on agricultural credit in Ireland argued that greater benefit could be had locally if these funds were invested in local credit institutions such as Raiffeisen banks.[5] Yet, many contemporaries seem to have been aware that the attraction of the POSB was both its higher rate of interest and its 100 percent state guarantee. Given the previous history of savings banks and bank failures such as the Agricultural and Commercial Bank and the Tipperary Joint Stock Bank,[6] this security is something which should not be undervalued.



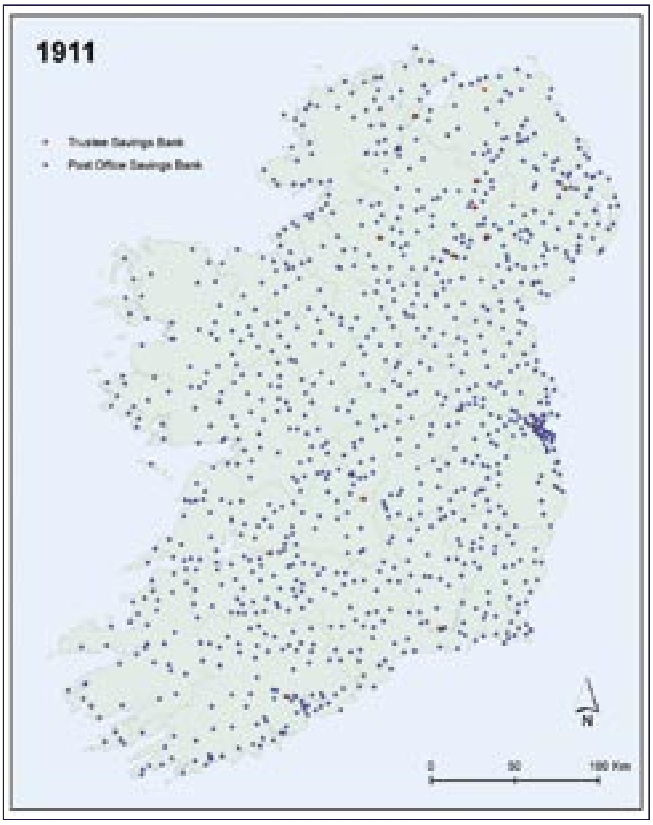
• **Fig. 1a** *Post Office Savings Banks and Trustee Savings Banks in Ireland, 1862*



• **Fig. 1b** *Post Office Savings Banks and Trustee Savings Banks in Ireland, 1881*



• **Fig. 1c** *Post Office Savings Banks and Trustee Savings Banks in Ireland, 1901*



• **Fig. 1d** *Post Office Savings Banks and Trustee Savings Banks in Ireland, 1911*

Credit unions *avant la lettre*? Loan fund societies in Irish history

Eoin McLaughlin

Introduction

Loan fund societies, as their name suggests, were societies established to give access to cheap, short-term credit. In Ireland, the first loan fund was formed c. 1730s and the last recorded loan fund society ceased operating in 1975.[1] While loan fund societies were a constant feature of local economies in Ireland for almost 250 years, their heyday was in the nineteenth century and hence this essay primarily focuses on that period.

Heretofore, loan funds have received limited scholarly attention. This essay gives a brief account of the history of loan fund societies in Ireland and explains the distinctions between the three major strands of loan fund societies active in the nineteenth century - Reproductive Loan Fund Societies (RLF) associated with the London Relief Committee (LRC), loan fund societies associated with the Loan Fund Board (LFB) in Dublin Castle, and independent loan fund societies registered as Friendly Societies (FS). The essay illustrates the similarities and differences between the loan fund societies and the credit union movement that was founded by Nora Herlihy in Ireland in the late 1950s and early 1960s. It considers whether loan fund societies were credit unions *avant la lettre*.

Loan fund societies: origins and developments

Ireland's tradition of loan fund societies can be traced back to the early eighteenth century, with the first such society being personally founded and operated by Jonathan Swift, Dean of St. Patrick's. Swift lent money to the 'industrious poor' weavers in his diocese.[2] Swift's model was subsequently replicated by the Charitable Musical Society (CMS), formed in 1756, which raised funds through an annual concert and also through bequests and donations. These were, in turn, used to operate a fund to lend to industrious classes in a specific locality. The CMS opened further branches in different parts of the island.

Irish loan fund societies belong to a nineteenth century tradition of paternalistic financial institutions designed with the intention of assisting the industrious classes through self-help. Although the concept originated in the eighteenth century, loan fund societies that emerged in Ireland in the early nineteenth century shared similar characteristics with contemporary Trustee Savings Banks (TSBs). In the overwhelming majority of societies, a notable exception being the FS loan fund societies, membership was not a prerequisite for borrowing; membership was instead confined to trustees and investors. Loan fund societies should be considered as Trustee Credit Banks and, in fact, there were a number of cases where loan fund societies and TSBs operated in the same location, although they were not integrated, one offering savings and the other credit. The activity of loan fund societies, as with TSBs, had peaked by the middle of the century; thereafter they stagnated and declined.

The parameters of loan fund society activity were clearly defined in legislation and little discretion was given to individual societies to determine their own agenda. Table 1 provides a summary of legislation relating to loan funds in Ireland. However, it solely refers to loan funds that were associated with the LRC and the LFB, which accounted for the majority of loan fund societies; loan funds registered with the Registrar of Friendly Societies operated under an entirely different legal code. The acts in Table 1 represent the body of legislation that regulated the loan fund societies in the nineteenth century. The key reforms came in 1823, 1836 and 1843: after the 1843 act, very little legislation was passed that fundamentally altered the loan fund system. The 1823 act seems to have been a response to the RLF, discussed below. Legislation in 1836 attempted to encourage the formation of loan fund societies, whereas the 1843 act aimed to curb their growth.

Table 1: Acts of parliament relating to loan funds in Ireland 1778-1906

Act	Year
Incorporation of the charitable Musical society in Dublin', 17 & 18 Geo 3. c 12., [Ire.]	1777-78
An Act for the Amendment of the Laws respecting Charitable Loan Societies in Ireland (4 Geo 4) c. 32.	1823
An Act to amend an Act of the Fourth Year of His present Majesty, for the Amendment of the Laws respecting Charitable Loan Societies in Ireland (10 Geo. 4) c. 42.	1829
An Act to amend the Laws relating to Loan Societies in Ireland (6 & 7 Will. 4) c. 55.	1836
An Act for the Amendment of the Laws relating to Loan Societies in Ireland . (1 & 2 Vict.) c. 78.	1838
An Act to consolidate and amend the Laws for the Regulation of Charitable Loan Societies in Ireland (6 & 7 Vict.) c. 91.	1843
An Act to amend an Act of the last Session, to consolidate and amend the Laws for the Regulation of Charitable Loan Societies in Ireland (7 & 8 Vict.) c. 38.	1844
Loan Societies (Ireland) Act, 1843, Amendment Act, 1872 (35 & 36 Vict.) c. 17.	1872
Charitable Loan Societies (Ireland) Act, 1900 (63 & 64 Vict.) c. 25.	1900
Charitable Loan Societies (Ireland) Act, 1906 (6 Edw. 7) c. 23.	1906

Loan fund societies had fixed loan ceilings. In the case of RLFs and LFB loan fund societies, this was set at £10, approximately valued at €920 in current monetary value (hereafter current value is given in brackets). This ceiling was arbitrarily imposed, but it seems to be related to the £10 ceiling that was also imposed on pawnbrokers, as pamphleteers promoting loan fund societies suggested that they could counter the abuses within the pawnbroking profession. FS loan fund societies also had a fixed loan ceiling; however, theirs was set much higher at £50 (€4600).

Loan terms for RLFs and LFB loan funds were fixed at 20 weeks. Loans could be repaid by either weekly or monthly instalments. The system appears to have been designed with wage earners, such as weavers and spinners, in mind, and was less suitable for agriculturalists whose demand for credit and ability to repay were determined by the seasonal nature of their economic pursuits. However, structural changes in the Irish economy led to loan funds being used to fund seasonal demands for credit in the agricultural sector.

Loan fund societies were charitable ventures designed to give borrowers – whom contemporaries deemed deserving – cheap access to credit. In the eighteenth century, loan fund societies gave interest-free loans to borrowers. However, their modus operandi changed significantly in the nineteenth century when societies charged a discount (interest) on loans issued. The maximum rate of discount, set by statute, for RLF and LFB loan funds was initially 6 pence in the pound

(2.50%), and this was subsequently reduced to 4 pence in the pound (1.67%). For example, if a borrower received a loan of £10 at 4 pence in the pound discount, then £0.167 would be discounted so a borrower would receive £9.83. The loan would then be repaid in instalments until the full £10 principal was repaid.

When the loan fund societies were initially established in the eighteenth century, their capital was comprised of bequests and donations. The situation was altered in the nineteenth century, however, whereby societies were able to receive deposits from the public. The societies received both term deposits (requiring notice for withdrawal) and demand deposits; term deposits constituted the greater proportion of deposits. Although loan funds charged a discount on loans and paid interest on deposits, by law they were required to be non-profit institutions. Profit, after all expenses were accounted for, was supposed to be expended on charitable purposes.

Loan fund societies operated on the principle of using local information. In theory, borrowers would apply for a loan in a LFB loan fund society by filling out an application card, at a cost of 1 pence, and state the purpose of the loan and the guarantors (sureties) of the loan. This application would then be discussed at a committee meeting of the society and a decision would be made whether or not to grant a loan.[3] This is an idealised version of proceedings and it is unknown how many societies followed this procedure; events in the 1890s suggest very few did. A borrower was required to provide two sureties to guarantee a loan. In the loan fund acts it was stated that sureties should not already be in debt to the society, but again evidence from the 1890s suggests that there was a strong element of cross-suretisation with individual borrowers guaranteeing each other's loans.

The average loan size from LFB loan fund societies was £3.66 (€302) in the 1840s, and increased slowly over time. This average loan size was significant as the annual wage for agricultural labourers was in the region of £6 (€504) in the 1840s, but growth in average loan sizes did not match the growth in agricultural wages that took place in the post-famine period.

London Relief Committee (LRC) and Reproductive Loan Funds (RLFs)

Loan fund societies proliferated in the early nineteenth century and it is important to appreciate the context surrounding this growth. The RLFs were founded in the early 1820s with surplus funds raised by the LRC. The LRC had initially raised funds to relieve an outbreak of famine in the west of Ireland in the 1820s and money was raised in the UK and further afield – most notably funds raised in India. The fund raising campaign was successful, so much so that it was in fact over-subscribed. As a result there were surplus funds available after the famine relief effort.

One of the issues that came to light during the famine was the fact that, although there was food available in Ireland, the majority of the population did not have the means to purchase it. The LRC decided that the best way to use the surplus funds would be to invest it in the west of Ireland for the purpose of long-term development in counties in Connaught and Munster and thereby provide people with permanent income and means to purchase food in future. The surplus, estimated to be £60,000 (approximately €5.52 million today), was to be allocated between different projects; £5,000 (€460,000) was to be given to the Board of Fisheries to assist poor fishermen, £5,000 (€460,000) for the purchase of clothing, £2,000 (€184,200) for extraordinary cases of distress, £5,000 (€460,000) to promote industry in the distressed districts, £1,500 (€138,150) to be given to the British and Irish Ladies' Society for improving the conditions of the female peasantry, and £40,000 (€3.68 million) for the purpose of establishing loan fund societies to encourage and assist the manufacture of flax and wool. This £40,000 fund was to be distributed to societies in each of the designated counties, shown in table 2. Funds from the LRC were placed in the trusteeship of local notables who were also responsible for the operation of the society and for the local dispersal and repayment of loans.[4]

Table 2: Distribution of the capital of Reproductive Loan Funds associated with the London Relief Committee

County	Population 1821	Pop 1821 (%)	Grant 1824 (£)	Grant 1824 (%)
Clare	208089	7.20	3,000	7.50
Cork	730444	25.28	5,500	13.75
Galway	337374	11.68	6,000	15.00
Kerry	216185	7.48	4,000	10.00
Leitrim	124785	4.32	2,000	5.00
Limerick	277477	9.60	5,300	13.25
Mayo	293112	10.14	4,500	11.25
Roscommon	208729	7.22	4,000	10.00
Sligo	146229	5.06	3,200	8.00
Tipperary	346896	12.01	2,500	6.25
Total	**2889320**		**40,000**	

Sources: Census of Ireland, 1821 and First report of the Irish Reproductive Loan Fund Institution. H. C. 1844 (173), xlii, 531.

RLFs could make loans, monetary or non-monetary, of up to £10 and any profits obtained from lending were supposed to be used for charitable purposes. The timing of the RLFs intended to promote linen and woollen industries was unfortunate as it coincided with a serious downturn in the Irish woollen industry and the mechanisation and concentration of the linen industry in the North of Ireland.[5] So it is highly doubtful that small industrial loans would have been effective in the long-run in allowing small industries to compete against mechanised industrial output.

LFB loan fund societies

Shortly after the formation of RLFs, other loan fund societies began to emerge in different locations throughout Ireland. Loan fund societies and Monts-de-Piété - charitable pawnbrokers modelled on continental institutions - were formed in other areas of the island in the 1820s and 1830s. The difference between the RLF and other loan fund societies was that the latter type raised their capital in Ireland, through loans, bequests or donations.

The significance of the increase in the number of loan funds can possibly be attributed to two distinct events. Firstly, a banking crisis that occurred following the end of the Napoleonic Wars saw the collapse and closure of a number of private banks.[6] Secondly, in the 1830s attempts were made to establish a Poor Law system in Ireland – which was to be funded by local taxation.[7] Pamphleteers promoting a loan fund system – and also a Mont-de-Piété system without making distinction between the two – argued that a loan fund system would be able to substitute for a poor law system.[8] The argument raised was that if, instead of compulsory taxation, people would voluntarily invest in a loan fund, then credit could be extended to the industrious poor, and profits from lending – after interest was paid on debentures –could in turn be applied to the provision of welfare akin to a poor law system.

The increase in the number of loan fund societies operating in Ireland led to the creation of a government body, the LFB, in 1836. Based in Dublin Castle, the LFB was responsible for the supervision of loan fund societies and Monts-de-Piété in Ireland, and the various loan fund societies were required to register with it. It was funded by the sale of stationery in the shape of debenture forms and promissory notes to the loan fund societies registered with the LFB. The number of loan fund societies registered with the LFB peaked at 300 in 1842; however, they declined significantly following constraining legislative reforms and the outbreak of famine in Ireland. The overall number of loan fund societies remained within the range 100 to 80 from 1860 to the early 1880s. The number peaked in 1895 with 105 societies registered but fell significantly during the late 1890s and early 1900s as various loan fund societies were wound up. Although there was a decrease in the number of active loan fund societies, the assets and liabilities of those remaining were significantly greater than those of the co-operative banks established by the Irish Agricultural Organisation Society in 1894, discussed elsewhere in this volume.

Friendly Society (FS) loan fund societies[9]

Another branch of loan fund society that existed in Ireland consisted of those registered under Friendly Society legislation. These were very similar in structure to modern credit unions as membership was a prerequisite for borrowing and saving privileges. Members had to purchase shares to join a society. These loan fund societies were located in urban centres in Ireland, and their members seem to have been derived from the skilled industrial classes.[10] As stated above, FS loan fund societies had a higher loan ceiling of £50 (€4600). They had greater autonomy: interest and loan terms were determined by members; no maximum discount, interest ceilings or loan terms were stipulated in legislation.

The records of these societies are patchy, but available evidence suggests that they were short-term societies that wound up after a number of years. The first reference to FS loan fund societies is in the 1830s. From available records, we know that there were 38 FS loan funds active in 1868. These societies were still being formed in the early 1900s, for example, the Triumph Loan and Investment formed in 1902 and the St. Andrew's Loan Fund, Grafton Loan Fund and Investment, Sackville Loan and Investment, and the Sinn Fein loan fund society that was formed in 1906 – all of which were found in Dublin City.[11]

A notable difference between FS loan funds and credit unions was the divisibility of a reserve fund. In FS loan fund societies, after a period of time the profits from the society were divided between members on a pro-rata basis and the society was dissolved. Also, individual friendly societies ran separate, stand-alone loan funds for members. An example of this is the Cork Mechanic Provident Society, which gave small loans to members: the loan fund was kept separate from the core business of the society, which was to provide sickness and burial insurance.

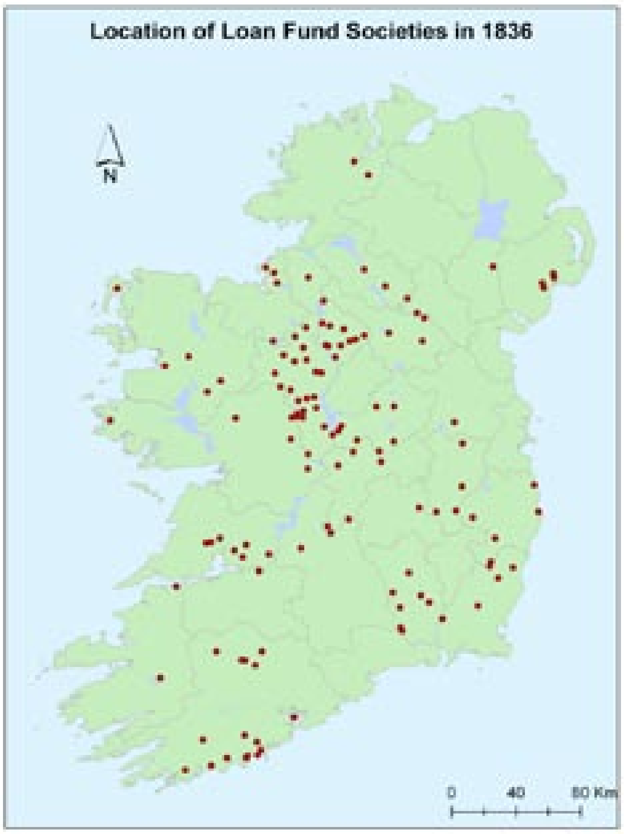
Understanding the differences between loan fund society strands

Given that there were three variants of loan fund society, it is important to clarify where the administrative demarcations lay. The LFB, established in 1836, was supposed to supervise all loan fund societies on the island, but various legal loopholes meant that the RLFs and the FS loan funds were exempt from the power of the LFB. The RLFs answered to a central authority in London and this central authority objected to its RLFs, and its capital, coming under the jurisdiction of the LFB. The LRC lobbied the government in Westminster and received exemptions from aspects of the legislation and also a charter of incorporation. The FS loan fund societies were also exempt from the LFB by the fact they were registered under a different legal code, that of the Friendly Societies.

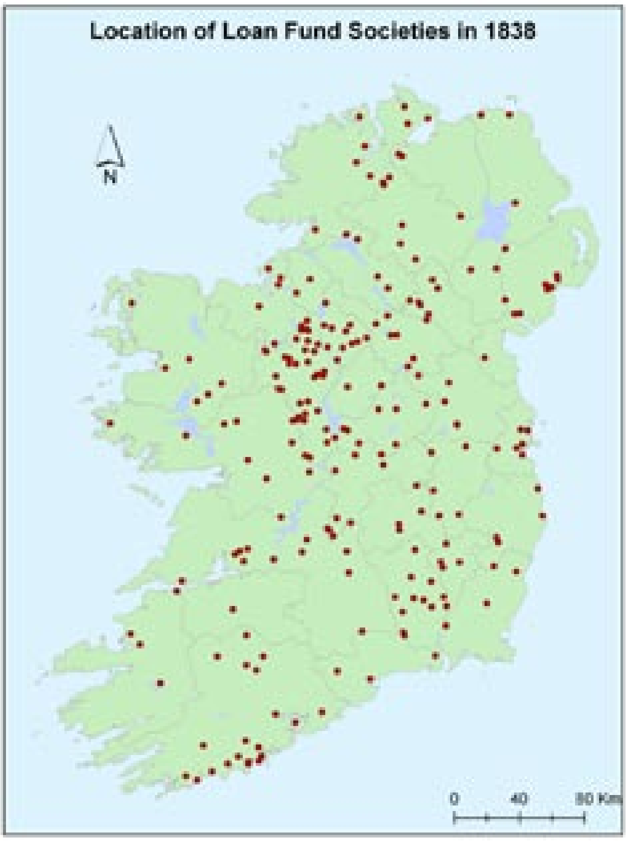
What this meant was that there were three types of loan funds and one government body that was responsible for only one of these strands; the other two were free from direct government supervision. This led to some confusion, especially when complaints were raised about the conduct of loan funds. Members of the public believed that the LFB was responsible but, in fact, it had limited authority over loan fund societies active on the island.

The core difference between the three strands of loan funds was that members of FS loan funds were both borrowers and savers, whereas members of LFB loan funds were primarily the owners of capital, or trustees, and made loans to non-members. This is significant as, when a friendly society was wound up, funds were divided pro rata between members. However, in the case of a LFB and RLF, surplus funds were transferred to trustee bodies and could be used to establish new societies, hence giving these institutions a more permanent presence.

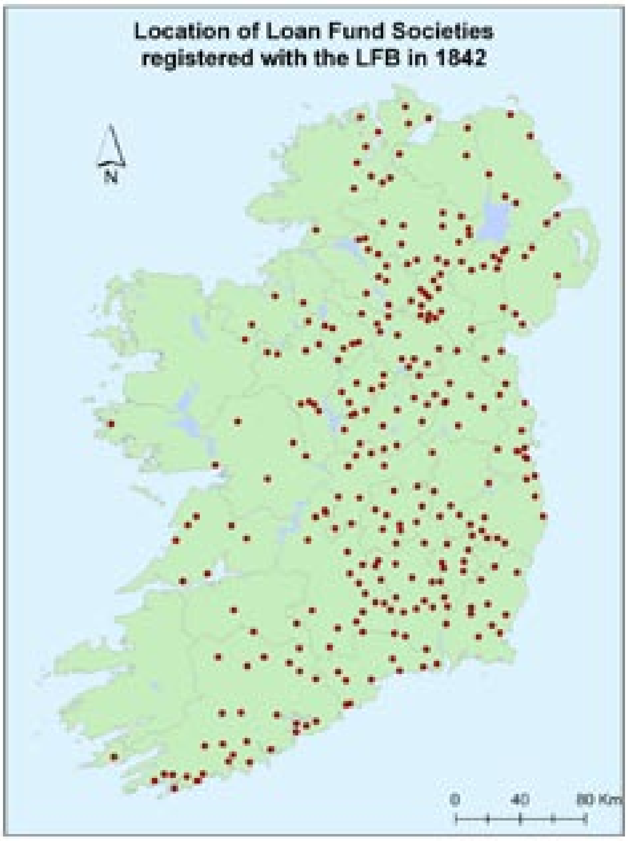
It is difficult to get an accurate understanding of where the various loan fund strands were located. Records for RLFs and FS loan fund societies are patchy, whereas the records of loan fund societies registered with the LFB are somewhat more complete. Figures 1 and 2 show loan fund societies in 1836 and 1838, while Figure 3 shows loan fund societies registered with the LFB in 1842.



• **Fig. 1** *Location of Loan Fund Societies, 1836*



• **Fig. 2** *Location of Loan Fund Societies, 1838*



• **Fig. 3** *Location of Loan Fund Societies registered with the LFB, 1842*

The decline of the loan fund societies

The famine of the 1840s was a decisive event in the history of loan fund societies in Ireland and it truncated the loan fund system that existed. Loan fund societies had been lending to the classes most susceptible to the effects of the famine and, as a result, its outbreak directly impinged on the ability of their borrowers to repay loans. The response of the LFB to the crisis was to issue a circular to registered societies advising them to reduce the amount of loans they issued and therefore reduce their exposure to loss.[12] From available evidence it seems that this policy was implemented.[13]

In a recent study, Hollis and Sweetman analysed the loan fund societies that failed during the famine and they argued that the presence of a church minister as a society member was more likely to lead to failure as they would have been less concerned with solvency and would have issued loans regardless of the likelihood of repayment.[14] However, this argument goes against contemporary views that the loan funds were the victims of fraud from their own employees. R.R. Madden, a long-serving secretary of the LFB, stated that loan fund society clerks embezzled money whilst attributing the loss of funds to the debts of borrowers who had either died or emigrated.[15]

The RLFs suffered from similar problems of fraud and lack of accountability and, as a result, they were wound up and funds were placed in the trusteeship of the British government. It was stated that the funds could only be used to assist the counties in Ireland for which they were originally intended.[16] In fact, when the Congested Districts Board (CDB) was established in the 1890s, funds from the RLFs were used to finance the fishery development policies of the CDB – except for Donegal which was not in the list of counties covered by the RLF (see table 2).[17]

A considerable number of LFB loan funds also closed during and after the famine. On a national level, 68 percent of the loan fund societies registered with the LFB during their peak year of 1842 had ceased operating by 1851. Increased competition in the post-famine period from joint-stock banks and the Post Office Savings Bank contributed to the decline of the LFB loan funds that had survived the famine. Their assets and liabilities continued to decline until the 1880s when the trend was reversed for a number of years. There was an increase in the number of LFB loan fund societies, from 78 in 1880 to 105 in 1895. This corresponded with a 37 percent growth in assets and a 67 percent growth in liabilities – with a 92 percent increase in interesting bearing deposits – in the same period.

Yet, in 1896, there was a sudden collapse in the loan fund system. The immediate reason for this collapse was a number of cases taken by loan fund societies against borrowers with judgements favouring the borrowers. The cause célèbre found that the borrower in question had been repaying a loan he borrowed 17 years previously and that he had borrowed £10 but had repaid £44 (€4050) in various fines and charges without actually repaying the initial debt. The judgement found that, as the loan fund society in question had violated its own rules, it could not sue for the debt under the loan fund act, but could use other legislation. The problem was that to use other legislation, promissory notes had to be stamped, but loan fund societies were exempt from stamping under the loan fund act – a catch-22 scenario.

Following this, a parliamentary enquiry investigated all loan fund societies active in Ireland in 1896. The resulting report, published in 1897, was a scathing criticism of the loan fund system as it existed and it also highlighted a number of prominent abuses that took place within the system. The main abuses and flaws were the existence of multiple clerkships, manager apathy, unsupervised staff running societies, overlapping boundaries of societies, multiple indebtedness of borrowers, cross-securitisation of guarantors and borrowers, lack of risk diversification, systemic culture of loan renewals, overuse and abuse of fines, and conflicts of interest with staff acting as magistrates in cases dealing with their loan fund society.

Subsequent to these events the number of active loan funds declined dramatically. Attempts were made to reform loan fund legislation, but no meaningful legislation was forthcoming until 1906. The result was that the LFB faced bankruptcy and in 1914 it was dissolved and its responsibilities transferred to the Department of Agriculture and Technical Instruction (DATI). The DATI subsequently published details of the loan fund societies until the 1970s.

Conclusion

In summary, this essay has given a brief account of the history of three strands of loan fund society that were active in Ireland in the nineteenth century. These were urban orientated FS loan fund societies and the more rurally focused LFB and RLF loan fund societies. Key differences between the three strands were highlighted.

The LFB and RLF loan fund societies were one of the few sources of institutional credit available in nineteenth century Ireland. However, they were inadequately structured to suit the needs of borrowers. Initially they had been designed with urban wage-earning borrowers in mind but they were ill-suited to their expansion in rural Ireland and to the needs of the agriculturalists they served. They had rigid term structures and penalised borrowers in the form of fines for late repayment of loans. FS loan fund societies appear to have been more flexible and to have given greater discretion to members. They were also more suited to urban wage earners.

Thanks to the pioneering efforts of Nora Herlihy et al, today Ireland has one of the highest penetration rates for credit unionism in the world.[18] The history of loan fund societies is informative for us in understanding and appreciating the important role of credit unions in Ireland. It teaches us the importance of member control over a society. The abuses and scandals that emerged in the LFB and RLF loan fund societies were caused by the fact that membership was one-sided. Savers/investors – and not borrowers – were members. Therefore, savers were able to exploit unrepresented borrowers.

Credit unions have become a permanent feature in Irish society, a feat that was matched by LFB loan funds but not FS loan funds. The reason for this was the fact that capital was divisible between members in FS loan fund societies when a society was dissolved, whereas in the case of a LFB, loan fund surplus capital was transferred to the trusteeship of the LFB in the event of the cessation of a society. This in turn gave LFB loan funds a more permanent place in local economies whereas FS loan funds had a more ephemeral existence and only benefited original members and were not opened to future generations.[19]

It is also worth highlighting the fact that FS loan fund societies were frowned upon by social commentators. An example of this is the denigrating commentary in Samuel Smiles work *Thrift*.[20] Also, in *Self-Help*, Smiles was highly critical of the corollary of credit: debt. Smiles stated that: 'the proverb says that "an empty bag cannot stand upright"; neither can a man who is in debt. It is also difficult for a man who is in debt to be truthful; hence it is said that lying rides on debt's back'.[21] This is something which suggests that perhaps social changes may also be important in understanding the success of credit unionism in Ireland.

The author wishes to thank Chris Colvin and Smita Kheria for reading earlier drafts of this essay.

SECTION 2

The advent of co-operative credit in Ireland: From co-operative credit societies to modern credit unions

Ireland and the origins of the co-operative movement

*Vincent Tucker**

** This article first appeared in a 1983 publication Plunkett and Co-operatives: Past, Present and Future edited by Carla Keating and published by the Centre for Co-operative Studies, University College Cork. It is reproduced here by kind permission of the family of the late Vincent Tucker.*

Co-operatives are children of distress. They emerged where private enterprise and the State did not cater for the needs of the community. Historically they were a response to the hardship and degradation caused by the rise of industrial capitalism. The goal of the early co-operators was to change society, not by violent revolution but through social and economic transformation from within. Co-operation was a strategy for community development based on self-help and mutual aid. It took many forms, adapting itself to the needs of different places and different periods. In Ireland today there are two main forms of co-operation – agricultural co-operation and credit unions. However, in the early days of the co-operative movement the goals were much broader than now. In this article I will review Ireland's place in the emergence of the co-operative movement in order to understand how it came to be as it is today and to suggest some future directions.

William Thompson of Cork

William Thompson was born in a house on Patrick Street in Cork City in 1775. He had an estate in Rosscarbery in West Cork but was a most unusual landlord. All his life he protested against the wealth and privilege of his own class, noting that he himself had for 20 years lived like a drone on wealth created by others. He was opposed to the institution of marriage, virulently anti-religious and was a vegetarian who neither drank nor smoked. He was an ardent feminist and together with his friend Anna Whelan wrote a work entitled An Appeal of One Half of the Human Race, Women, Against the Pretensions of the Other Half, Men, to Retain them in Political and Thence in Civil and Domestic Slavery.

He was one of the first and greatest theoreticians of the co-operative movement. He demands recognition for the formulation of economic theories generally associated with and expounded by Karl Marx some 43 years later. It is ironic that he is so little known in his native country while he has been extensively studied and written about on the Continent. Neither have his theories been put into practice in Ireland, whereas they became the basis of the early British co-operative movement.

According to Thompson the fundamental problem was the separation of the workers from the tools necessary to make their labour productive:

> *The paramount mischief of the capitalist system is that it throws into the hands of a few the dwelling of the whole community, the raw materials on which they must labour, the machinery and tools they must use, and the very soil on which they live and from which their food must be extracted.*

He argued that this system confined the labourer to a subsistence wage and destroyed all incentive to higher production. Unlike his British contemporary, Robert Owen, Thompson put little faith in appeals to the rich factory owners and landowners to set up co-operatives. He relied rather on the working classes whom he encouraged to take the initiative in bringing about the new co-operative system through working-class organisations such as Trade Unions. Thus he saw self-help as the fundamental basis of co-operation.

Thompson saw no need for forcible expropriation and he altogether excluded violence from his scheme of things. He appealed to the Trade Unions to use the savings of the workers to establish industries of their own. He encouraged them to expand the range of their activities so as to:

- provide work for the unemployed and underpaid
- purchase land in the neighbourhood to grow their own food
- educate their workers.

He saw Trade Unions not simply as organisations fighting to wrest better wages and conditions from the capitalists, but as leaders in setting up the co-operative system. This would be done through the establishment of local co-operative villages along the lines laid down by Robert Owen. In this way Thompson was the principal contributor to the new working class version of Owenism. To him more than to anyone was due the alliance of Trade Unionism and co-operation. However, with the exception of James Connolly, his proposals have never been considered in his native Ireland.

Thompson attempted to turn his estate in Rosscarbery into such a village of co-operation but died before it was established. He bequeathed all his wealth for the establishment of a co-operative community but the will was contested by his relatives.

Ralahine – An Experiment that Worked

Robert Owen was a wealthy British industrialist. He was also a radical social thinker concerned with the terrible conditions of the working class. He was convinced that neither profits nor industry were of themselves the cause of these problems and so he set about reforming the system. He got this opportunity when he married the daughter of one of Britain's largest mills, New Lanark, in 1800. He succeeded in reducing the working hours, raising the working age and greatly improving the social amenities of the workers while maintaining the mill as a profitable venture. But he went beyond factory reform and proposed the setting up of "villages of co-operation".

John Scott Vandeleur, a Co. Clare landlord, met Owen when he visited Ireland. He was impressed with his experiment in New Lanark and saw possibilities of adapting the model to an agrarian setting. What emerged was an advanced experiment in labour relations and worker participation at a time when the conditions of labourers were abysmal and agrarian terrorism rife.

The proposal put to the workers on the Ralahine estate in 1831 was the establishment of a co-operative farm: "The Ralahine Agricultural and Manufacturing Co-operative Association". While the ideology was that of Robert Owen, the actual planning and direction were carried out by Vandeleur and E.T. Craig, a co-operator brought over from Manchester to manage the co-operative. The goals were as follows:

1. The acquisition of common capital.
2. The mutual assistance of its members against the evils of poverty, sickness, infirmity and old age.
3. The attainment of a greater share of the comforts of life than the working class now possess.
4. The mental and moral improvement of its adult members.
5. The education of their children.

Vandeleur would rent the land to the co-operative and would allow the association to rent the livestock and implements until such time as they could be purchased out of the co-operative's profits. However, it was not a question of pure philanthropy on Vandeleur's part, as he would obtain higher rent than hitherto, better interest on his capital, and a punctual payment of these.

After some debate, the workers voted on the proposal and decided to try it. There were 52 members in all, including 12 children, but one year later membership had increased to 82. Vandeleur automatically became President, with the power to appoint three other officers – the Secretary, Treasurer and Storekeeper. The remaining six were elected by all. Women also had a vote – some 100 years before female suffrage was established in Britain. Rather than being managed by a steward, the workers were now managed largely by their own representatives. The Board of Management was re-elected every six months to prevent it from deteriorating into a bureaucratic structure. Between elections there were regular weekly meetings where decisions were voted on and meetings each evening to allocate the next day's work. The accounts were open to members for inspection, and profits, when not re-invested, were to be shared among the members.

The experiment lasted from 1831-1833 and was highly successful. Its demise was due not to internal problems but to the fact that Vandeleur gambled away his wealth and the estate was taken over by pay his debts. The fundamental problem of land ownership had not been dealt with, and the experience of Ralahine vindicated Thompson's criticism of schemes which relied on the whims of the wealthy. Some 80 years later, James Connolly in his *Labour in Irish History* was to point out:

> *Had all the land and buildings belonged to the people, had all the other estates been conducted on the same principles and the industries of the country also organised had each of them appointed delegates to confer on the business of the country at some common centre as Dublin, the framework and basis of a free Ireland would have been realised. And when Ireland does emerge into complete control of her own destinies she must seek the happiness of her people in the extension of the social arrangements of Ralahine or else be but another social purgatory – a purgatory where the pangs of the sufferers will be heightened by remembering the delusive promises of political reformers.*[2]

Although it was an isolated experiment, Ralahine was important because of its initial success. It was a far-sighted attempt at community development and agrarian reform. In his introduction to the 1919 edition of E.T. Craig's An Irish Commune, AE (George Russell) declared:

> *When John Scott Valndeleur gambled at his club, he gambled away not merely his own property, but what may well have been a happier destiny for his country. It is inconceivable that if the community founded at Ralahine had developed as it began, it would not have affected the rest of Ireland. It might have saved us many years of tragic history and instead of beginning our agricultural co-operation long after Denmark, Germany and France, we might have been the pioneer nation.*[3]

There were no more attempts at communal land tenure until the Glencolumcille scheme of 1965. This failed to get off the ground, despite the agreement of 114 farmers, largely due to official scepticism.

The Irish Origins of British Co-operation

William Thompson's proposals were in fact put into action in Britain. Moreover, with the exception of Robert Owen, the prime organisers of the early British Co-operative Movement were Irish emigrants. After 1798 Irishmen, many of whom were members of the United Irishmen, emigrated to Britain. These were mainly weavers and artisans and they found work in the mills of Manchester and Glasgow. With the decline of the Irish textile industry, further groups of weavers went to Lancashire, Yorkshire and Lanarkshire. Among these emigrants was John Doherty who was born in Buncrana in Donegal, and emigrated to Manchester. He became a leader of the Trade Union movement when it was in its infancy and helped organise the first Trade Union "The Manchester Cotton-Spinners Union" in 1817. He was to become the single greatest figure in the new working class movement and one of the earliest members and organisers of the co-operative movement. He later spent time in jail for illegal organising and when questioned in the judicial enquiry by Daniel O'Connell, a strong opponent of working class movements, he pointed out that he had in fact based his organisational pattern on O'Connell's own mass movement of Catholic Emancipation.

Doherty was a friend of both Thompson and Owen. He teamed up with Owen to organise a mass Trade Union movement which would be a vehicle for establishing "villages of co-operation". He saw co-operation as a means of turning the workers' hopes towards economic action where political action had failed. Like Thompson, he saw co-operation as a means whereby the Trade Unions could help the workers shape their own future. He invited Thompson to address meetings he had organised and Thompson also wrote a proposal entitled "Practical Directions for the Establishment of Communities" for the great Co-operative Congress of 1831, organised jointly by Doherty and Owen. But by 1834, Owenism had lost working class support and a new movement was on the rise, Chartism.

Feargus O'Connor's Land Society

Chartism was a mass movement aimed at universal suffrage, factory reform and the amendment of the Poor Law. Its leading lights were two Irishmen, James Bronterre O'Brien and Feargus O'Connor of Cork, who together drew up the content of the Charter. When the Charter was rejected by Parliament in 1839 and again in 1842, O'Connor advocated a plan whereby the Chartists could gain more political power. He proposed that as many workers as possible settle on the land, each occupying the 40/- freehold required to qualify for a vote. He suggested that 20,000 acres could support 5,000 with approximately four acres per family divided into some 40 estates. Each estate would have its own school, library, hospital and community centre. He believed that the increased vote would force the government to organise more estates. The plan was promoted through the newspaper the Northern Star and caught the imagination of many. He also published a series of articles on small farm management, crops, manuring and space agriculture.

In 1846, the Chartered Co-operative Land Society was founded and in 1846 bought its first site which was called O'Connorville. Later, in 1847, this was changed to the National Co-operative Land Company. By this time there were some 600 farmers settled on 846 acres of land. In all, some 70,000 working class families contributed to the company and receipts were coming in at the rate of £5,000 per week. However, the Co-operative had no legal status since the settlers were picked by lottery from among the contributors.

O'Connor attempted to pass a bill in Parliament to have the Co-operative Land Company legalised. A select committee was appointed to investigate it. The committee found the records to be poorly kept, financial planning inadequate, and only a fraction of the shareholders could be located. Moreover, the company was in defiance of the law and was dissolved. However, despite its shortcomings no other scheme had captured the imagination and support of the working class to the same extent - in this it differed substantially from Owenism. Like many similar experiments, it operated in a hostile legal and political environment. O'Connor's land plan heralded the end of the great co-operative land schemes.

The Consumer Movement

From the beginning, the organisers of co-operative stores saw these not as ends in themselves but as a final step towards building a co-operative community. The first store opened in Brighton in 1827 under the influence of William King, who saw it as a means of raising capital. This was used to rent land for growing vegetables and they also hoped to expand into other areas of production.

Likewise, the Rochdale Pioneers of 1844 retained the original idealism and breadth of vision of the movement. The pioneers were in fact composed of people of a variety of persuasions and included Owenites, Chartists, Socialists, factory reformers, supporters of O'Connor and teetotallers. Their various views are reflected in the original rules of the Society:

> *"The objects and plans of this Society are to form arrangements for the pecuniary benefit and the improvement of the social and domestic condition of its members, by raising a sufficient amount of capital in shares of one pound each, to bring into operation the following plans and arrangements:*

1. *The establishment of a store for the sale of provisions, clothing, etc.*
2. *The building, publishing, or erecting of a number of houses in which those members desiring to assist each other in improving their domestic and social condition may reside.*
3. *To commence the manufacture of such articles as the Society may determine upon for the employment of such members*

as are without employment, or who may be suffering in consequence of repeated reductions in wages.

4. *As a further benefit and security to the members of this Society, the Society shall purchase or rent an estate or estates of land which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated.*

5. *That, as soon as is practicable, this Society shall proceed to arrange the powers of production, distribution, education and government; or, in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.*

6. *That, for the promotion of sobriety, a temperance hotel be opened in one of the Society's houses as soon as convenient."* [4]

These goals show their continuity with the earlier movement and although it was later to become almost exclusively a consumer movement, these broader goals were never entirely lost sight of.

Co-operative Production

It was only natural that the consumer movement should expand its activities into the production of goods to be sold through their stores. In 1854 the Rochdale Manufacturing Society was established as a separate society. The Rochdale Corn Mill, founded four years earlier, was also a separate society. These were modelled on the earlier Union shops but had a better chance of success, as the consumer societies offered a stable market for their products.

The producer societies were set up as separate societies, since it was felt that the Equitable Pioneers, as a Society of Consumers, could not democratically become employers of a large body of men and women engaged in factory production. It was agreed that these societies should govern their own affairs. So as to be distinctly co-operative, the workers were to receive a share of the profits as a bonus on their wages. Initially, this was as high as 4/- in the £1, while shareholders received 2/- in the £1, or 10%. Lured by the high returns, there was an influx of new shareholders, and as these became a majority, they soon abolished the "bonus on labour". The Manufacturing Society now became an ordinary profit-making concern and the pioneers were bitterly disappointed at what was seen to be the apostasy of the shareholders.

A Conflict of Interests

As soon as co-operators ceased to think in terms of community making, a conflict of interests arose between consumers and producers. The consumers saw the "bonus on labour" as a rival claim to their dividends on purchase. This led to an on-going debate between theories of consumer co-operation and theories of producer co-operation.

The conflict came to a head with the Consumer Wholesale Society which was the production and distribution branch of the Consumer Movement. The manufacturers operated on a profit-sharing basis but questions arose as to whether employees engaged in distribution should be treated in the same way as those in production. If so, the employees in the retail stores would demand that profit-sharing be extended to them also.

The debate ran deep. Those who regarded producer co-operatives as the more perfect embodiment of the co-operative spirit than the store movement resented the C.W.S. incursions into producer co-operation. Working class members, Owenites and Socialists regarded the store as but a step towards a Co-operative Commonwealth of which workers' self-government was an essential part. The newer working class adherents of the movement regarded the store, which procured unadulterated goods at fair prices, as an end in itself and the mainstay of the co-operative movement. The Christian Socialists, whose efforts provided the forerunners of the modern workers' co-operatives, saw producers' self-government and profit-sharing as a means of overcoming antagonism between labour and capital. However, in the British Co-operative Movement, consumer co-operative theory and practice was to triumph over producer co-operation.

The rebirth of the Irish Movement

In 1888, the British Co-operative Union was persuaded to extend their activities to Ireland. An Irish Co-operative Aid Association was formed, based on the few existing Irish Societies. Horace Plunkett, who had just returned from the U.S., became chairman and R.A. Anderson secretary. It was envisaged that the Association's task would be the extension of the store movement to Ireland. However, Plunkett and his associates soon realised that there was little prospect of success along these lines. Ireland was an essentially rural country and what Irish peasants and small farmers needed were not provision stores or means of investing small savings, but help in marketing their produce, improving their standards of production, buying good quality farm supplies at fair prices and credit to tide them over the period of production and sale. They looked, therefore, not to Rochdale and the British Consumer Movement, but to Denmark, where from 1882 co-operative creameries had achieved great success in raising the standards of butter-making and in securing better prices. They also looked to Germany where the purchase of farm requisites on a co-operative basis had proved successful and to the Raiffeisen Credit Banks, founded there in 1862, which approached co-operative credit in a way that was of particular relevance to the Irish situation.

It was to the organisation of co-operative creameries, therefore, that Plunkett turned his attention. The first co-operative creamery was opened in Drumcollogher in 1889. By 1891 there were 16 co-operative creameries, and in 1892 these joined to form the Irish Co-operative Agency Society to market their produce.

A New Conflict

From its early years the British Wholesale Society was a large buyer of Irish butter. In fact, one-third of its total trade was in butter bought mainly through its depots in Ireland. The first of these had been established in Tipperary in 1866 but the C.W.S. soon expanded its activities to the organisation of creameries. Plunkett and his followers were alarmed by this development, as they feared that the nascent movement, which they were struggling to organise, would be taken over by the C.W.S. with its superior financing, and that the Irish Co-operative Creameries would become mere servants of the British consumer movement. Once again the consumer-producer conflict raised its head – this time further complicated by the fact that it was between Irish producers and British consumers.

The C.W.S. continued to expand and open new creameries in Ireland. Some of these were started in areas where co-operative creameries already existed. They generated what was an early version of the "milk wars" by giving loans to needy suppliers in winter, provided that they undertook to repay loans in milk throughout the season. The conflict was long and bitter. Plunkett and Anderson resigned from the Irish Sectional Board of the Co-operative Union and in 1894 founded the Irish Agricultural Organisation Society (I.A.O.S. – now I.C.O.S.). While the Irish producers suspected the C.W.S. of wishing to exploit the Irish peasant for the benefit of the British consumer, the British consumers viewed the I.A.O.S. as seeking to build something analogous to a capitalist monopoly. Moreover, the C.W.S. accused the Irish Co-operative Agency Society of poaching on their territory by setting up a depot in Manchester for the sale of Irish butter to the English market.

The Irish eventually got their way in 1912 when the C.W.S. transferred 34 main creameries and 51 auxiliaries into the hands of local societies.

Consumer Co-operation Abandoned

When the C.W.S. withdrew from Ireland, the few remaining consumer societies affiliated with the Scottish C.W.S. Apart from the Belfast Consumer Co-operative and the co-operative stores which stemmed from Paddy "The Cope" Gallagher's efforts in Donegal, the consumer movement has had little success in Ireland. However, this is not entirely due to a lack of demand for co-operative stores.

In the early days of the Agricultural Co-operatives, many societies expanded their activities and began to provide household supplies to the whole community, cottiers, labourers and townsfolk alike. However, trader opposition and a Department of Agriculture under T.W. Russell, who was hostile to the I.A.O.S., demanded that societies carrying out non-agricultural business should cease to be affiliated. As a result, the I.A.O.S. backed down and Plunkett declared that:

> *We do not, and in my judgement, ought not to organise societies for non-agricultural business, or assist them in it. My associates in this work, I am bound to tell you, are not all agreed with me in this. Some of them say that no work we can do is more important than that of enabling the farmer's family to spend their none-too-ample means to the best advantage, and that the farmers, and more especially the farm labourers, ought to follow the example of the Rochdale pioneers.* [5]

R.A. Anderson, for one, disagreed with this. He believed in expanding the movement as widely as possible and argued that by bowing to trader pressure and backing down on controversial trading, the movement would lose much of its spirit and a great opportunity for aiding other sections of the population. As a result, the movement further narrowed its scope to the exclusion of all except the farming community. The opportunity to diversify and extend its benefits to the more needy sectors of the community such as the labourers was abandoned.

When Paddy "The Cope" Gallagher returned from Scotland to his native Donegal he was to ask why there were no co-operative societies such as the one in Scotland where they had been able to get everything they wanted at good prices as well as dividends paid on their purchases at the end of the year. His efforts to organise a consumer society in the Rosses illustrate the obstacles and lack of support which consumer co-operatives had to overcome. He attempted to organise the purchase of supplies, through the I.A.O.S., but failed to get the co-operation of either it or the Irish Agricultural Wholesale Society (I.A.W.S.). The I.A.O.S. would only register agricultural societies and I.A.W.S. would only supply agricultural co-operatives. Finally, they obtained supplies through the Scottish C.W.S. and later affiliated with the Co-operative Union in Manchester, as did the other consumer societies in Lisburn and Enniscorthy.

This episode goes some way towards explaining why the Irish Co-operative movement has been almost entirely restricted to the farming sector in the rural areas and to co-operative credit in the urban areas. Consumer co-operation and worker co-operation have been almost entirely neglected, despite the fact that they have much to offer, particularly in urban areas.

Co-operative Credit

Plunkett's initial attempts to establish co-operative shops had failed due to the poverty of the rural people and their indebtedness to the gombeen men and the moneylenders. It was clear that some system of providing credit for small farmers was necessary. Fr. Finlay, an associate of Plunkett's, had observed the success of the Raiffeisen Credit Banks in Germany and after the establishment of the I.A.O.S. in 1894, set about organising Village Banks in Ireland. The first Credit Bank was established in Doneraile in County Cork in 1894 and by 1906 there were 76 Credit Banks throughout the country. The movement was particularly successful in the west of Ireland, with 23 banks in Donegal alone. By 1908 the movement had reached its peak with 268 banks. However, it was soon to suffer a setback similar to the consumer movement.

In most parts of the country the banks needed some financial backing before the members' deposits could provide sufficient capital. To this end the Congested Districts Board provided loans not exceeding £100 at 3% interest for each bank. The Department of Agriculture followed suit in 1901. However, when T.W. Russell became Vice-President of the Department of Agriculture in 1907 he conducted a campaign against the I.A.O.S. and the co-operative movement. The Department's grant to the I.A.O.S. was discontinued in 1908 and as a result in 1909 103 co-operative societies were dissolved, amongst them 41 credit societies.

Russell declared that the whole credit bank system was "rotten and indefensible". He claimed that it had lost the Department £24,000 in loans. In actual fact, the net loss to the Department over a fifteen year period was £91.

Other factors such as the advancement of interest free credit by the agricultural societies contributed to the decline of the credit banks, and by 1930 there were only 52 banks with a membership of 3,672.

The modern Credit Union movement which sprang from the efforts of Nora Herlihy and a group of supporters in 1957 has defied all the critics . . . Many of its adherents claim it to be the "purest form of co-operation". However, it has developed separately from the rest of the movement which is largely rural and agricultural.

Some Future Directions

I have attempted to show the diversity and adaptability of the co-operative movement. Its success is due to its ability to adapt itself to changing conditions and diverse needs. Where the focus has become too narrow, conflict of interests have arisen within the movement. But a hallmark of the co-operative movement has been that it has kept its sights on the broader goals and the needs of the community at large. In this it can be argued that the Community Development Co-operatives which have emerged, particularly in the more disadvantaged areas of the west of Ireland since 1965, are closest in spirit to the original goals of the movement.

My own hope would be that the more established branches of the co-operative movement, whether the Agricultural Societies or the Credit Unions, would seek ways to expand and diversify their activities in order to promote and assist co-operation in other areas. They could, for example, help establish housing co-operatives or food co-operatives for their members or invest in workers' co-operatives. Community Development Co-operatives, which serve the whole community, could benefit from the type of financial and organisational expertise which the Credit Unions have developed. A Credit Union could also be a means of raising local capital for community co-operatives. Some of this could be done within the existing legal framework of the Credit Unions: other options would call for a re-examination of the present structures. However, the possibility of co-operation between co-operatives is endless. As A.E. (George Russell) pointed out some years ago in his book The National Being:

> *It is not enough to organise farmers in a district for one purpose only – into a credit society, a dairy society, a fruit society, a bacon factory, or in a co-operative store. All these may be and must be beginnings, but if they are to develop and absorb all rural business into their organisation, they will have little effect on character. No true organism will have been created. If people unite as consumers to buy together they only come into contact at this one point and there is no general identity of interest. If co-operative societies are specialised for this purpose or that – as in Great Britain or on the Continent – to a large extent the limitation of object prevents a true social organism from being formed. The latter has a tremendous effect on human character. The specialised society only develops economic efficiency. The evolution of society beyond its present level depends absolutely on its power to unite and create true social organism.* [6]

The Irish Agricultural Organisation Society and co-operative credit societies in Ireland 1894 – 1915

Ray O'Connor

Introduction

An inability by the majority of the Irish populace to access credit through formally constituted institutions has been a recurring but neglected motif in Ireland's economic and social history. It was not until the latter part of the twentieth century that mainstream financial institutions became interested in catering for and developing the small loans market. The vacuum that this created was filled by informal systems that had evolved both in response to, and to take advantage of, a widespread need for credit. These informal arrangements invariably operated to the advantage of those lending money: taking advantage of the lack of regulation governing their activities, they were free to charge extortionate interest rates. Interspersed with these periods, where informal and unregulated systems of credit provision predominated, there were also periods where attempts were made to put in place more formalised structures. These initiatives prioritised the needs of borrowers. The early 1800s, the 1890s and the 1950s witnessed the emergence of formal societies (Irish Reproductive Funds, Co-operative Credit Societies and Credit Unions respectively) that attempted to systematise access to credit. This paper focuses on the credit system of the 1890s – the co-operative credit societies which operated under the auspices of Horace Plunkett's Irish Agricultural Organisation Society (IAOS).

The post-famine era witnessed the emergence of two informal systems of credit provision: moneylending and gombeenism. Both of these systems exploited to the fullest degree the lack of regulation and supervision. Bolger (1977) outlines the principal characteristics of both of these systems. With regard to moneylenders he states:

> *Their sole business consisted of lending money, with or without security, but always at an excessive rate of interest..... the attraction of the moneylender lay in the simplicity and secrecy of the transaction.....In contrast to the 'straight' moneylender, the gombeen-man was a combination shopkeeper/producer-buyer/usurer.....He usually dealt in a wide variety of goods and services and was often a figure of considerable political and social influence, frequently held in high regard in the community.*[1]

The role played by gombeen-men in Irish society began to come under increasing threat from the early 1890s. However, the stranglehold of the gombeen-men over the population in more remote rural areas was not weakened, as one would perhaps expect, by the expansion of the formal banking system into these rural areas between 1890 and 1910. As it transpired, the banks were uninterested in attracting small loans business but were happy to cater for the gombeen-men:

> *The banks showed little desire to attract small loans business; sometimes the amounts hardly justified the book-keeping and the tedious task of researching the credit-worthiness of each borrower.....there was a tacit understanding that the gombeen-man performed a certain moneylending function and the bank manager was often reluctant to solicit, or even accept, any significant share of that business for fear of losing a valuable client to a competing bank.*[2]

The threat to the gombeen-men, therefore, came not from the banking sector, but from co-operative credit societies. In fact as Ó Grada points out:

> *One of the aims of the founders of the Irish Agricultural Organisation Society (IAOS), Ireland's rural co-operative movement, was to reduce the power of the small town trader. Shopkeeper-publicans and butter merchants detested the IAOS...*[3]

Horace Plunkett, Father Tomas A. Finlay and Co-operative Credit Societies

Co-operative credit societies were one of a number of types of co-operative organisations that operated under the auspices of the IAOS. By far the most important and numerous of the other co-operative organisations were creameries and agricultural societies. Other co-operative organisations, far fewer in number, included poultry, flax, bee-keeping, home industries and bacon curing societies. All of these societies functioned primarily to protect and promote the interests of producers, in particular, by securing as high an income as possible for producers and reducing the percentage taken by shopkeepers and other intermediary agents.

With the exception of the co-operative credit societies, all co-operative societies affiliated to the IAOS were registered under the Industrial and Provident Societies' Act 1893. Under the terms of this legislation there was no limit to the number of shares that a society could issue. Individual members were protected by the Act because it stipulated that members (either as individuals or as a group) were not liable for any debts incurred by the society. The provisions of the Act therefore conferred on the societies the benefits that derived from the status of limited liability. The only restriction imposed under the terms of the Act was that no member was allowed to hold more than 200 shares (shares were usually of the denomination of £1). Interest was limited to 5%.

Plunkett believed the transition from landlordism to peasant proprietary had a disruptive effect on Irish rural society, because it deprived the Irish peasants of the only social coherence they had known through their tenancy of a common landlord. The co-operative movement was Plunkett's response to the problem of a lack of 'Irish Social Order'.[4] He tried through this movement to unite the Irish people and to instil in them a sense of community. Plunkett's methods in promoting the co-operative agenda in Ireland were both aggressive and intensive:

> *Returning home in 1889 [from ten years as a rancher in the United States of America] he was determined to do something for Ireland, to design and effect a comprehensive scheme for the regeneration of country life, based on the twin pillars of Co-operation and Education. His was a three pronged aim of introducing science to Irish agriculture, reorganising rural commerce on co-operative lines, and promoting a sense of dignity, self-reliance and optimism in the country – all neatly encapsulated in this famous slogan: Better Farming, Better Business, Better Living .*[5]

As a vehicle to achieve his aims, Plunkett established the Irish Agricultural Organisation Society (IAOS) in April 1894. This Society was particularly well received among the ruling classes where the need for such an organisation was understood. It drew significant support from both the Catholic Hierarchy and Members of Parliament, and both were well represented on its first steering committee. From 1892 until 1900, Plunkett was a Member of Parliament for South Dublin. By 1899, he successfully negotiated the establishment of the Department of Agriculture and Technical Instruction (DATI) and also held the key post of Vice President. This, in effect, made Plunkett Ireland's first Minister for Agriculture.

But despite support from the Catholic Hierarchy and Members of Parliament, the IAOS had great difficulty in promoting the co-operative ideal at local level. Lyons (1982) outlined the difficulties that Plunkett and the IAOS had to overcome to establish the co-operative movement:

> *.....it was ominous that he had to address more than forty meetings before he could overcome the suspicion and*

• **Fig. 1** *Sir Horace Plunkett (Courtesy: ICOS)* *timidity of the local farmers to say nothing of the jealousy of priests and curates, resentful of any encroachment upon their traditional spheres of authority.* [6]

The suspicion largely derived from the fact that Plunkett and many of his supporters were drawn from the landed aristocracy. At local level, strong nationalist sentiment hindered the progress of the IAOS.[7] Consequently, in the early years between 1894 and 1897, the growth of the movement was slow. The work of promoting the idea of co-operatives was very labour intensive. Three hundred and fifteen meetings were held in all parts of the country in 1894 specifically to promote co-operative dairies but only 32 such societies affiliated to the IAOS. But Plunkett and the IAOS were undeterred and their persistence slowly paid dividends. By 1895 this number of dairy societies had risen to 56. In 1897, 45 co-operative societies of various kinds were formed and this increased to 101 new societies in 1898.[8] The work of promoting the co-operative ethos and giving it practical expression in farming communities required a large amount of resources.

Plunkett identified a small group of people who would assist him in pursuing his co-operative agenda. These were a Jesuit, Fr. Tomas A. Finlay, poet George (A.E.) Russell, and R.A.A. Anderson. Interestingly, Finlay, was recommended to Plunkett by the Catholic Bishop of Limerick, Dr. O' Dwyer.[9] This highlights the good relationship that existed between the IAOS and the Catholic hierarchy. Without the input of Finlay, it is unlikely that Plunkett's co-operative movement would have embraced co-operative credit societies to the extent that it did.[10]

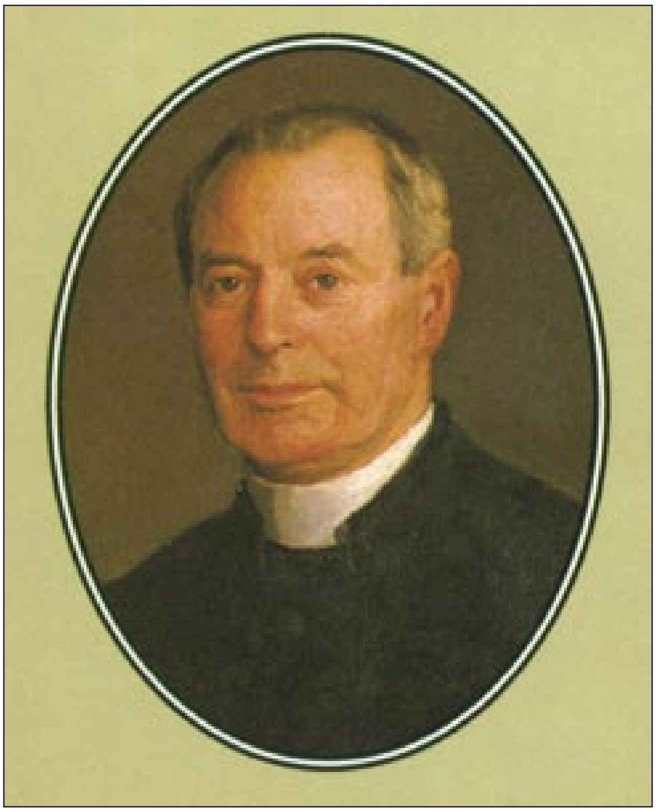
Finlay brought significant knowledge and insights that allowed him to progress the co-operative agenda, particularly in relation to co-operative credit societies. In the late 1860s and early 1870s, he travelled extensively on the continent and worked and studied in France, Italy and Prussia. While in Prussia, he witnessed two co-operative credit systems in operation. Both of these had originated simultaneously but independently and had proven to be hugely effective in providing small, short-term loans. Critically, they differed in approach and ethos. The first, and initially the more popular, of these systems was designed and promoted by Hermann Schulze Delitzsch, a lawyer from Saxony. The co-operative banks championed by Delitzsch were based in urban areas and catered for craftspeople, shop owners, merchants and traders.[11] According to Moody and Fite[12] and Bergengren[13], Schulze Delitzsch regarded his co-operative banks as co-operative businesses and was neither interested in the purpose of credit nor the social problems of members. When Schulze Delitzsch died in 1883 there were 1,900 banks with 466,000 members operating in Germany.

The Schulze Delitzsch model of co-operative credit did not appeal to Finlay and he preferred the model devised by Freidrich Raiffeisen. Here Finlay believed he had found a model for a system of rural credit provision that could be applied in Ireland. The Raiffeisen system differed to the Schulze Delitzsch model in two important respects. It focused on rural dwellers, particularly farmers, and the societies were organised on Christian principles.[14] During Raiffeisen's lifetime, only 423 societies were formed which pales in comparison to Schulze Delitzsch's life's work. Yet his approach won him many followers and after his death the popularity of his movement grew. MacPherson explains:

A kind of mystique came to envelop Raiffeisen during his life, and it seemed to grow after his death. From the height of his career to the present, he has been revered not only in the extensive Raiffeisenbank movement he directly founded, but also in the credit union movement that he profoundly influenced. His obvious commitment to ethical and religious values endeared him to generations of similarly motivated credit union enthusiasts, many of whom were also devoutly religious. His early preoccupation with the health of communities and his intelligent interest in general economic and social issues meant that he would be widely quoted in several languages for generations. His emphasis on self-reliance and self-responsibility made his thought attractive to pragmatic credit union leaders even a century after his death. [15]

Bergengren (1928), who surveyed the origins of German credit co-operatives in the late 1920s, claimed that almost 80 per cent were modelled on the Raiffeisen system.[16]

Finlay was acutely conscious of the need to create a system of credit provision in rural Ireland to address farmers' needs and that would free farmers from the informal usurious systems of credit provision that had evolved over time. Of the two systems that he had studied in Prussia, the ethos that underpinned Raiffeisen's approach made it the more preferable. In 1894, Plunkett employed five local organisers to promote co-operative societies of all types. It was their job to meet with local individuals and communities and to build the co-operative movement in Ireland from the ground up. One of these five new employees, George Russell (also known as AE), would become a very important figure in the history of the co-operative movement in Ireland. Initially assigned to work in Connaught and County Donegal, George Russell made an immediate impact. Of the 101 co-operative societies of all types (agricultural, credit, creameries and a range of diverse producer based bodies) that affiliated to the IAOS in 1898, 49 of these were located in Connaught.[17] It was precisely in this region also that co-operative credit societies became well established.[18] While the inspiration and model for co-operative credit societies came from Finlay, who persistently pointed to the need for a system similar to Raiffeisen's in rural Ireland, their success on the ground can largely be attributed to George Russell.



• **Fig. 2** *Fr Thomas A. Finlay (Courtesy: ICOS)*

The IAOS and Co-operative Credit Societies

Unlike the other IAOS societies, the co-operative credit societies did not have shareholders. Members paid an entrance fee and individual members were liable for any debts incurred by the societies. Loans were granted to members for what were termed "reproductive purposes". The rates of interest charged on loans varied between 1 and 1.25 per cent per month.

From their foundation, the co-operative credit societies were unable to access sufficient financial resources at local level. The demand for loans tended to exceed the available capital within the credit societies. Without outside assistance, the perpetuation of this aspect of IAOS activities would have been under severe pressure. From 1898, the Congested Districts Board,[19] understanding the importance of the services offered by co-operative credit societies to their members, provided financial assistance to these credit societies. But even this injection of funds was not sufficient to sustain the demand for capital from within these societies. Therefore, using his position as Vice President of DATI, from 1901 Plunkett also provided financial assistance to the credit co-operatives. Bolger (1979) states that, in 1901, DATI and the Congested Districts Boards dispersed loans totalling £4330 to over 36 credit societies.[20]

By 1908, the credit co-operative movement reached its zenith in terms of the number of credit societies operating:

> *By 1908 the village banks had reached their peak – 268 credit societies of which 91 were in Connaught and 64 were in Ulster. Mayo with 45 had the greatest number in any one county. The 268 societies had a modest membership of just over 17000 and made 8615 loans in that year totalling £52771.*[21]

From 1909 onward, the number of societies stabilised and from 1912/13 began to decline. Tucker (1983), Henry (1994) and Anderson (1935)[22], suggest that the expansion of the movement was adversely and directly affected by the withdrawal of financial support by DATI to the IAOS in 1908. A year earlier in 1907 Plunkett ceased to be Vice President of DATI. His replacement, T.W. Russell, did not look as favourably on the activities of the IAOS and in particular on the co-operative credit societies. Anderson (1935) recalled this pivotal moment in IAOS history:

> *T.W. Russell announced that the subsidy from the Department to the Society would be reduced to £3,000 for 1908, £2,000 for 1909 and £1000 for 1910, after which it would cease altogether.*[23]

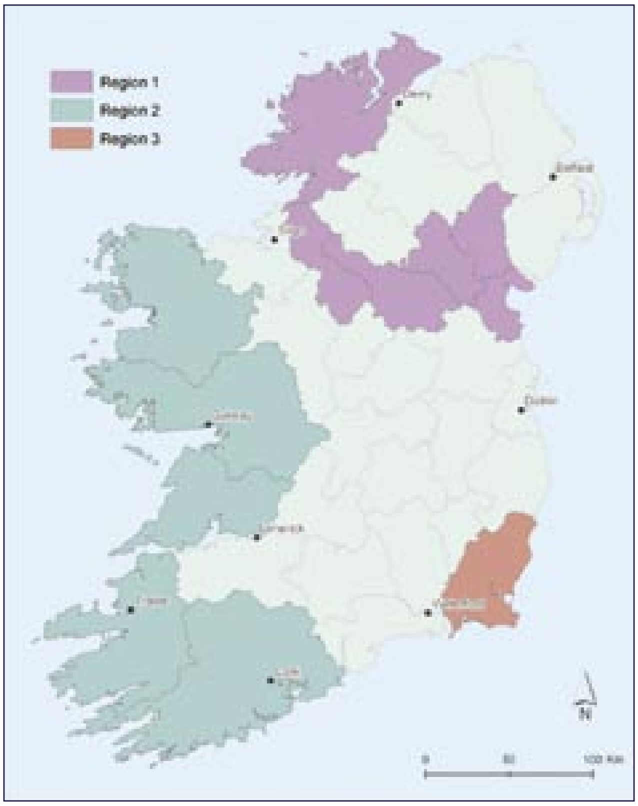
The loss of this patronage abruptly ended the period of rapid expansion. Using monies from the grant, the IAOS had employed field officers (local organisers) to spread the IAOS message and create enthusiasm for their co-operative credit societies. In 1905 "total expenditure on organising work.....was £6,464, 12s 7d".[24] Consequently, once the grant was withdrawn, the powerful propaganda campaigns – which originated and were sustained by people from outside of the communities in which they were seeking to establish co-operative credit societies – came to an end. As a result, between 1909 and 1913, the number of credit societies and members remained relatively stable. However, from 1913 onward, credit societies entered a period of gradual but sustained decline (Table 1).

Table 1 Co-operative credit societies 1908 - 1919

Year	Number of credit societies	Membership
1908	268	Not available
1910	234	18422
1911	237	19185
1913	235	20211
1915	225	20260
1917	171	17139
1919	138	15914

(Compiled from Bolger, 1977; Meghen, 1947; Tucker, 1983; Agricultural Census, 1911)

Many have commented on the overall distribution of Finlay's credit co-operative societies in Ireland[25] and have identified high concentrations of the societies in the western seaboard counties. There has been a tendency, not so much to overstate the significance of these counties, but to completely neglect other equally significant regions. An analysis of the distribution of co-operative credit societies in 1910 suggests that there were three regions where Finlay's co-operative credit movement was strong. The first region centred on County Donegal where 20 credit societies were located and stretched through Counties Leitrim, Cavan, Monaghan and Armagh into County Louth. In this region, a total of 72 (30 per cent of the national total) societies operated. The second region is the western seaboard region, centred on County Mayo and stretched along the western seaboard through Counties Galway, Clare, Kerry and into County Cork. In County Mayo, the largest ever number of societies registered for a single county (45) was recorded in 1908. In total, 88 credit societies (37 per cent of the national total) operated in this western seaboard region. Finally there is the anomaly of County Wexford. With a total of 27 societies (eleven per cent of the national total) operating in this county, Wexford represented a significant stronghold for the movement in the province of Leinster.



• **Fig. 3** *Three regional strongholds of co-operative credit societies in Ireland, 1910*

The co-operative credit movement, therefore, can accurately be described as an imposed or top-down movement. George Russell's involvement and that of the other local organisers ensured that there would be an important difference between the modern credit union movement and the IAOS co-operative credit societies. The expansion of the IAOS co-operative credit societies was centrally planned. Modern credit unions, on the contrary, were not imposed on communities from outside; they were very much a bottom-up, community-driven initiative. The distribution of IAOS societies was very strongly influenced by the IAOS organisers who initiated and maintained co-operative societies across the country. Through these organisers, the IAOS targeted specific areas. By 1907, when Russell resigned from his post as local organiser for Connaught and Donegal, the IAOS employed eight organisers to initiate and promote co-operative activity in all 32 counties. Henry (1994) outlines the parameters within which these IAOS organisers were expected to operate:

The officials of the IAOS shall confine their work to organisation and auditing only. By the term organisation is to be understood –

A. Advocating the adoption of co-operative methods by the agricultural classes for their benefit; giving advice and instruction as to the application of the principles of co-operation to industries for the betterment of rural population; advising and assisting co-operative societies in the conduct of their affairs, but especially as regards observation of rules, statutory obligations, arbitrations, settlement of disputes, keeping and auditing of accounts, finance and business matters.

B. The explanation of the functions of, and desirability of joining, the Irish Agricultural Organisation Society, and such co-operative organisations as are affiliated to or approved by that body.

C. The societies' organisers are not to give advice on technical subjects within the range of the Department's schemes, except with the approval of the Department.[26]

The manner in which organisers were assigned to particular counties appears to have militated against the success of the movement in some counties. Given its limited resource base, the IAOS prioritised certain counties as being in greater need of, or of deriving greater benefits from, co-operative societies. Not surprisingly there is a very strong correlation between the distribution of co-operative credit societies and the areas of the country covered by the Congested Districts Board's activities. Plunkett was a member of the executive of the Congested Districts Board. Therefore, from the outset, the western seaboard region was targeted by the IAOS. The counties of Connaught and Donegal to which Russell was assigned are a case in point and, as a result of Russell's work, the co-operative movement made significant progress and impacted significantly on the lives of members in these areas. The distribution of the local organisers' workloads following Russell's resignation in 1907, however, was quite uneven. One organiser was assigned to organise nine counties; another was assigned to just one county.

Table 2: IAOS organisers and their assigned counties, 1907.

Organiser Name	Counties
Mr. C.C. Riddall	Cork, Kerry Limerick and Waterford
Mr. P. Gregan	Mayo, Leitrim, Roscommon, Westmeath and Kings (Offaly)
Mr. R. Noble	Donegal (for flax societies only), Derry, Antrim, Down Tyrone and Armagh
Mr. J. Joy	Louth, Meath, Dublin, Kildare, Carlow, Queens (Laois), Kilkenny, Wicklow and Tipperary
Mr. M.A. Lyons	Galway and Clare
Mr. J. Moore	Cavan and Monaghan
Miss Reynolds	Donegal, Sligo and Fermanagh
Mr. M. Hickey	Wexford

(Source: Henry, 1994)

In 1911, there were six counties where no co-operative credit societies existed. Four of these – Westmeath, Dublin, Kildare and Carlow – were Leinster counties; with the exception of Westmeath, these counties fell within Joy's organisational area. The other two counties where credit co-operative societies had failed to make any inroads were in the Munster county of Waterford and the Ulster county of Antrim. In the remaining 26 counties the numbers of societies varied between one and 37. However, it is possible to further refine the spatial analysis of credit societies. The overall pattern that emerges is one of a movement that was very strong in a small number of counties. Forty-one percent of the co-operative credit societies and 49 per cent of the members were located in four counties: Mayo, Donegal, Leitrim and Wexford. Some counties such as Cork, Clare and Louth had relatively high numbers of societies (15 per cent of the national total) but small membership (7 per cent of the national total).

Analysing membership helps to deepen our understanding of the geography of the credit co-operative societies. While the western seaboard region (Counties Mayo, Galway, Clare, Kerry and Cork) had the greatest number of credit societies, when measured in membership terms there is little difference between this region and the northern region centred on Donegal (Counties Donegal, Leitrim, Cavan, Monaghan, Armagh and Louth). The northern region accounted for thirty seven per cent of the national membership while the western seaboard region accounted for thirty-eight per cent. Within the western seaboard region the membership was very unevenly distributed; twenty-two per cent of the western seaboard total was located in Mayo.

Membership figures suggest that the IAOS' co-operative credit movement was not a 'popular' movement. It has been acknowledged that the movement was centrally planned and imposed from outside on a suspicious and wary population.[27] It never in any sense became a grass-roots movement and never generated any enthusiasm or vigour at local level. There is little evidence of any sort of contagious diffusion occurring. Any increases in society numbers and membership were due to hard graft on the part of the IAOS organisers. The fact that only 2.66 per cent of the national population were members of co-operative credit societies puts the scale and impact of the movement into perspective.

The contraction in society numbers (Table 1) coincided with the reduction and ultimate withdrawal of funding from the Congested Districts Board. Under pressure to reduce expenditure because of the outbreak of World War One, the credit societies had to forego the loans they had become accustomed to receiving. This loss of external financial support, combined with poor management practices that had evolved within many of the co-operative credit societies, meant that many societies became defunct. At a national level, the capital held by the 237 co-operative credit societies in 1911 was £24,768, while they had issued £55, 492 in loans.[28]

Nationally, therefore, the co-operative credit societies were operating a deficit of £30,724. Table 3 outlines debt levels at a provincial scale. The practice of excessive loan issuing was most pronounced in co-operative credit societies in Connaught and Munster. Societies in both provinces were owed more than they held in reserves. The only province where the credit societies exhibited financial liquidity and, implicitly, sound and prudent management practices, was Ulster.

Table 3: Solvency of Co-operative Credit Societies at Provincial Level, 1911

Province	No. of Societies	No. of Members	Capital £	Amount Borrowed £	Deficit/ Surplus £
Munster	47	2408	1425	3426	-2001
Leinster	57	3680	5106	7390	-2284
Ulster	60	5284	11534	5181	+6353
Connaught	73	7813	6705	14499	-7794

(Compiled from data sourced in the National Library, Ireland)

Once the funding provided by the Congested Districts Board and DATI was withdrawn, the levels of indebtedness incurred by several societies made it difficult for them to continue operating and, over the next decade, the numbers of co-operative credit societies contracted significantly. The Annual Report of the IAOS in 1924 referred to 160 societies still in existence and expressed optimism for the future of these societies. But the general trend was one of decline both in the number of societies and in the number of members throughout the 1920s. Indeed, by 1930, only 52 societies still operated and membership had fallen to 3672. By 1935, there were only 35 still functioning and the numbers continued to decline (Table 4).

Table 4: Co-operative Credit Societies 1930 - 1950

Year	Number of societies
1930	52
1935	35
1940	33
1945	22
1950	19

(Compiled from Meghen, 1947; Bolger, 1977; Tucker, 1983)

Explaining the decline of Finlay's Co-operative Credit Societies

Key lessons can be drawn from the fate of Finlay's credit societies. Ultimately, the inherent weaknesses of the structures adopted by the IAOS for the credit societies led to their decline. It was not an organic, bottom-up movement but was centrally planned and directed. By becoming reliant on financial support from external sources, they had never become self-sufficient. Also, the fate of the credit societies was inextricably linked to the fate of Plunkett. Once he lost his position in DATI, his ability to influence decisions in favour of the co-operative movement was greatly diminished. The credit societies had come to rely on two sources of government assistance. When this assistance was withdrawn, the co-operative credit movement had neither grown sufficiently nor put the necessary structures in place that would have ensured the perpetuation of the system. The geography of this movement therefore reflects the geography of the perceived greatest need for these societies. As a centrally planned organisation, it had strong cores in the provinces of Connaught and Ulster, particularly in Counties Mayo and Donegal.

While the number of societies established appears impressive, the numbers they catered for were quite small. Membership peaked in 1915 with just 20,260 shareholders. Given that the population of Ireland in 1911 stood at 4,381,951, this represents a 0.46

percentage penetration of the population. When compared to the modern credit union movement with an island wide membership in December 2009 in excess of 2.98 million, the variation in the scale and impact of both of these movements becomes clear. But if a question mark can be placed over the scale of the movement, there is no denying the significance of co-operative credit societies in terms of the precedent set by the IAOS in successfully introducing them as a new concept into Ireland.

Another important reason why the need for co-operative credit societies declined was because, within the IAOS, there was a degree of duplication in the types of services that were provided. Agricultural co-operatives were prepared to advance seeds, fertilizers and other inputs to farmers on the basis that payment would be made upon harvesting of crops. This reduced the demand and the need for credit in areas where agricultural co-operatives existed. In many respects the IAOS itself inadvertently undermined the co-operative credit societies as the importance of the agricultural co-operatives was consolidated.

Conclusion

As Finlay had brought the movement to Ireland, others introduced it in other countries: Luzzatti had brought the idea to Italy; Mallaerts had brought it to Belgium; Desjardins brought it to Canada. With each application of the idea came modification. As the co-operative credit system diffused across the globe, it also evolved. The next incarnation of the co-operative credit system in Ireland emerged through a circuitous route. With the demise of Finlay's co-operative credit societies, the influence of Raiffeisen as a role model also waned in Ireland. When looking for inspiration, subsequent generations did not look to the experience of Finlay and Plunkett (whose movement was perceived ultimately to have failed); rather they sought out more successful role models in Belgium and Canada. They drew strongly on the work of Abbé Mallaerts and the Boerenbond movement in Belgium and Monsignor Coady in Antigonish, Nova Scotia. These movements shared two common characteristics: they both exhibited a strong Catholic ethos and both were adopted widely and successfully. Their Catholic ethos accorded well with the ethos and ideology of the recently established independent Irish State. In the 1930s and 1940s, the Irish Catholic Church strongly advocated co-operatives and co-operation as a means of conducting business in accordance with Catholic Social Principles as espoused by Pope Leo XIII and Pope Pius XI.

The importance of the credit societies established by the IAOS lay in the precedents they set. Initially, they commanded the support of nationally elected representatives and the Catholic hierarchy. They alerted those in authority to the problems that rural dwellers experienced in accessing credit. They advocated self-help. They focused attention on the problem of usury. But most important of all, perhaps, was that they created a co-operative template for addressing this problem that informed the thinking of later generations. This issue is central to the next chapter, which traces the evolution of the co-operative credit society in the early years of the Irish State.

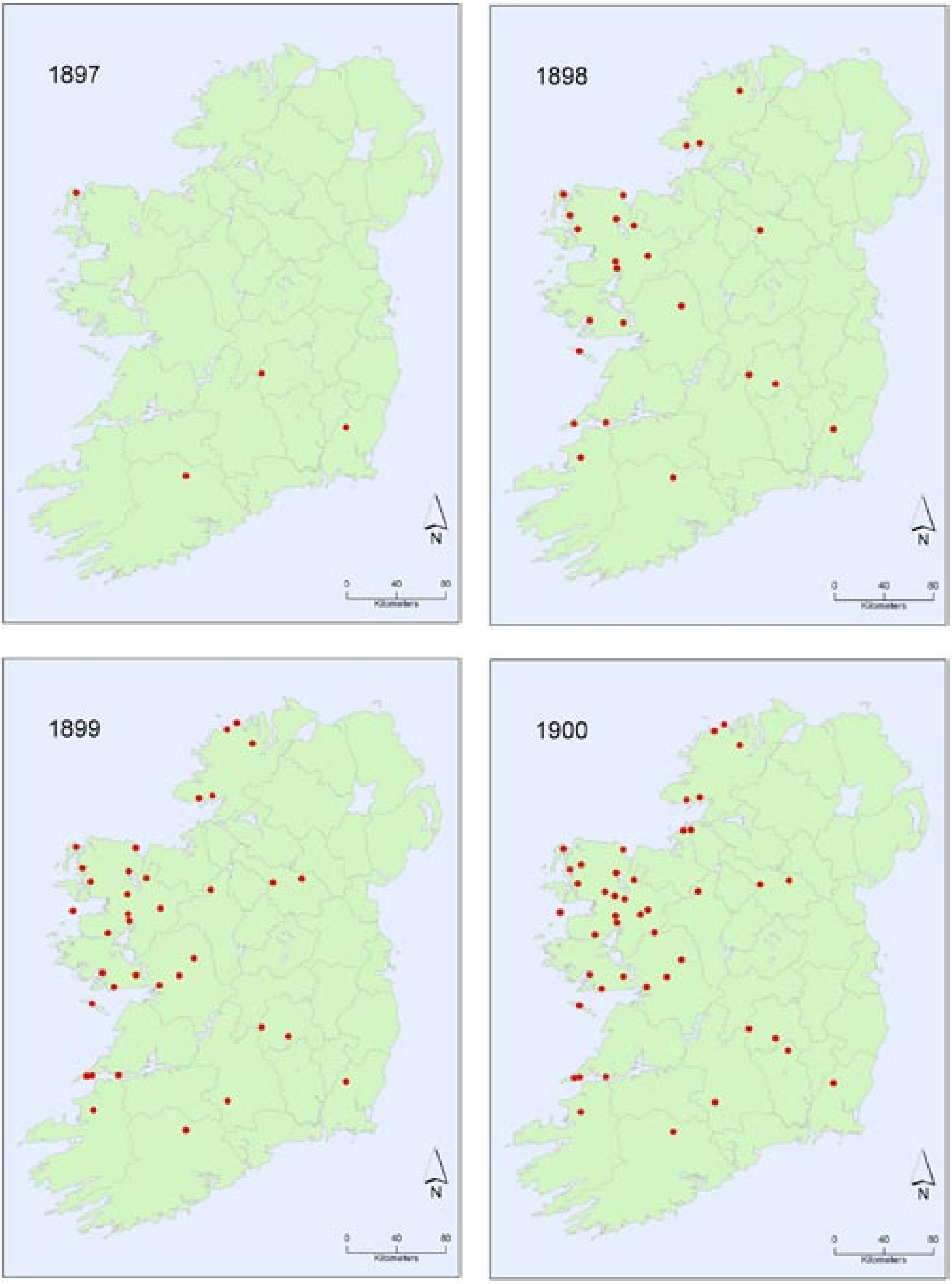
The diffusion of co-operative credit societies in Ireland 1894 – 1910

Ray O'Connor

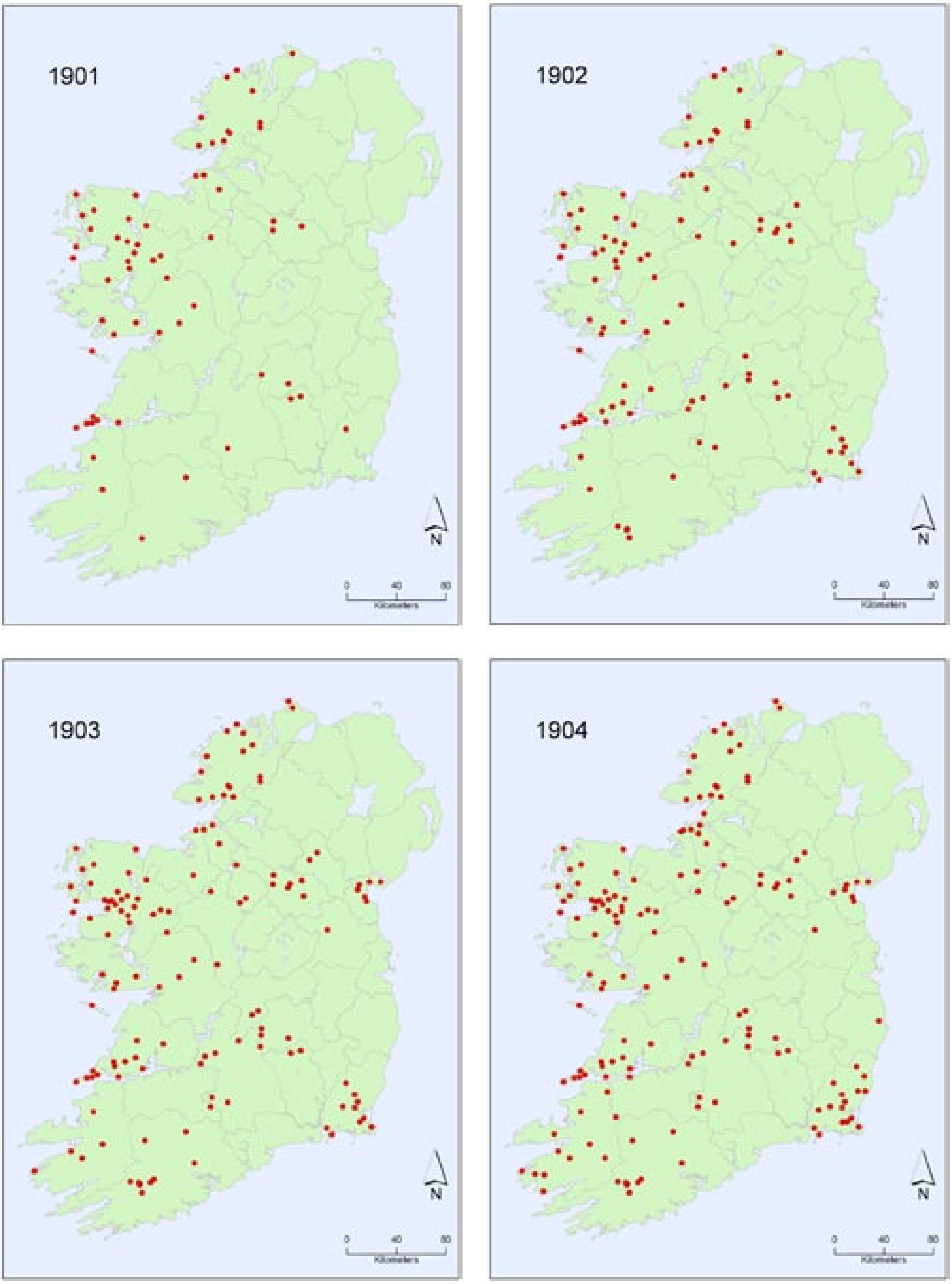
Ireland's first co-operative credit society was established in 1894 in Doneraile, County Cork, under the auspices of the Irish Agricultural Organisation Society's (IAOS). However, the provision of co-operative credit proved the least successful aspect of the IAOS activities in the mid-1890s. While other co-operative organisations, such as creameries and agricultural co-operatives, registered significant growth year on year, the co-operative credit societies made very limited progress in the first four years. In 1895, again only one new co-operative credit society was established. It was located in Kyle, County Laois. In 1896 and 1897 just one new society was registered for each year in Belmullet, County Mayo and Ballindaggin, County Wexford, counties that in later years would become strongholds for the co-operative credit movement. Plunkett perceived a very great need for this type of society in rural areas and became impatient with the low level of progress being registered.

Therefore, in 1897, he decided to hire five organisers who would travel the country and drive the co-operative movement forward. George Russell was one of these Organisers and he was assigned to work in Connaught and County Donegal. However, unlike the other four, whose role was to develop the wider co-operative movement, Russell was specifically tasked to develop the co-operative credit societies.

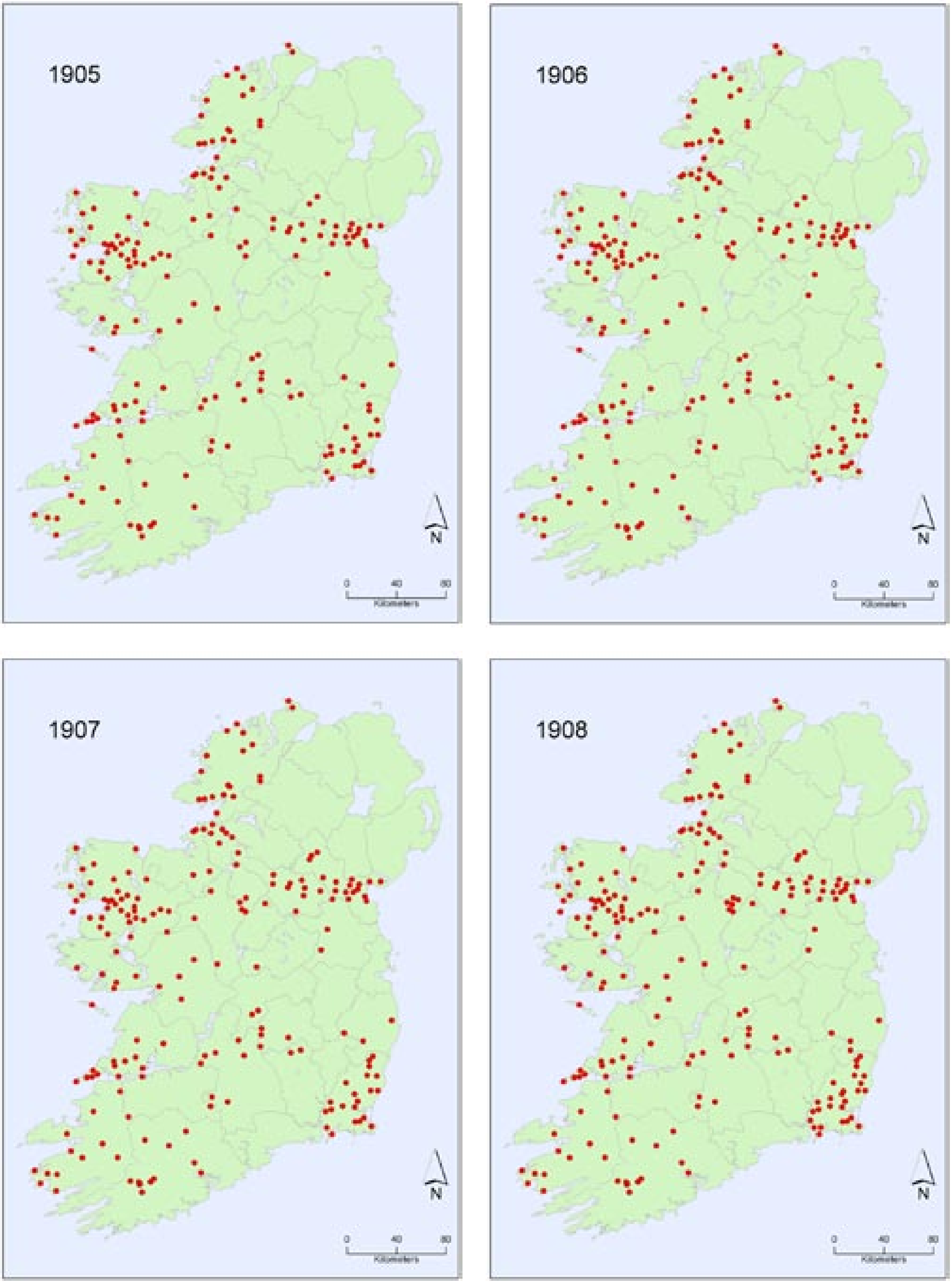
Almost immediately, the impact of his endeavours can be seen by the explosion in the number of co-operative credit societies. In 1898, twenty-one credit societies were established: fifteen were located in the counties Russell organised (eight in County Mayo, four in County Galway, and three in County Donegal). In 1899, twelve new credit societies were registered with the IAOS (of which eight were in Russell's assigned area – three in Mayo, three in Galway and two in Donegal). In other parts of the country, Russell also made some progress. By 1899, three societies were operating in County Clare, two each in Counties Cavan and Laois, while Counties Roscommon, Tipperary, Kerry and Tyrone had one society each. Between 1897 and 1899 Russell had established 42 co-operative credit societies from a base of four. The IAOS therefore reached the turn of the century with a total of 46 functioning credit societies. In the new century, Russell persisted with his task and intensified his efforts. In 1900 and 1901, his attention focused on Donegal and the western seaboard counties. In these years, he launched another 27 credit societies: seven each in Counties Mayo and Donegal and the remainder distributed across Counties Kilkenny, Tyrone, Armagh, Cavan, Cork, Kerry and Leitrim. In 1902 and 1903, Russell achieved a record number of start-ups. Thirty-three new credit co-operatives were established in 1902, followed by the formation of 47 societies in 1903 – more in one year than had been achieved in the first six years of the IAOS. Interestingly, in 1902, Russell had shifted his geographical focus, concentrating on developing credit societies in counties that had not as yet embraced them. He focused on Wexford where he established eight societies; he launched a further six societies in Clare, five in Tipperary and three in Cork and Cavan. In 1903, he continued to work to introduce credit societies to counties that had not as yet adopted them, establishing six in Louth, five in Cork, four in both Armagh and Derry, and three in both Kerry and Leitrim). He also continued to expand their numbers in his assigned area: eight were established in Mayo,



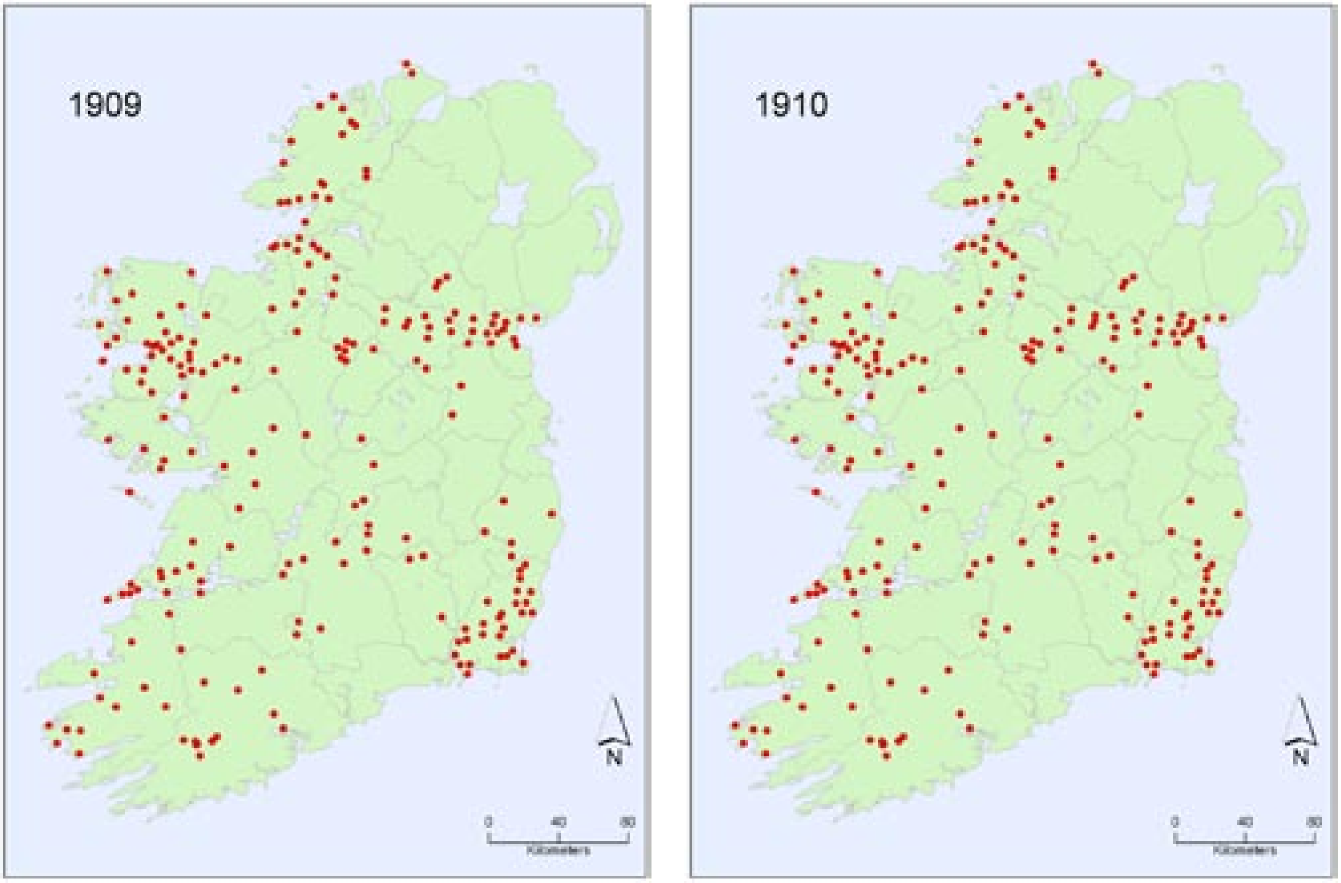
• **Fig. 1** *Co-operative credit societies in Ireland, 1897-1900*



• **Fig. 2** *Co-operative credit societies in Ireland, 1901-1904*



• **Fig. 3** *Co-operative credit societies in Ireland, 1905-1908*



• **Fig. 4** *Co-operative credit societies in Ireland, 1909-1910*

and five in Donegal, where eight and five new societies were formed respectively. By now, 144 co-operative credit socieies had been formed.

Over the next two years, a further fifty credit societies were launched. In 1904, Russell concentrated his efforts on Counties Kerry and Wexford where 13 of the 24 societies established that year were located. In 1905 credit societies were established in eleven counties - Armagh, Cavan, Donegal, Leitrim, Louth, Mayo, Monaghan, Tipperary, Tyrone, Wexford and Wicklow. By now a pattern emerged whereby three distinct concentrations of societies could be discerned. The first region centred on County Donegal – where 20 credit societies were located – and stretched through Counties Leitrim, Cavan, Monaghan and Armagh into County Louth. The second region was the western seaboard that has been referred to by commentators on the co-operative credit societies. This centred on County Mayo and stretched along the western seaboard through Counties Galway, Clare, Kerry and into County Cork. The third and final region centred on County Wicklow.

The years 1906 and 1907 represented Russell's last years performing this role for the IAOS. Over this two-year period, only 21 new societies commenced operation. These were well distributed across thirteen counties. The demand for co-operative credit societies was declining at this stage. Furthermore, having travelled throughout the country for ten years, organising meetings and promoting the co-operative ethos, Russell's energies for the project were on the wane. Given his interests in literature and writing, the opportunity to take over as editor of the IAOS journal the *Irish Homestead*, on a full-time basis, was very appealing, and he took up this position in 1907.

In 1907, the IAOS appointed eight organisers to promote all types of co-operative activities but none were specifically tasked to promote the co-operative credit societies. Over the next three years, the spread of credit societies slowed considerably. In 1908, twelve new societies were launched bringing the total of societies to an all time high of 268. In 1909, only six societies were formed and, in 1910, only three.

While the number of societies remained relatively stable from 1910 to 1913, their numbers began to decline in 1915. Membership of credit societies, however, continued to rise until 1915 when an all time record membership of 20,260 was reached. After this, membership went into terminal decline.

Co-operative credit societies and credit unions, 1926 – 1950

Ray O'Connor

We can make history by re-reading it, and by realising and accepting the fractured, divergent realities, and the complications and nuances behind the various Stories. The ambiguities of Irish history are, in many ways, the most distinctive thing about it.[1]

Introduction

Throughout the 1930s and 1940s, a number of people in Ireland actively espoused and promoted co-operative credit societies and credit unions in Ireland. However, the advocacy of credit unions made little headway until Nora Herlihy was introduced to the idea in 1953. This essay outlines the story of the credit union movement in the wilderness years between the foundation of the State and the year 1950, when an Adult Education initiative in University College Dublin brought the idea to the attention of a group of people who ultimately initiated the development of the modern credit union movement in Ireland.

The Banking Commissions (1926-7 and 1934-8) and Co-operative Credit Societies

With the slow demise of Horace Plunkett's co-operative credit societies, many in Ireland believed that this method of credit provision had little more to offer. The Banking Commission of 1926/7 was established primarily to deal with issues of national importance relating to the creation of a new currency for the newly independent state to replace the British currency, and to address issues such as whether or not Ireland needed to establish a Central Bank.[2] There were, however, other issues that this Commission was asked to address. The newly independent government, cognisant of the implications that the decline of co-operative credit societies had for rural dwellers in general and small farmers in particular, had also asked the Commission to advise them on how best to deal with this issue. The Commission recommended that the Agricultural Credit Corporation should assume responsibility for these societies. Furthermore, it made three key recommendations in an attempt to incorporate more fully into the State's financial structures the still significant number of co-operative credit societies:

1. that the Agricultural Credit Corporation would provide loans and re-discount facilities for co-operative credit societies, which would themselves conduct individual transactions with their own members.
2. that the credit societies should be required by law to deposit the major portion of their funds with the Corporation.
3. and finally, the Commission further approved of projected legislation for the better control, inspection and audit of co-operative societies under a central body.[3]

In 1927, the Agricultural Credit Act implemented the first of these three recommendations by providing the Agricultural Credit Corporation with the ability to make loans available to the co-operative credit societies and to accept deposits from them. But it stopped short of compelling them to deposit their funds with the Corporation and also failed to legislate for "better control, inspection and audit of co-operative societies under a central body". Consequently, the decline of the co-operative credit societies continued for the remainder of the 1920s and all of the 1930s.

The decline of the credit co-operative societies profoundly influenced the Irish State's attitude to co-operative credit. They formulated the opinion that such enterprises could not prosper without the support of the government. During the 1930s, an attitude prevailed that somehow the co-operative credit system was not suited to this country. Ironically, this attitude was based on the research findings of the Horace Plunkett Foundation. A survey published in 1931 titled Agricultural Co-operation in Ireland, focused on the co-operative credit societies:

> *No branch of co-operative activity was instituted in Ireland with higher hopes than agricultural credit societies, none was regarded more fondly by its promoters, none had fewer opponents or had been more consistently recommended by government commissions responsible for public welfare. And yet of all co-operative enterprises still surviving, it shows to-day the least vitality and the most meagre results.*[4]

By the time the Banking Commission of 1938 was initiated, the number of co-operative credit societies had continued to decline; they had only a negligible impact in terms of providing credit in rural areas. The Agricultural Credit Act (1928) had not injected any new momentum. Therefore, when asked to address the 1938 Commission, the Secretary of the Irish Agricultural Organisation Society (IAOS), Dr Henry Kennedy, aware that he was presiding over a movement in near terminal decline, reiterated the findings of the 1931 survey. In his evidence to the Commission he stated:

> *I venture to express the opinion that these societies will not work in this country. Whatever success they have reached in other countries I must confess to a considerable degree of scepticism at least in so far as the free growth of such a system of credit without continual government assistance is concerned.....I thought that the system of loans to creamery members of the Agricultural Credit Corporation would widen the field of usefulness of the co-operative societies in respect of the credit problem. It was not, however, availed of to any great extent.*[5]

The 1938 Commission of Inquiry into Banking, Currency and Credit in summarising its findings stated:

> *We have reluctantly reached the conclusion upon the facts presented to us and upon the opinions expressed in evidence that there is little prospect that any useful development of co-operative credit can be brought about on the initiative of the State or of the Agricultural Credit Corporation.*[6]

The significance of this statement cannot be overstated. Until this juncture it was assumed that State intervention could salvage the co-operative credit system. Now it appeared that the state was acknowledging that these types of credit societies, whether operated on a voluntary basis or supported the State, would not work in Ireland. This perception of co-operative credit persisted as the official State view on the issue and was reiterated in the Government's First Programme for Economic Expansion in 1958. According to MacEoin (1989), a founder of the modern credit union movement, the often-quoted conventional wisdom at the time when the first modern credit union was launched in 1958 was that

> *History affords no support for the belief that co-operative credit societies can be successfully established.*[7]

Muintir na Tíre and the Credit Union Movement

There is a common perception that Ireland in the period 1930 to 1958 was a society that was stagnating. However, Ireland was not as closed or isolated intellectually as it was economically. Many ideas coming into Ireland from both Europe and the United States were being filtered and given an Irish expression. The Catholic Church played a critical role in this filtration process. Many local organisations that appear on the surface to be uniquely Irish, show strong external influences. Muintir na Tíre (the people of the land), for example, a community development, self help organisation with a strong rural orientation, founded by Fr. John Hayes and J.J. Bergin in 1931, was modelled on the Belgian Boerenbond founded by Abbé Mellaerts. Immediately one can see the importance of the Catholic clergy in introducing and shaping ideas that were new to Ireland during this period. Muintir na Tíre also promoted the development of a rural society strongly influenced by the Catholic social principles outlined in Pope Leo Xlll's Rerum novarum (1891) and Pope Pius Xl's Quadragesimo anno (1931), and in 1937 reorganised itself at parish level using a vocational guild structure advocated by the 1931 encyclical. So Belgian and Italian ideas were adapted to an Irish context and given expression at local level in the guise of Muintir na Tíre. Further examples of the extent to which Ireland was open to external ideas can be seen in the fact that the Folk School Meetings organised by the National Co-operative Council were based on Bishop Grundvig's Danish model. Running parallel to these Folk School Meetings, Muintir na Tíre, from the late 1930s, organised annual Rural Weeks – a week-long series of lectures, seminars, plenary sessions called 'fireside chats', combined with social and recreational activities – and these were modelled on the French Semaines Rurales from the 1920s and 1930s.

Significantly, the Boerenbond also operated a banking system formed by a federation of local banks modelled on the Raffeisen system. In Belgium in 1887, there were 159 local banks. However, by 1929 this figure had risen to 1,949 with assets exceeding 74 million francs.[8] Therefore, the idea of co-operative credit was familiar to the founders of Muintir na Tíre and when the concept of credit unions was introduced to Ireland in 1941, the organisation, through its expanding network of parochial guilds and councils, was ideally placed

• **Fig. 1** *Canon Hayes, co-founder of Muintir na Tíre (Courtesy: Muintir na Tire).*

to explore and develop the idea. University College Cork's Professor Alfred O'Rahilly was the person who first brought together three key debates: Catholic Social Principles and the construction of a new social order in Ireland; the concept of co-operative credit societies; and the conclusions of the Banking Commissions. In the process, he introduced the idea of the modern credit union movement to an Irish audience.

Alfred O'Rahilly and Credit Unions

Since the publication of Quadragesimo anno in 1931, the issue of money – its control, circulation and indeed creation – was a topic that exercised the minds of Catholic intellectuals. In a book published in 1941, titled Money, O'Rahilly made a highly significant contribution to an on-going debate in journals, newspapers and academic publications. While the book primarily was devoted to O'Rahilly's assessment of what the functions and roles of a Central Bank should be, other issues were also addressed. Of particular importance to the emergence of credit unions in Ireland was that O'Rahilly addressed the issue of credit. The core issue with which O'Rahilly and other Catholic thinkers on this matter appeared to have greatest difficulty was that private citizens had usurped the role of the State (i.e. bankers controlled access to credit and devised and regulated credit provision systems:

> *The bankers hold at their mercy all the economic forces of the nation, always in need of credit which they almost alone can supply and whose price they sovranly fix.*[9]

O'Rahilly's thinking was strongly influenced by Quadragesimo anno. He quoted in full paragraph 106 where Pope Pius XI specifically addressed the topic of money and access to credit:

> *This domination is most powerfully exercised by those who because they hold and control money, also govern credit and determine its allotment, for that reason supplying so-to-speak the life-blood to the entire economic body and grasping in their hands as-it-were the very soul of production, so that no one can breathe against their will.*[10]

He concluded that:

> *It is a serious dereliction of duty on the part of a Government to neglect to take for such a vital supply-service as money the measure of control and organisation which is now accepted for transport and electric power.*[11]

O'Rahilly outlined his opinion that there was a need for the commercial banks to cater more adequately for the small and short-term borrower. However, as he did not anticipate a willingness on the part of the bigger banks to develop this area, he suggested that alternative mechanisms for lending money to such borrowers might be investigated. One of these alternatives was the credit union:

> *The primary function of a bank is to lend to borrowers money which has been subscribed by the bank-owners or collected from the public. This is exemplified by pawnbrokers, investment-trusts, savings-banks, and credit-unions; but it is a very minor function of the institutions we know as trading or commercial banks. The worker and small farmer are often in temporary need of money to tide over difficulties or to purchase supplies. Formerly, municipalities and charitable associations ran such loan-banks; there is a need of their revival and also of co-operative credit-unions.*[12]

What is particularly interesting – and in many respects, it set the tone for all future discussion of credit provision systems from this time onward – is that nowhere in the book did O'Rahilly mention the co-operative credit societies that prospered ever so briefly at the turn of the twentieth century, under the IAOS. Neither did he mention Plunkett, Finlay or Russell. He did, however, refer to the Loan Banks of the 1840s but confessed ignorance of the scale and longevity of that particular credit provision system.

His account of the credit union movement was significant in terms of the level of detail supplied. He described the origins and diffusion of the modern credit union movement. He outlined the work of Raiffeisen and Schulze-Delitzsch in Germany, the role of Desjardins in instigating the spread of the movement into Canada, and the work of Filene and Bergengren in the United States. He paid particular attention to how the credit union movement had prospered in Nova Scotia without once acknowledging that the Raiffeisen system had operated, and indeed was still operating, in Ireland. He then outlined both the philosophy and organisational structure of credit unions, explaining at length about membership, shares, interest rates and common bonds. In assessing the need for them in Ireland, and also how they might be introduced, his conclusion is of some considerable interest:

> *..... the system of credit unions is of enormous importance to ninety-five per cent of the people, it is capable of banishing an incalculable amount of oppression and misery. The solution will seem suspiciously simple to those who have accustomed themselves to grandiose talk about large-scale or bureaucratic social reform. But it is by no means easy to evoke this spirit of self-sacrifice and cooperation. Hitherto we have failed in this country. Now that parish councils are being formed and that Muintir na Tíre has started, let us hope that credit unions will be seriously taken up.*[13]

O'Rahilly strongly approved of the ethos of this new and populist rural movement, based as it was on the ideas of Pius XI. In effect, what O'Rahilly did was pass the idea and the job of promoting credit unions onto Muintir na Tíre. Within Muintir na Tíre, much of this work was left to Rev. Dr Cornelius Lucey, Professor of Politics and Ethics in Maynooth. As President of Muintir na Tíre, Dr Lucey realised that if the credit union movement was to be successful in Ireland, it would require both goodwill and adequate resourcing. He therefore adopted a four-pronged strategy. To inform as many of the clergy and academics as possible he wrote at length and in detail about the credit union movement in the Irish Ecclesiastical Record; lecturing in Maynooth he recommended the idea to seminarians and encouraged them to support it when they were ordained and sent to work in parishes across the country; he promoted the idea very strongly in adult education classes he organised and taught; and finally, he sought to perpetuate the idea, as O'Rahilly had suggested, through Muintir na Tíre.

Dr Cornelius Lucey and the Credit Union Ideal

In 1941 Muintir na Tíre launched an annual journal that invited articles from members of the organisation, the clergy and a selected number of academics. The purpose of the publication was to inform and educate. Throughout the 1940s and early 1950s, a series of articles appeared that advocated the stronger adoption of co-operative principles in Ireland. In 1942, an article appeared in the Muintir na Tíre Official Handbook titled 'Co-operation and Christian Principles' written by Dr Cornelius Lucey. He was closely involved with Muintir na Tíre since its inception and served as its President between 1950 and 1969. Lucey was a willing disciple of the credit union movement and accepted the role of promoting the movement with enthusiasm. He perceived a great need for credit unions. Acutely aware of how many people in the country of lesser means were unable to gain access to commercial banking facilities, he saw in credit unions operating at parish level, an opportunity to strengthen further the Catholic parish as a meaningful territorial unit in the lives of Irish citizens. In the article he contributed to the Muintir na Tíre Official Handbook in 1942, he wrote:

> *We hear much nowadays about Credit Reform. Strange that nobody in this Catholic country so far has put the case for the characteristic Catholic answer to the problem of providing credit in small amounts and on easy terms, namely the setting up of Parish Co-operative Societies. On the Continent, in Canada, and latterly in the United States, co-operative credit societies flourish by the thousand and meet satisfactorily the farmer's need for cheap credit.*
>
> *The parochial credit co-operative excels as a credit-dispensing agency for several reasons. It can carry on almost without running expenses; it can lend not so much on the security of the borrower's possessions as on his industry, sobriety and general ability to make good once he gets the necessary capital; it can lend safely because all the members know each other and can appreciate the real needs of the intending borrower, what use he is likely to make of the loan, and whether he is likely to repay it; and it will lend with all caution, since its debts are guaranteed by all the members jointly. Recognising all these advantages, the State in various Continental countries usually distributes through the local credit co-ops. the money it makes available as agricultural credit. Surely it is not asking too much to ask the Government here to follow this proven practice, and place credit at the disposal of the agricultural community through the agency of parochial credit co-operatives under the aegis of Muintir na Tíre.*
>
> *Is it not high time that we too, should complete the unity of our rural parishes in this way? And what organisation is better fitted to undertake the task than Muintir na Tíre? Most earnestly therefore, I commend to all Muintir na Tíre guilds the work – thrice blessed from the social and economic point of view as well as from the moral point of view – of establishing parish credit unions throughout the length and breadth of rural Ireland.*[14]

What is particularly interesting is that Lucey, like O'Rahilly before him, did not seek inspiration from past experiences of the co-operative movement here in Ireland. He did not point to the work of Plunkett and Russell in the late nineteenth and early twentieth centuries. Rather he demonstrates a keen awareness of ideas and movements in other countries and suggests

• **Fig. 2** *Bishop Cornelius Lucey (Courtesy: Diocese of Cork and Ross).*

that these, if imported and shaped for an Irish context, could bring many benefits to Irish society. Interestingly also, he commences by referring to parish co-operative credit societies but concludes by calling them parish credit unions.

Lucey returned to this topic when he wrote an article titled "Co-operative Credit Societies" in August 1943 in the Irish Ecclesiastical Record.

> *Credit unions are a part of the co-operative movement with which Catholics have been associated from the start. In general terms credit co-operation may be described as co-operative banking. In more precise terms the credit union or credit co-op., is defined as an association on a voluntary basis providing funds from which the members can borrow small sums on easy terms........ a miniature bank in all save that it does not create credit PROFIT, it supplements rather than duplicates the activities of the bigger banks, accommodating customers they make no provision for accommodating. Credit unions, therefore, do not exhaust the possibilities of credit co-operation. In fact, they exploit only the tiniest fraction of them.*
>
> *Briefly the purpose of the credit union is (1) to take the profit out of small-scale money-lending in all its forms; (2) to provide credit even when collateral security is lacking, (3) and to encourage thrift.*[15]

Lucey's explanation of the motivation behind his interest in credit unions and his desire to see them established in Ireland is also interesting. He describes how interest rates from both registered and unregistered money-lenders could command interest rates as high as "1166" to "1327 per cent per annum".[16] He then proceeded to outline the extent to which this problem was deeply embedded in the daily lives of Irish citizens:

> *Nor are the registered and unregistered money-lenders the only extortioners or indeed the worst extortioners. For instance, the shopkeeper supplying customers on hire-purchase terms often adopts a scale of instalment payment equivalent to an interest charge of forty to a hundred per cent. per annum; the merchant who supplies the farmer with seeds, manures, etc., on credit at spring-time, often charges him much more than the market price, and at the same time constrains him to sell what he harvests at much less than the market price; and the professional man who increases his fee when he has to wait for it, often increases it to the equivalent of an interest rate that is truly staggering. Here then is the first work of the credit union: to lend at a reasonable interest rate to those who would otherwise be forced into the clutches of the rapacious money-lender and his kind.*[17]

He concluded this point by stating that:

> *..... the average commercial bank is not organized to cater for the short term small-loan needs or to lend on the personal security of the borrower alone.*[18]

Lucey, although acutely aware of the attempts by the State to breathe new life into the IAOS co-operative credit societies through the 1927 Agricultural Credit Act, did not at any stage acknowledge their existence. In keeping with the philosophy of *Quadragesimo anno*, the new credit union movement was to be totally independent from the State:

> *But there are two big objections to invoking State action. One is that the State has neither the duty nor the right to do for its citizens what they can do for themselves, and citizens can certainly organize good credit unions of their own, as the experience of other countries has shown. The other is that the State is ill-fitted to play the part of money-lender – the lesson from experience here and elsewhere is that when the State ventures to dispense credits direct to individual borrowers, its aid is often tardy, oftener misdirected, and oftener still abused".*[19]

Lucey's view of the proper role and function of the state, and the extent to which the State should intrude into the lives of its citizens, was framed by what was contained in the encyclical *Quadragesimo anno*: Paragraph 80, which stated:

> *The supreme authority of the State ought, therefore, to let subordinate groups handle matters and concerns of lesser importance, which would otherwise dissipate its efforts greatly. Thereby the State will more freely, powerfully, and effectively do all those things that belong to it alone because it alone can do them: directing, watching, urging, restraining, as occasion requires and necessity demands. Therefore, those in power should be sure that the more perfectly a graduated order is kept among the various associations, in observance of the principle of "subsidiary function," the stronger social authority and effectiveness will be the happier and more prosperous the condition of the State.*[20]

The central issue for Lucey was to establish how far the government or its agencies could justifiably go in interfering in the lives of the people.

However, he seriously underestimated the scale of cultural change and the level of endeavour that would be required to get a credit union movement up and running. He naively suggested that:

> *"Once people know what credit unions are and how they are run, the work of establishing them is easy".*[21]

From the mid-1940s Lucey ceased contributing articles on credit unions to both academic and popular periodicals. There was little evidence that, even within Muintir na Tíre, there was anyone willing to give the idea practical expression at local level. Acutely aware of the benefits that the credit union movement could bring to the people of Ireland, the Muintir na Tíre National Executive decided to re-launch the idea. This time they chose the vehicle of Muintir na Tíre's Rural Week.

P.J. Meghen, Muintir na Tíre Activist and County Manager of Limerick

While Lucey's articles were largely theoretical and aspirational, the mechanisms that might be adopted for the application of credit unions to Irish circumstances found their clearest articulation in 1946 at a Muintir na Tíre rural week. There, P.J. Meghen, the County Manager of Limerick and the Vice-Chairman of Muintir na Tíre's National Executive, drawing largely on the work of Lucey, delivered a paper titled 'Parish Credit Societies'.

• **Fig. 3** *P.J. Meghen, Muintir na Tíre activist (Courtesy: Muintir na Tire).*

As O'Rahilly had done five years earlier, he outlined in some detail the accomplishments of Schulze-Delitsch, Raiffeisen and the spread of their ideas into Italy and Belgium and also the work of Desjardins in Canada and the diffusion of the movement into the United States. Significantly, unlike O'Rahilly and Lucey, he outlined the decline of earlier co-operative credit movements in Ireland. Then, eight years before Herlihy made contact with CUNA, he made the following statement:

> *..... the co-operative credit society movement in Ireland has so far been based on the Raiffeisen system of unlimited liability. The numerous credit societies of this type formed by the IAOS at different times have catered entirely for the rural population and were societies under the Friendly Societies. These societies were enabled to receive deposits or to borrow money at interest from members, subject to the provisions of the Societies Borrowing Powers Act, 1898.*
>
> *I feel that the Muintir na Tíre Organisation should sponsor a new credit union, which could be registered as a co-operative society under the Industrial and Provident Societies Act, 1893. The scheme should be based on the Credit Union of America, and no loan is made to anyone who is not a member ....The credit union is not in competition with the ordinary banks of the country..... There is a need for credit, on the part of people of small means who have only their character to offer as security and the society I have in mind is for those people....the people we propose to assist are people who cannot get a loan from a bank and can only resort to a moneylender.... My suggestion then is that we form a society to be known as the Muintir na Tíre Provident Loan Society or Muintir na Tíre Credit Union.*[22]

Meghen was astute in suggesting the shift in governing legislation under which the societies should operate. Ironically, he had become aware of the appropriateness of the Provident Societies Act, 1893 for the purpose he was now suggesting because of Muintir na Tíre's own history. In a previous incarnation, between 1931 and 1937, Muintir na Tíre had functioned as a limited liability company.

Taking the lead from Lucey, Meghen highlighted that it was not the purpose of credit unions to compete with banks. It was the job of the credit union to provide credit for those who had difficulty in accessing credit through conventional channels. Being careful not to alienate any sector involved in the provision of credit he stated:

> *We all appreciate that the banks here do a very large business with those whom they consider credit worthy. The Agricultural Credit Corporation also exists to give loans for larger amounts to farmers. In addition shopkeepers in country towns give long credit to rural customers. But those of us who have worked in various parts of the country realise that there is a need for credit on the part of people of small means who have only their character to offer security, and the Society I have in mind is for those people.*[23]

He concluded by making a point that again was strongly influenced by Lucey:

> *In writing this paper, I have felt that the work was justified for two reasons. One is the necessity of linking up the work of the Parish Council with the economic life of the nation. The Councils cannot succeed unless we provide them with a programme of work, and the experience elsewhere seems to show that the Credit Union is a necessary step to take. The second reason is that the Credit Union is recognised as a sound Catholic Social work wherever it has been started. I hope that we will be able to make a start and see if with God's help we can make a success of the idea.*[24]

Meghen's paper had the desired effect. It acted as a catalyst for the establishment of Ireland's first credit union – the Muintir na Tíre Credit Society – in 1951.

E.J. Coyne, President of the IAOS, had been associated with Muintir na Tíre since 1933. A confidant of Fr. Hayes, over the years he had advised Muintir na Tíre on many important matters (Hayes, 1951).[25] It is likely that the suggestion to register their credit union with the IAOS in 1949 came from him. By accepting and acting on this advice, Muintir na Tíre associated the new organisation with a failing credit provision system that was in radical need of an overhaul. Coyne was keenly aware of the terminal decline of the credit co-operative societies when he offered the advice. During his presidency, the number of co-operative credit societies affiliated to the IAOS continued to decline. This was more due to lack of public interest than lack of effort by Coyne, who actively espoused the co-operative credit model. Perhaps he had hoped that this new impetus from Muintir na Tíre might be enough to revive the fortunes of the few societies left that were still functioning and that, under the joint auspices of the IAOS and Muintir na Tíre, the concept of parish-based co-operative credit societies might become popular. However, Muintir na Tíre's credit union, while significant in terms of being the first established in Ireland, was not successful and had only a minor impact in its own right. During the post-war period, Ireland experienced momentous demographic change. Highly significant for the credit union movement was the impact that mass emigration had on the internal population distribution. The exodus from rural areas shifted the balance of population from rural to urban.[26] In the context of the changing demographic dynamics and rural–urban population redistribution, it is not surprising that the next significant development emanated from Dublin. It came from two students who had attended an adult education programme designed by Coyne, President of the IAOS and taught by Lucey.

• **Fig. 4** *Rev. E.J. Coyne, President of IAOS, 1942-1958 (Courtesy: ICOS).*

The role of third level adult education initiatives as a catalyst for the emergence of the modern credit union movement in Ireland

Ray O'Connor

From 1930, Professor Alfred O'Rahilly, then Registrar of University College Cork (UCC), organised and contributed to a Sunday evening lecture series (Extension lectures) in the university.[1] He invited speakers from both inside and outside the university to lecture on their areas of expertise. By far the most frequent contributor was Rev. E.J. Coyne, President of the Irish Agricultural Organisation Society (IAOS), 1942 – 1958.[2] By the early 1940s, O'Rahilly believed that the full potential of these Extension lectures had not been realised. He established a study circle to assess how best to progress this issue. In the winter of 1945-6, the group concluded that:

> *The Extension lectures, tutorial classes and study circles were not adequate to achieve their purpose of training persons to be leaders in social organisations and trade unions. This they considered could only be achieved by a regular course of instruction.*[3]

Pleased with this recommendation, O'Rahilly – who was President of UCC by then – elicited help from within UCC and from other educational institutions in Cork city in designing a course in social and economic science:

> *To make the course attractive Alfred decided to associate it with U.C.C. He carefully studied the N.U.I charter and concluded that it was allowable to confer a University College diploma in social and economic science on extern students who completed satisfactorily a two-year course . . . In the following spring he convened and chaired a meeting of representatives of U.C.C. and the School of Commerce, and presented the outline of a course which he hoped to establish. The reaction was enthusiastic and representatives of both institutions agreed on the content and shape of the course . . . the course was inaugurated at a public meeting on 14 October 1946. All of those taking it were trade unionists as Alfred had not advertised it, but simply invited the Cork Trades Council and other trade union groups to nominate and partly sponsor suitable candidates.*[4]

In 1948, twenty-four students graduated from UCC and were awarded a Diploma in Social and Economic Science. So popular did the course prove to be, that by 1951 the Diploma, anchored in University College Cork, was expanded throughout Munster and made available in Limerick, Waterford, Clonmel, Mallow, Killarney and Tralee.[5]

In the late 1940s, Dr Michael Tierney, President of University College Dublin (UCD), perhaps noting the success of UCC's venture into adult education approached Rev. E.J. Coyne – the long-time contributor to UCC's Extension lecture series in the 1930s and 1940s – and asked him to act as co-ordinator of a Board of Extra Mural Studies. The primary purpose of the Board was to develop courses similar to those innovated by UCC. Coyne accepted and in 1948 UCD offered two diploma courses: a Diploma in Social and Economic Studies and a Diploma in the Liberal Arts. The first of these courses was closely modelled on UCC's Social and Economic Science Diploma and Coyne acted as the course director. While Nora Herlihy successfully completed the Diploma in Liberal Arts, among those who attended and graduated from the Social and Economic Studies Diploma were Sean Forde and Seamus MacEoin, two men who, with Nora Herlihy, were to play a critical role in the development of the modern credit union movement in Ireland. Reflecting on the origins of UCD's diplomas, Forde (1989) acknowledged the importance of O'Rahilly's initiative in the mid 1940s:

> *It was the first Adult Education course of that type in Dublin. It was based on the work of Professor Alfred O'Rahilly, the President of University College Cork.*[6]

With Coyne at the helm, the Diploma students studied Economics, Christian Ethics, and Parliamentary

• **Fig. 1** *The O'Rahilly Building, University College Cork, is named after Alfred O'Rahilly, former President of the university (1943-1954). The building hosts a number of academic units, including the Centre for Co-operative Studies. Through its teaching and research, the Centre for Co-operative Studies aims to facilitate and promote our understanding of co-operatives and how they can contribute effectively to social and economic wellbeing (Photo: UCC Collection).*

Procedure, as well as histories of the Trade Union and Co-operative movements.[7] The graduates left UCD filled with the zeal and enthusiasm necessary for them to make an impact; moreover, some of them were strongly of the belief that the co-operative approach offered the most effective methodology for effecting social and economic change in Ireland. Their enthusiasm was strengthened by the message they received at their graduation ceremony in 1951 from Dr Cornelius Lucey (by then Coadjutor Bishop of Cork), who had lectured to them on the programme. He emphasised that, for the diploma to have relevance, they must apply their knowledge and endeavour to use it to make a positive contribution to society.[8] Little did Lucey realise the impact that some of the new graduates would have on the future shape of Ireland's society, economy and culture. MacEoin (1989) confirmed that it was at this course that the seeds of the modern credit union movement were first sown:

> *The ideas which led to the founding of the Irish Credit Union Movement were born in 1948 at a two year Social and Economics Studies Diploma course attended by the writer in University College Dublin...This should not be surprising seeing that the first Director of the course was the late Rev. Edward Coyne, S.J. then President of what is now the Irish Co-operative Organisation Society (ICOS)...*
>
> *Having learned of its History and Principles, the writer became very interested in the Co-operative Movement. From the Ethics lectures of the late Most Rev. Dr. Cornelius Lucey, then Professor of Sociology at Maynooth, it was clear that the Rochdale principles of Co-operation, far from being Communist or Capitalist, enshrined the economic system most in harmony with the Natural Law and Christian Social Teaching regarding the Dignity of Man and the Principle of Subsidiary of the State i.e. "The State should supplement but not supplant sound private effort for the common good".*[9]

While Nora Herlihy did not make the acquaintance of either MacEoin or Forde in the course of her studies for her Diploma in Liberal Arts, she did make the acquaintance of Tomas Ó hÓgáin (a student in the Diploma in Social and Economic Studies). It was he who subsequently introduced her to MacEoin and the circle of graduates from the Diploma in Social and Economic Studies. This introduction set in train a chain of events that would culminate in the arrival of the modern credit union movement in Ireland.

The emergence of the modern credit union movement, 1951 - 1958

Ray O'Connor

Introduction

The 1950s has been characterised by commentators of the period as a decade of poverty, mediocrity, economic stagnation and mass emigration.[1] While accurate in some respects, the situation was not as dour and hopeless as portrayed.[2] Many concerned citizens were actively involved in seeking solutions to the many problems that Ireland was experiencing. Not all people expected the State to solve their problems. In fact, taking their lead from the papal encyclicals Rerum novarum and Quadragesimo anno, they actively resisted the encroachment of the State into areas that they believed did not directly concern it. This essay examines the series of events that led to the development of the modern credit union in Ireland, highlighting the role of key actors who pioneered the movement in the early years.

The Dublin Central Co-operative Society and the National Co-operative Council

During the 1950s, a number of formal organisations emerged to advance the co-operative agenda. These evolved from a study panel that was set up by graduates of the Diploma in Social and Economic Studies at University College Dublin (see previous chapter). Following advice they received at their graduation ceremony concerning the need to apply their newly acquired knowledge and skills, a small group organised "an economic study panel to debate the major economic issues of the day".[3] They decided to organise a series of public lectures with the specific aim of finding solutions to the social and economic problems facing Ireland in the 1950s. On 9th December 1953, Tomás Ó hÓgáin invited Nora Herlihy to hear a friend, Seamus MacEoin, read a paper on Co-operation. MacEoin had become very interested in the co-operative movement and had previously presented a seminar paper as part of his course work for the diploma. Following this meeting, contact was maintained between Nora Herlihy and the graduates on the study panel. At a meeting on 6th March 1954, it was decided to establish the Dublin Central Co-operative Society (DCCS). The DCCS was registered as a Limited Society under the terms of the Industrial and Provident Societies Act (1893) on 21st May 1954. Culloty (1990) notes that it was as members of the DCCS that "Seamus MacEoin, Sean Forde and Nora became really acquainted".[4] The DCCS identified the establishment of industrial producer co-operatives as a key objective. These co-operatives would generate employment and, therefore, curb high levels of emigration.[5] However, the lack of seed capital proved a major obstacle to achieving this objective so the DCCS established an Investment Bank. However, even with this Investment Bank the DCCS was not successful in realising its objective of popularising and establishing consumer co-operatives.

• **Fig. 1** *A portrait of the founder members of the credit union movement in Ireland - Seamus MacEoin, Nora Herlihy and Sean Forde. This portrait was commissioned as part of the celebrations to mark the 50th anniversary of the establishment of credit unions in Ireland. The original now hangs in the offices of the Irish League of Credit Unions (Artist: Jim Harkin).*

The year 1954 was the centenary of the birth of co-operative activist Horace Plunkett and, as part of the Plunkett Centenary Exhibition, the National Co-operative Council (NCC) – also established in 1954 and Dublin based – organised a display of books on the subject of co-operation in the Pearse Street Public Library. The primary purpose of the NCC was to promote co-operatives in Ireland and Seamus MacEoin, Sean Forde and Nora Herlihy were members of the steering committee. It was through this organisation that Nora met Denis Byrne from the Dun Laoghaire Co-operative Society. He introduced Herlihy to the idea of co-operative banks and the credit union movement in the United States. She was immediately enamoured with this new concept and was anxious to introduce the idea to as wide an audience as possible. To this end Byrne and Herlihy devised a rather convoluted scheme to place the idea in the public domain. Culloty outlined their plan:

> *She [Nora] agreed with a suggestion from him [Denis Byrne] that he would write a letter to a Dublin evening paper about the new system and Nora would reply seeking further information.*[6]

In all, four letters were exchanged on the pages of the Evening Press. The first of these was published on Tuesday 2nd November 1954:

> *Credit Unions*
>
> *The scandal of the moneylender whereby those who can least afford it are charged the highest rates of interest is seldom referred to in learned documents on Banking and Finance. In countries all over the world Catholic priests and laymen are working hard to encourage the formation of co-operative credit societies and co-operative Savings banks, but they also provide loans at reasonable and clearly understood rates of interest. It is significant that the great slump of 1929-1930 in the U.S.A. which shattered so many private banks and shook the rest did not affect a single Credit Union.*
>
> *The possibility of adopting these ideas, or some variation of these ideas, in Ireland would surely be an attractive pastime for those who not only believe in the principles of social and economic justice, but are prepared to work a little to foster them.*
>
> *Denis Byrne*
> *The Horace Plunkett Book Exhibition in Pearse Street*[7]

Nora replied on 9th November 1954:

> *Co-operative banks*
>
> *In his letter on "Co-Operative Banks," published recently in the EVENING PRESS, Mr. D. Byrne points out the admirable service rendered to the public by credit unions, otherwise Co-operative Savings Banks, to the U.S.A. As Mr. Byrne says, these Credit Unions protect wage-earners from money-lenders who charge the highest rate of interest, and provide loans themselves at reasonable and clearly-understood rates of Interest.*
>
> *Any person who has borrowed cash from such money-lenders, and who later found, to his cost, that he had to pay back a sum far in excess of what would be considered fair and just, does not need to be told why Mr. Byrne speaks of the "scandal of the moneylender."*
>
> *His words are apt, and he is right in saying that it is the people who can least afford it that have their savings swallowed down by those whom he properly calls "loan-sharks."*
>
> *Unfortunately for those temporarily embarrassed people, no matter how honest they may be, they have little prospect of getting a small loan from the commercial banks — for widely-known reasons. The shopkeepers who give them goods on credit, often at undeniable risk, deserve the highest praise. But there are occasions when they are in desperate need of a loan, and therefore, there is a need for a properly conducted organisation whose business it would be to provide this service at a reasonable rate of Interest.*
>
> *The Dublin Central Co-operative Society, Ltd. is empowered by its registered rules to engage in any business directly or indirectly conductive to the convenience of any section of the Society's members, and to transact every kind of agency business.*
>
> *The Committee of Management is considering the provision of this badly-needed service, and would be pleased to hear further from Mr. Byrne on the operation of the American Credit Unions, and from anybody who is prepared to co-operate with us on this project.*
>
> *Nora Herlihy, Secretary,*
> *Dublin Central Co-operative Society Ltd.,*
> *85-86 Middle Abbey St., Dublin*[8]

Byrne again responded to Nora Herlihy on 16th November 1954:

> *Credit Unions*
>
> *In her recent letter Miss Nora Herlihy, Secretary, Dublin Central Co-operative Society, Ltd, requested further information on the operation of the American credit unions. I would suggest that she get in touch with the Public Relations Officer, Credit Union National Association, Filene House, Madison 1, Wisconsin, U.S.A.*
>
> *The U.S. Information Service in the American Embassy, Merrion Square, Dublin would supply her with a lot of publications on credit unions in the U.S.A., and the Canadian Embassy, Merrion Square, would also supply her with information on credit unions in their country....*
>
> *Denis Byrne*
> *National Co-operative Council,*
> *58 Dame Street. Dublin.*[9]

Culloty (1990) informs us that, upon receipt of these addresses, Nora wrote to all three on 30th November 1954 seeking details.[10] While waiting for responses, Nora wrote to the Evening Press letters page one final time. With nothing further to report on credit unions she took the opportunity to outline the activities and promote the work of the DCCS:

> *Co-op societies*
>
> *The Dublin Central Co-Operative Society, Ltd. does not seek to encroach on any sphere well served by private enterprise. It aims at more business for retailers, and business all round. We all know that cross-channel boats are crowded day and night with passengers seeking remunerative work overseas and each one who takes off is another customer, actual or potential, gone to spend his or her earnings in shops across the water.*
>
> *We believe that many of these people would stay in Ireland if congenial employment were available here. Few Irishmen, however, are in the happy financial position of being able to provide unaided, the initial capital to build and equip a modern factory of any appreciable size. Apart from allowing foreign Industrialists to set up factories in increasing numbers, we see no alternative to the co-operative method of organisation to create new Industries here. We submit that ours is the better method. One pound from each of twenty thousand people has the same possibilities as £20,000 from one person.*
>
> *The need for new industries is underlined by the fact that new names added on since the previous week brought the total number of registered unemployed on November 27, to 81,331. This Society offers an opportunity to retailers all over the country to become share-holders, and so present a united front with consumers in the battle against unemployment. Their voting strength in the Society will be the most effective safe-guard to their own private business.*
>
> *We appeal to Irish Assemblers, who can find any possibility of utilising parts of Irish manufacture, to let us know in what way the Society may be of service to them. That form of practical co-operation on their side will receive the widest possible public acknowledgment from the Society.*
>
> *Nora Herlihy.*
> *Comhar Chumann Lair Atha Cliath, Teoranta,*
> *(Dublin Central Co-operative Society Ltd.),*
> *85-86 Middle Abbey Street, Dublin.* [11]

When she finally received replies, Nora was extremely excited by the material she received and placed the issue of credit unions on the agenda of a meeting of the DCCS. However, the idea of credit unions in Ireland did not receive the enthusiastic response for which she had hoped. Only Seamus Forde and Sean MacEoin saw some merit in the idea and supported and encouraged Nora to continue researching credit unions and gathering material. Between 1954 and 1957, Herlihy worked hard to gather information on the credit union movement. She studied Plunkett's co-operative credit societies and the modern credit union movement in countries as diverse as Australia, the United States and Canada. She corresponded with Monsignor M. Coady in Nova Scotia and credit unionists from different countries were invited to Ireland. Interviews were arranged with Radio Eireann and the print media. However, by the end of 1957, no credit union had as yet been established.

Daon Scoil, Dún Óir and the Credit Union Extension Service

Mac Eoin, in identifying the catalyst for the modern credit union movement, pinpointed the date to May 1957.[12] It was then, for the first time, that the work undertaken on credit unions by Muintir na Tíre for many years came directly into contact with the Dublin-based group led by Herlihy who had learned of the movement in 1954. He states:

> *the big break-through came at a week-long highly successful Danish style Folk High School, Daon Scoil, inspired by Miss Noelle Davies, lecturer in T.C.D. organised by the National Co-operative Council – president, Mr. Brendan O Cearbhaill – in Red Island (Inis Rua) Holiday Camp in May, 1957. It was opened by An Taoiseach, Mr. Eamon de Valera and its Director was Mr. Con Murphy a great admirer of the Folk High Schools with their emphasis on pride of place and country.* [13]

Con Murphy – like Nora Herlihy, a native of the Duhallow region in Co. Cork – had recently returned from Denmark where he saw the benefits of the Folk High Schools. Forde had arranged with Murphy that a session on credit unions would be scheduled as part of the Daon Scoil's agenda. In the course of this week, Herlihy presented a paper on credit unions. So too did a Mr. Callaghan - who had just returned from Australia having witnessed the credit union movement in operation there. Fr Michael Cryan spoke about "Friendly Societies" in Fiji. Eileen and Angela Byrne, two sisters from Donore, Dublin, who attended the Daon Scoil to learn more about economic co-operation were at these presentations. The Byrnes were life-long members of Muintir na Tíre and had for some time attended Muintir na Tíre's annual Rural Weeks. At the 1946 Rural Week in Roscrea, they would have been exposed to the idea of credit unions. Also at the Doan Scoil was an Australian woman named Mrs Fowler and she outlined again the Australian model in a question and answer session chaired by Nora Herlihy.[14] At the Daon Scoil, a woman named Teresa McGeehan took the initiative and invited Callaghan, Fowler and the Byrnes to her home in Harcourt Street to discuss credit unions further. This led to a series of meetings throughout the rest of 1957.[15]

Aware of these developments, Nora Herlihy was spurred into action. She had studied the credit union movement in significant depth and there is no doubt that by 1957 she was the leading authority on credit unions on the island of Ireland. She realised that the time for study, reflection and research was over; what was needed now was quick and decisive action. She was convinced that people with a more limited grasp of the benefits and potential of credit unions could seriously undermine the advancement of the project. Immediately after the Daon Scoil, she arranged that the NCC would establish a sub-committee to examine the potential for adapting and introducing the credit union movement to an Irish context. With Forde and MacEoin on the sub-committee, she proposed that they should name the committee the Credit Union Extension Service (CUES). The proposal was adopted. Herlihy informed the print media of the development and, as a result, the CUES members received invitations to address community groups across the country who were interested in the idea. The creation of the CUES by Herlihy was an attempt to develop a vehicle through which the credit union movement could be promoted independently of all other groups.[16] It was established within a month of the Daon Scoil and her first encounter with the Byrne sisters.

As Herlihy worked with the CUES, momentum was also developing in Donore. By early 1958, the small group that had met throughout the winter of 1957 decided it was time to establish whether there was popular support for a credit union in the community. A meeting was held on 2nd February 1958 where a "Caretaker Committee" was established. With over 80 people present it appeared that sufficient support existed within Donore to seriously consider establishing a credit union. A motion was proposed (Proctor, 1996) that

> *..an investigating committee of seven persons resident in the parish be formed to examine the ways and means of furthering Credit Union in the parish and for this purpose to establish contact with anybody or persons who may be of assistance in the matter. The Committee to hold office for a period of six months from this date or until the formation of a Credit Union, whichever is the earlier...*[17]

• **Fig. 2** *Credit Union Extension Service (CUES) Public Meeting, 17 June 1959. Left-Right: Canon C. Lloyd, Lieut. M.J. Costello, Fr P. Gallagher, Sean Forde, Nora Herlihy, Olaf Spetland, Seamus MacEoin, Canon P. McKevitt. Left at back: Lewis Taylor and Aingeal Ní Bhrion (Courtesy: ILCU).*

Speedy progress was made and, on 20th April 1958, at a parish meeting, the chairman of the "Caretaker Committee" put forward the following motion which was adopted unanimously by the meeting:

> *That this meeting, pending the introduction of legislation for Credit unions and subject to the sanction of the Registrar of Friendly Societies, resolves to form a Friendly Society.*[18]

Despite Herlihy's strong opposition, a credit union was launched incorporating part of Muintir na Tíre's title in the name of the credit union, Cumann Muintir Dún Óir. This credit union then affiliated to the NCC and attended many of the CUES meetings.[19]

> *Later in her career Herlihy went into more detail about her relationship with Donore Credit Union and why she moved so quickly to establish the CUES. Her comments are insightful and illustrate the depth of her knowledge on credit unions and her grasp of wider legal and historic contexts. She had two issues with Cumann Muintir Dún Óir. The first of these she outlined in 1966. She explained that her immediate difficulty with Cumann Muintir Dún Óir was that:*
>
> *Muintir Dún Óir was legally registered as a friendly society which operated a "Loan Fund" within the statutory upper limits of £200 on savings per member and £50 maximum loan to any individual member.*[20]

In other words, Cumann Muintir Dún Óir did exactly as Meghen had suggested in the Muintir na Tíre Rural Week in Roscrea in 1946. However, Herlihy believed that the restrictive nature of this legislation would, in the longer term, limit the ability of Cumann Muintir Dún Óir to provide the type of service that its members would require. She understood from her knowledge of credit unions in North America that if credit unions prospered in Ireland, ultimately, specific legislation would be required to govern and regulate their activities. There was a much better chance of legislation being implemented if the credit union movement remained independent and operated outside of existing legislation. In the longer term, Herlihy was proved correct. Writing in the same article in 1966 she noted that:

> *...within two years the credit union [Cumann Muintir Dún Óir] found that the growing loan demands of its members made these restrictions unrealistic, so the straitjacket was discarded [in 1961] and the pattern set for future development. Credit unions would have to operate without legal status for the time being until legislators provided more suitable facilities for registration, which they did with the passing of the Credit union Act 1966.* [21]

The second issue she had with Cumann Muintir Dún Óir she outlined in a letter archived in the Centre for Co-operative Studies in University College Cork. In this letter she outlines that there was a battle being fought as to which country would provide an appropriate model on which the Irish credit union movement could be based. Herlihy wanted to adopt the US model while Donore saw more merit in the Australian model. In this letter dated March 1980 she outlined her perspective on the formation of Donore Credit Union:

> *.....people from Australia took possession of the very first credit union....., and nearly turned it into an all-purpose-community-co-op. It sounded so much more "ideal" than merely a credit union, that before they went back to New South Wales, they had "converted" practically everyone I knew, and branded me as someone imposing an American form of credit society (run by freemasons) on a Christian city instead of the true Antigonish Catholic parish credit union based on the Papal Encyclicals.*
>
> *Donore Credit Union came back to me after a few months, but 12 of the Australian-type "Community Development credit union co-ops" were started in Dublin in 1957 and later pushed by Brendan Halligan Master of Economic Science, before he became Secretary of the Labour Party and senator under the Coalition. They conceded that I could become their "Information Officer" but not a voting director of their Board. I said: 'No thanks. I'll write to Antigonish to Dr Coady, and ask him why he promoted the American type of credit unions in Nova Scotia, and not the Catholic-Parish-only type that you are talking about. In the meantime I'll carry on as I'm doing, and the best type will survive'. There may be one or two of the 12 still on the Registrar's books, but there are 450 of my kind up and down the country, with 435,000 members and a lot of money collected and lent since then, with interest rates controlled at 12%.* [22]

Essentially, perhaps in typical Irish fashion, there was a split in the early credit union movement. But interestingly, and to the greater benefit of the movement, the split took place and the issue was resolved before the credit union movement was launched more widely. The Australian model, with a focus on the parish, community development and the papal encyclicals Rerum novarum and Quadragesimo anno, held a strong appeal for the Byrnes because all these things were in accord with the ethos of Muintir na Tíre. The central issue for Nora Herlihy was not the emphasis on papal encyclicals; she was a devout Catholic and happily embraced the content of these encyclicals. Rather, she believed that the Australians were mistaken because the activities of Monsignor Coady in Antigonish, Nova Scotia, as she indicated in her letter, followed the "American type of credit union".[23] A key difficulty lay with the Australians' desire to broaden the credit union into a community co-operative. In her opinion, operating an effective and efficient credit union would place enough demands on any group of volunteers. Widening the brief would distract from the central activity and jeopardise the credit union. However, perhaps the main reason why she objected so strongly to the Australian model was that it was parish based. If credit unions were to use the Catholic parish as their territorial basis then they would cede to another institution the power to alter their common bonds. Every time a parish boundary was changed, this would impact on credit unions and credit union members. Basing the credit union movement rigidly on the Catholic parish network therefore would create problems for the movement that would be better side-stepped. It was a practical and pragmatic solution therefore not to base the common bond of community based credit unions on the Catholic parish network.

As these issues were being debated and resolved, other credit unions were beginning to emerge. The Dun Laoghaire Co-operative Society established a credit union also in 1958. Fr Paddy Gallagher promoted the idea in Clones, Co. Monaghan and in 1959 a credit union was established there. Bishop Cornelius Lucey championed the idea in Cork in late 1959 after a trip to the USA renewed his interest in credit unions and in July 1960 Ballyphehane Credit Union opened their doors for business.[24] This was soon followed by the Civil Service Credit Union and Derry Credit Union. After a long and tortuous history that dated back to the 1930s, the modern credit union movement had finally arrived in Ireland.

Conclusion

The idea of credit unions, therefore, had found multiple expressions in Ireland. It was an idea with which the upper echelons of the Catholic Church were enamoured. However, despite their best efforts to popularise the idea by using various public fora – particularly Muintir na Tíre's rural weeks and its annual journal *Rural Ireland* – the idea did not take root. Without doubt the single most important event, and the catalyst for the development of credit unions in Ireland, was the Folk High School Meeting in Red Island, Skerries in 1957. Its significance was that it served as a forum for the exchange of ideas of like-minded people; moreover, it enabled these people to meet for the first time and was the catalyst that triggered action. The idea of credit unions had evolved to different degrees within different groups. Some had acquired greater knowledge in understanding certain aspects of the movement than others. Until this Folk School Meeting took place, different groups working in isolation from each other were struggling to find an organisational structure that would enable than to re-activate co-operative banking societies in their communities. Contrary to accepted histories, the credit union was not a notion introduced into the public domain by Nora Herlihy alone; but without her tenacity in promoting the movement, her capacity for research, study and attention to detail, and single-minded determination, the modern credit union movement would not have emerged in the form that it did at the time that it did. Consequently, the social, economic and cultural history of Ireland from the 1960s would have been radically different. The impact that this movement has had in Ireland is inestimable. Her legacy is not now, nor probably ever will be, fully appreciated.

The author wishes to acknowledge the work of Carmel Motherway in researching the letters quoted from the Evening Press.

The Evening Press - the *Facebook* of its day.

Carmel Motherway

On 31st October 1953, at a meeting in Dublin's Shelbourne Hotel, twenty-five representatives of various Irish organisations with an interest or involvement in co-operatives agreed to form the National Co-operative Council (NCC). Among the NCC's functions was included the promotion "through education, publicity and other activities, [of] a wide interest and a better realisation of the co-operative ideal"[1]. By mid-January of the following year the new group was ready to adopt a formal constitution and to elect its first executive committee, whose membership included Denis Byrne and Seamus P. MacEoin. At its first meeting, the executive decided they needed to focus on spreading the co-operative message in order to promote the wider development of co-ops throughout Ireland. To this end, a panel of writers and speakers was drawn up. It was also decided at this time to establish the Dublin Central Co-operative Society (DCCS), the "provisional committee" which included both Seamus MacEoin and Nora Herlihy.[2]

The campaign to promote co-operatives of all types was initiated and gained momentum, albeit slowly, with letters and articles by Denis Byrne, Louie Bennett and others appearing in Dublin and national newspapers throughout the spring and summer of 1954. However, these articles were often scholarly in tone, addressing philosophical aspects of the co-operative idea. As such they were not very likely to attract the attention of ordinary people, whether urban or rural, many of whom were hard-pressed to deal with everyday concerns. If publicity was going to help spread the co-operative message, then a new strategy was needed.

At a meeting of the NCC executive in October 1954, its president Brendan O'Carroll recognised that if "a material advance" in promoting co-operatives was to be made it would be necessary to "dispel the idea that the movement began and ended in an agricultural store in the country and a grocery premises in a town".[3] He said that this could be achieved by "having reading material readily available and bringing the facts about co-operative organisations before the public through the schools, the press and radio".

An opportunity presented itself via the Evening Press newspaper, which had been launched only the previous month as a spin-off from the popular daily, the Irish Press. The new evening paper's first editor, Douglas Gageby, had adopted such a successful mix of news, features and popular columnists that the paper attracted a high and varied readership from its early days. Crucially, the paper was popular throughout the country and not just in Dublin.

Denis Byrne and Nora Herlihy were quick to capitalise on the opportunity presented by the Evening Press, which through its ability to reach such a wide audience had quickly become the 'Facebook' of its day. They agreed that Denis would write a suitable letter to the editor and Nora would reply to it.[4] Thus began an extraordinary series of four letters that appeared on Tuesdays between 2nd November and 7th December, 1954. Alongside letters dealing with subjects as varied as animal welfare, social housing provision, Christmas cards and the success of the Gardaí in recovering a stolen bicycle, Denis Byrne's letter[5] headed "Credit Unions" began with the hard-hitting statement that "the scandal of the moneylender whereby those who can least afford it are charged the highest rate of interest is seldom referred to in learned documents on Banking and Finance". This was far from the refined language of earlier pieces and, in going on to state that credit unions in the USA had played a big part in protecting wage earners from "loan sharks", Byrne made a real connection between credit unions and ordinary people. He directed Dubliners to the Horace Plunkett book exhibition in the Pearse Street library for further information. This 'opening salvo' in the campaign closed with Byrne's view that "The theory of co-operation must first be assimilated by the public or else the Movement will have feet of clay".

Nora Herlihy's reply the following Tuesday[6] was a major step forward in promoting such assimilation. Using forthright language, she got straight to the heart of the matter, speaking directly to "those temporarily embarrassed people, no matter how honest they may be (who had) little prospect of getting a small loan from the commercial banks". She went on:

> *"The shopkeepers who give them goods on credit, often at undeniable risk, deserve the highest praise. But there are occasions when they are in desperate need of a loan, and there is, therefore, need for a properly conducted organisation whose business it would be to provide this service at a reasonable rate of interest".*

She explained that the Committee of Management of the Dublin Central Co-operative Society (of which she was then Secretary) was "considering the provision of this badly needed service" and would be "pleased to hear further from (Mr.) Byrne on the operation of the American Credit Unions" as well as "from anybody who is prepared to co-operate with us on this project".

In his reply on 16th November, Denis Byrne[7] provided sources of information and went on to recommend the idea of credit unions to fishermen. He emphasised the importance of the question of the "provident" as well as "productive" loan, and closed his letter with the statement "Co-operation is a movement, not just a business".

Two months before the Evening Press letters, Nora Herlihy had written a letter to the editor of the Irish Times.[8] With powerful simplicity, she wrote that:

> *"The evils of unemployment are not confined to the fireless grate and breadless table of the unemployed man's home alone. The unemployed man has no money to spend in any shop. He has nothing to give to the grocer, the draper, or the milkman, to the coal merchant, the tradesman or the manufacturer. He cannot even buy the daily newspaper".*

In the final letter in this important sequence, published in the Evening Press of 7th December, 1954, Nora Herlihy revisited this theme.[9] Under the heading "Co-op Societies", she stated simply:

> *"We all know that cross-channel boats are crowded day and night with passengers seeking remunerative work overseas and each one who takes off is another customer, actual or potential, gone to spend his or her earnings in shops across the water".*

She went on:

> *"We believe that many of these people would stay in Ireland if congenial employment were available here. Few Irishmen, however, are in the happy financial position of being able to provide unaided, the initial capital to build and equip a modern factory of any appreciable size. Apart from allowing foreign industrialists to set up factories in increasing numbers, we see no alternative to the co-operative method of organisation to create new industries here. We submit that ours is the better method. One pound from each of twenty thousand people has the same possibilities as £20,000 from one person".*

The letter was a worthy conclusion to the series, once more making a major contribution to the broad acceptance of the co-operative idea.

Any modern public relations expert would be proud to have been responsible for the Evening Press campaign. The strength of these letters was that they gave practical expression to often complicated ideas: by focusing on the everyday problems of ordinary people – poverty, unemployment, emigration, lack of access to fair credit – Nora Herlihy showed that credit unions could provide real and relevant solutions. She did not just bring the idea of credit unions to a wider audience – she brought it to life.

From the US to Cork:
a brief history of the founding of Ballyphehane Credit Union

Olive McCarthy

On July 1st 1960, the first credit union south of Dublin, Ballyphehane Credit Union, was formed. Ballyphehane was then a new and rapidly growing suburban community close to Cork city. The priests of Ballyphehane parish, together with a handful of their parishioners, established what was to become one of the biggest credit unions in Ireland. What is particularly interesting is that the credit union idea diffused to Ballyphehane, not so much from Nora Herlihy but from Bishop Lucey and his knowledge of the US credit union movement. Not long after the idea reached Ballyphehane, however, Nora became instrumental in assisting the fledgling group in Ballyphehane to deepen their understanding of credit unions and to get their credit union off the ground.

As a professor in St. Patrick's College, Maynooth from 1929 to 1951, Bishop Lucey wrote extensively on the social issues of the time. He maintained a keen interest in the co-operative movement and had written and lectured at length on its operations and benefits. While on a tour of the US in late Autumn 1959, he came into direct contact with the credit union movement courtesy of Cardinal Richard Cushing of Boston with whom he shared a strong bond of friendship and a deep concern for the plight of the working classes. Bishop Lucey was directed to St. Vincent de Paul Credit Union in Denver, Colorado, the parish of Monsignor O'Sullivan, originally from Beare Island in West Cork, and to Our Lady of Mercy Credit Union in the Bronx, New York, the parish of another West Cork man, Monsignor O'Leary. Bishop Lucey was impressed by the achievements of these credit unions, which had Catholic parishes as their common bonds, and resolved to form similar credit unions in Ireland. Monsignor O'Sullivan, who was said to be 'addicted' to the credit union idea, provided Bishop Lucey with literature on credit unions. In 1959, on a visit home, Monsignor O'Sullivan had also discussed the credit union idea with Archdeacon Thomas Duggan, parish priest of Ballyphehane, a man whose connections to co-operative thinking were said to have extended back 40 years when he had a close association with George (AE) Russell.

Commenting on the credit union system, the Bishop had said:

> *It served those who would normally go to moneylenders; also those who needed a small amount of money for a particular purpose; and banks did not deal with small money... I saw the credit unions serving two purposes; not just to give people who were credit worthy cheap loans; I thought it would give them a great incentive to save, so therefore it should be possible to lend money at a cheaper rate than the moneylenders. Secondly, that it would pay depositors a higher rate than they would get from the commercial or Savings Banks.*[1]

The suitability of Ballyphehane

Bishop Lucey chose Ballyphehane as the most suitable parish within his diocese for the purpose of setting up a credit union, not least because of his personal links to Archdeacon Duggan, who often accompanied him on his travels. Bishop Lucey's comments on why he chose Ballyphehane are recoded as follows:

> *At home then I thought Ballyphehane, a newly built up area would be suitable. The priest there was Archdeacon Duggan, a man to get things done. Making enquiries I discovered that there was a credit union in Clones, one in Dublin, and a defunct one also. I decided anyway that we would have to start on our own going on information from Denver and the Bronx.*[2]

Ballyphehane was a new community with a newly built church. The debt to build the church, opened in 1956, had been cleared by 1960, despite the harsh economic circumstances of the time. This was seen as the result of regular house to house collections in the area by a core group of volunteers. Therefore, the community was seen as having the capacity to save, even small amounts, on a regular basis.

The Bishop offered what might be seen as the first 'capital guarantee' for credit unions to Archdeacon Duggan of £1,000 should the new credit union fail. This money, of course, was never needed.

Fr. Ned Fitzgerald, one of two curates in Ballyphehane at that time, was delegated the task of recruiting some volunteers to study the credit union idea. Eight attended the first meeting in early January 1960, held in the sacristy rooms of the church. Each was instructed to bring a friend to the next meeting. A core group of men, including Archdeacon Duggan, Fr. Ned Fitzgerald and the second curate, Fr. Bobby Ormond, began to study the credit union idea. Weekly meetings in the sacristy took place. Fr. Fitzgerald later recalled those early meetings:

> *We lectured one another on what we had learned. We studied for about six months and gave talks for about ten minutes, then, we invited other parishioners in to our talks.*[3]

The group worked solely on information obtained from the US by Bishop Lucey, and on further contact with the US, learned to their surprise that three credit unions already existed in Ireland. The person to contact was named as a Miss Nora Herlihy. As soon as solid contact was established with Nora, the group in Ballyphehane became more enthusiastic as they now had some form of external support within Ireland. Nora gladly provided more information and literature and began to communicate regularly with Fr. Fitzgerald.

The formation of the Credit Union League of Ireland (CULI)

Not long after contact had been made with Nora, she informed the group about a meeting to be held in Jury's Hotel, Dame Street, Dublin on the 7th February 1960 to which each new or fledgling credit union would send representatives in an attempt to form a league of credit unions. The aim of the league was to strengthen bonds between existing credit unions in Ireland and to work towards expanding the movement. A provisional board of directors was elected, including Fr. Fitzgerald and Der Cogan from Ballyphehane as directors, and Bryan Lougheed as a member of the provisional supervisory committee. An extract from the minutes of the first meeting of the league read:

> *After adequate discussion, the CULI was formed, consisting of the following credit unions: Donore, Dun Laoire, Irish Civil Service, Clones, and Ballyphehane, and the Credit Union Extension Service. Two directors were elected from each of these bodies for the purposes of drafting byelaws, and laying the foundation of an organisation open to all credit unions in Ireland in the future.*[4]

Back in Ballyphehane

The true significance of the meeting did not become fully apparent until the representatives returned home to Ballyphehane. They were excited and enthused by what they had learned. Der Cogan gave the following account of the league meeting:

> *As the meeting progressed and listening to the various speakers, it slowly began to dawn on me that the material side of the credit union, though important, was not the most important aspect of its activities. What was brought forcibly home to me was that here were a number of individuals who despite financial loss and sacrifice of their leisure time, had been trying for a number of years with very limited success to have credit unions formed throughout the country simply and solely because they believed that this was a medium through which the lot of their fellow man could be improved. Listening to these men and women speaking one could not fail to be impressed, I might say awed, by their obvious sincerity. Their sincerity and enthusiasm could be likened to an almost apostolic zeal to help their neighbours in the broadest sense.*

It was a truly fateful gathering which imbued the Ballyphehane representatives with the credit union spirit. In a letter to Nora Herlihy dated the 10th February 1960, Fr. Fitzgerald wrote:

> *Mr Cogan and myself tried to convey to the other eight members some of the heat of the enthusiasm and zeal with which we found ourselves in contact on Sunday night in Dublin. We found some getting warmed up while others wanted questions answered about loans and security and risks involved in the movement. In the end, we gave them literature to read...*

Clearly, feelings were mixed within the group. Some were more determined than ever to establish the credit union, while others had continuing reservations. A letter to Nora Herlihy demonstrates some of the misgivings of the group:

> *This idea of the person whom no one has trusted before finding himself trusted – the boost to his morale etc. versus the business point of view of avoiding unnecessary risks in giving loans – that was one of the main clashes of ideas tonight.*

Regular contact was maintained by the group in Ballyphehane with Nora Herlihy. Regular trips were made to Dublin to meet her and copious letters were sent between them. Little progress towards opening a credit union was made between April and June 1960, attributed to the preoccupation with members of the group with a religious mission in the parish. Towards the end of June, the group was instructed by an impatient Archdeacon Duggan to open a credit union to the public. The inaugural meeting of the credit union was held on the 27th June 1960 and the office, housed in the basement of the church, opened on the 1st July 1960. By the end of the first night, there were 38 members and £62 (€78) in shareholding.

The significance of the formation of the credit union in Ballyphehane to the history and development of the movement in Ireland is unquestionable. Shortly after Ballyphehane Credit Union was officially formed, three more soon followed in Cork: Blackpool, Blackrock and Gurranebraher, with assistance from Ballyphehane. Many of those involved in founding the credit union in Ballyphehane worked tirelessy in spreading the credit union idea and helping other communities to establish credit unions, particularly in the wider Cork area.

Today, Ballyphehane Credit Union has over 16,500 members, savings in excess of €100 million and since its foundation in 1960, more than €350 million has been borrowed and repaid by members.

This essay is based on excerpts from McCarthy O. (1996) History and Development of Ballyphehane Credit Union (1960-1994). Cork: Centre for Co-operative Studies

• Fig. 1 *Bishop Lucey addressing the first Annual General Meeting of Ballyphehane Credit Union, 26th January 1961. Seated from left to right are Dave McAuliffe, Fr. Bobby Ormond, Fr. Ned Fitzgerald and Der Cogan. (Courtesy: Ballyphehane Credit Union).*

SECTION 3

Nora Herlihy and other credit union activists

A reflection on the pioneering spirit of Nora Herlihy

A.T. Culloty

Nora Herlihy is recognised nationally for her pioneering role in the Irish credit union movement. The dictionary defines a pioneer as "a person or group that originates or helps open up a new line of thought or activity". The group element was of key importance to Nora Herlihy. She was always essentially a team player and would not have been comfortable with the word pioneer being applied to her alone.

In the Dedication of her life story, published in 1990, I quoted the words of George W. Russell (A.E.):

> *We are all laying foundations in dark places, putting the rough hewn stones together in our civilisations, hoping for the lofty edifice which will arise later and make all the work glorious.*[1]

That, for me, would typify Nora. Later in that book I gave my reasons for my admiration for her dedication - "her focus on the need for adult education, voluntary service to the local community and the primacy of God and the family unit in society".[2] I was also deeply disappointed that Nora's death went practically unrecorded in the Irish media in February 1988.

Life in Ballydesmond in the early twentieth century

Nora was born on 10th February 1910 in the village of Kingwilliamstown (now Ballydesmond) in the north-western barony of Duhallow, Co. Cork. The eastern portion of that district displays much of the richness of the Golden Vale but, as one travels westwards in that barony, the shades get darker and the soil becomes boggy, characteristics which give this region its title Sliabh Luachra (mountain of rushes). This terrain dictated the lifestyle.

Most Irish villages display the haphazard nature of their growth but the village of Ballydesmond is clearly

• **Fig. 1** *A model of Ballydesmond village and its hinterland in the 1950s, when Nora Herlihy, by then living in Dublin, was developing her insight into credit unions and exploring best practice for their development (Photo: Patrick Casey).*

a planned development. After the failure of the 1641 rebellion against English rule, the entire area was declared forfeit to the English Crown and settlers were brought in to occupy the land. But few "planters" could be found for this poorer land in western Duhallow and so the district was designated as Crown Lands. Sporadic violent opposition to this eventually brought results and, on 22 March 1831, a report was presented to the House of Commons in London which, in time, led to the building of a village on these lands. The new development was given the name Kingwilliamstown, a name which it retained until it was changed by plebiscite of the local people in 1951.

Social historians are now very conscious of the influence of the local environment on each person. In regard to herself, Nora would affirm this. Her father, Denis, was the Principal in the local National School from 1893. Her mother, Nora Mulcahy, was from Boherbue. Nora was the third of twelve children. Education was very highly prized in the home. Denis had graduated from Teacher Training College with a distinction of "First of Firsts", rare in those days. Many of his pupils he successfully prepared for the British Civil Service examinations and, after the Treaty, many of them transferred to responsible positions in the Irish Free State.

From her earliest years Nora was recognised as being very intelligent and a good student. Even in her old age she held very clear memories of her childhood and formative years, and the people and community which she dearly loved. In fact it was very evident that the experiences affected her deeply and became an inspiration for the rest of her life.

Those early decades of the twentieth century were harsh, frugal and demanding for everybody. The remoteness and the boggy landscape presented daily challenges. Years later, Nora related in great detail the routines of daily living in the community. Farming was the main focus for the majority of the population but the best land had already been allocated to the landlords. Farms were small but families were large, and jobs were scarce. One source of employment in this undeveloped region was in the building and maintenance of roads and boreens. These activities demanded a huge supply of medium and small stones. Rocks were brought by horse and cart from local quarries and deposited on the verges of the roads. Men were employed by the council to break these down to size. They worked from 8.00 a.m. to 6.00 p.m. for two shillings and sixpence (30 pence) per day. Since it required 240 pence to total £1, the reward was meagre. If they were late for starting, pay was deducted. The work was carried on through all seasons. Sitting on top of a pile of stones with only a hammer for company was extremely boring. Nora never forgot the hardship she witnessed.

Though the Herlihy family were not involved in farming, they were immersed in the culture and lore of the community. The tradition of the hiring fairs was a memory from Nora's youth that remained

• **Fig. 2** *Nora Herlihy's childhood home, Ballydesmond, Co. Cork (Photo: Patrick Casey).*

with her throughout her life. Many men, for whom no work opportunities were available locally, were forced to leave their homes to earn a living. In the early twentieth century, before the advent of farm mechanisation, agricultural work was labour-intensive. Although men who travelled outside their own area became competent when instructed in the use of rudimentary farm machinery, the work was primarily manual labour - digging, planting, thatching, mowing with scythes, spraying and herding cattle. Come 1st February each year men, and some women, headed off to the hiring fairs. Kilmallock, Co. Limerick, was a big attraction but there were also local fairs. The jobseekers lined up in the fair field and waited for the big farmers to come and make an offer for their service. Nora recalled this demeaning system, comparing it to the way the slave masters of Alabama cotton plantations sized up the newly arrived negroes, choosing some and scornfully rejecting others. Nora was aware of the reports of those emerging from the experience. Even for those who were chosen, working conditions varied greatly, ranging from comfortable to appalling. They worked each day from early in the morning to late in the evening, with only a few hours off on Sunday afternoon. It was also a long year of service - February to Christmas. Pay was basic while the accommodation was very basic and sometimes worse. Nora recalled great excitement when a local man received the unusual sum of £50 for the year. She also highlighted the irony of the situation: they went on service so that they could stay at home in Ireland but saw little of their families while enduring this punishing work schedule. Nevertheless, the lure of the home place kept the tradition alive for almost two centuries and enriched the folklore in story and song.

The memories of both of those practices – stone breaking and going on service – remained starkly alive for Nora all through life. Yet, she also recalled that, despite the obvious hardships, there was an incredibly strong community spirit among the people of Ballydesmond. Needs or shortages were sensitively provided for and the fruits of the season's labour were generously shared. Nora was energised by that community spirit.

New experiences: Living and working in Dublin

On completing her national school education, Nora went as a boarder to the Mercy Convent Secondary School in Newcastlewest and settled in easily to the demands of the more advanced subjects. However, the pattern of life was ruptured when, on 3rd February 1926, her father Denis died, aged 59. Slowly and painfully, routines were resumed. Nora completed her studies with outstanding results and then decided to train as a national teacher. She faced one obstacle to achieving this goal: she had not taken music, a subject that was compulsory for entry to Teacher Training College. However, as she was to demonstrate frequently in later life, obstacles were there to be overcome. She went to the Mercy Secondary School in Navan for one year, qualified in music, and secured entry to Carysfort Teacher Training College for the years 1929-1931. Emerging with flying colours, she began her teaching career in Ferrybank, Co. Waterford and in 1936 moved to the school run by The Irish Sisters of Charity in Basin Lane, Dublin. In fact, Dublin was to become home to Nora for most of the rest of her life.

Nora had become a very competent teacher but this Dublin inner city location was a new environment for her. There was widespread poverty in the area and the pawnshops and moneylenders were plentiful and aggressive. In his colourful history of the area in those years, Eamonn Mac Thomais paints a very sad picture of the routines:

> *The early Monday morning tram was crowded. It was the same every Monday, not a seat or space to spare. Packed like a tin of sardines, the luggage bay was full of clothes, suits, blankets, shoes and a set of aluminium saucepans. Downstairs, one woman sat beside St. Joseph, another woman had the Child of Prague on her lap. Two eight-day clocks, each with a different time, took up two other seats. Upstairs, as usual, the Sacred Heart was in the front seat with a glass shade around him ... When the tram stopped at The Fountain in James's St. nearly every one got off. First came the saucepans and the clothes, then St. Joseph and someone stood back to let the woman with the "Child" descend. The last to leave was the Sacred Heart followed by the two clocks . . . At the sign of the three brass*

> *balls and the name Patrick Gorman, 31 James's Street, Pawnbroker, the procession ended as it moved up the street to the counter door ... The first things people pawned were their own clothes, coats, dresses, suits, hats etc. As they got poorer they pawned the clothes off the bed; as they continued to get poorer they pawned religious pictures, statues, clocks, pots, pans, patriotic pictures and when they were the poorest of the poor they pawned the chair they sat on. The pawnbroker did not make money on the objects pawned, even if the objects were never redeemed. He made his money on the number of pledges - items pawned. The pawnbroker had a fixed levy on each pawn ticket and due to the thousands of tickets issued, the profits rolled in. The pawn office was open from early morning until 10.30 p.m. Monday to Saturday............... The pawn was the place to go, make your pledge, get your ticket, redeem the article the following Saturday and pledge it back in again the following Monday. Year in, year out, the pawn was a way of life.*[3]

This was a new experience for Nora. It overwhelmed her. She quickly learned of the effects all this had on the children in her class and the parents she met regularly in the course of the five years she spent in Basin Lane. It greatly coloured the rest of Nora's life.

In her determination to improve her own skills and her ability to respond to the new challenges that were emerging, Nora secured an Arts Degree in U.C.D. and also qualified in the Montessori system of education in London. She also taught for some years in the Orthopaedic Hospital for children in Clontarf. Then, in 1955, she transferred to St. Joseph's Girls' National School in West Liffey St., Dublin. She was to remain there for most of twenty years, becoming Principal of the school in 1965. The area stretched on to the Liffey and had been the site of a military base for the British army. It contained the blocks of flats in Benburb St., Queen St. and Smithfield. Unemployment was high and many families struggled. Inevitably, the culture of the pawn and the moneylender had crossed the river.

• **Fig. 3** *A display panel in the Nora Herlihy Centre illustrates the poverty of 1950s Dublin that inspired Nora to seek out ways to improve people's lives. Featured are street scenes with the pawnbroker sign centrally placed, and quotations from books by Kevin C. Kearns, and from Me Jewel and Darlin' Dublin by Éamonn Mac Thomáis (Photo: Patrick Casey).*

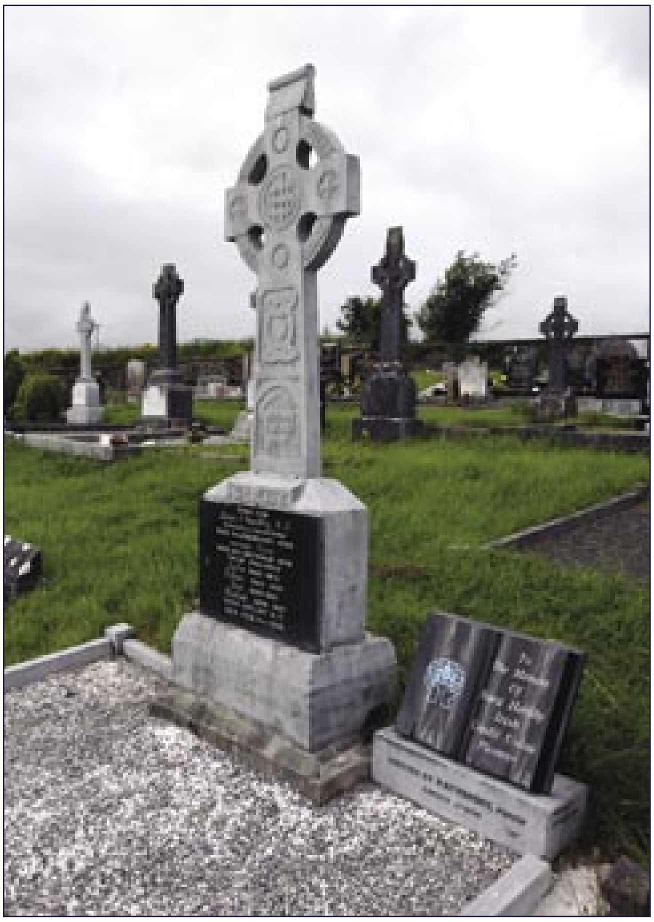
Nora became immersed in the challenge of improving the quality of life for these people.

A life of service

As well as being a very intelligent and educated person, Nora was also a deeply committed spiritual lady with a sensitive Christian conscience. In her professional life, when problems arose, her pioneering spirit found answers. Nora had the generosity and dedication to pursue those answers and equip herself to contribute to sensible, long-term solutions. Those youthful memories of Ballydesmond, combined with the later experiences in her professional career, confirm for me that, throughout her life, Nora's mind was forever seeking new insights and initiatives to improve the society in which she operated. This is a fundamental trait of the pioneering spirit. The more fervently she searched for new solutions the more she came in contact with like-minded people who were equally generously searching. She felt at home among them for the rest of her life. When the whiff of the credit union philosophy drifted across the Atlantic, Nora Herlihy recognised its merits and became a generous, dedicated and effective champion of the cause.

Nora lived a Spartan lifestyle and had no interest in comforts for herself. From 1943 she lived in rented accommodation at Shandon Park, Phibsboro. She retired from teaching in1975 having earned her "Chalk Dust Halo" through her 40-year career in the classroom. Sadly for her, scarcely one year had elapsed when her mother died on 26th October 1976.

Nora's family members were greatly concerned that she had never bothered to buy her own house; eventually she relented to the pressure and her family secured a little cottage for her on Tobbermore Road in Dalkey. I had the privilege of visiting her there on a few occasions. In Dalkey, her boat had reached the inner harbour of life. The years, the long years, wading through the worries of the poor, troubled by the greed of the pawn and money-lending, disturbed by fears for the infant credit union, all seemed to be vaguely in the distance. She was at ease with the mighty harvest of her memories. There was a mellowness as she watched, in the early Spring of 1986, the first daffodils, her own daffodils, bloom. She had fought the good fight, had contributed significantly to signposting and building pathways for the delicate emerging Ireland in the jungle of a war torn world. Through it all she displayed an awesome innocence of the weight of her own part in the ongoing crusades. Her single-minded, pioneering spirit had survived untarnished.



• **Fig. 4** *Nora's burial place, Ballydesmond, Co. Cork (Photo: Patrick Casey).*

On 9th February 1988, Nora died in her sleep in her home in Dalkey and was laid to rest in the family grave in Ballydesmond on a snowy winter's day. She had come home. The harvesting would continue.

Different but similar: Nora Herlihy as a pioneer in the international credit union movement

Ian MacPherson

Nora Herlihy was an exceptional person, richly deserving the praise she has received within Ireland and internationally for her pioneering work with Irish credit unions. One had only to spend a few minutes in her company (which the author had the pleasure of doing on a couple of occasions) to appreciate the alert, determined, forceful and disciplined mind that lay behind the gentle bursts of humour and the frequent twinkling in her eyes – most often evident when she was among people possessing similar instincts and values. Her commitment to social justice was transparent and deep, a measure of what she had seen during her lifetime and the result of a deep religious faith. Her anger about the impoverished conditions in which many of her students lived was never far from her mind. The troubles of the Cork-Kerry region in which she had grown up – what had occurred before her time and during it – were never forgotten.[1] Her faith in the capacity of ordinary people to build better communities never seemed to have been shaken by serious doubts or the bile of cynicism. Her ability to encourage, enthuse and cajole others in the credit union movement was immediately obvious. She was an inspiring and resourceful leader.

In some ways, however, she was not so unusual. Though differing considerably in style, underlying beliefs, and personalities, many of the early leaders of credit unions

• **Fig. 1** *Sean Forde, Nora Herlihy and Olaf Spetland (Courtesy: ILCU)* in other countries shared attributes with her. Many of the conditions that drove them to action were similar to the circumstances that activated her. Many of the issues she faced, they also faced. They shared in many of her kinds of successes and, all too commonly, her kinds of disappointments.

This paper is concerned with the nature of the work people like Nora undertook – and still undertake – in what might be termed the formative and building periods of the co-operatives and the movements in which they were involved. The premise is that the development of co-operatives (and co-operative movements) can be understood by considering the stages of development through which they typically go: formative, stabilizing, building, re-examining, and reformulating, the last two stages often being repeated as time goes by.[2] The paper suggests that what Nora contributed and experienced was generally similar to what other comparable pioneer credit union leaders in other lands have encountered – and are encountering – during the first two phases of credit union development. And that can be considered without in any way detracting from what she accomplished.

Further, in keeping with this way of viewing co-operative organisations – an approach derived from the field of Co-operative Studies – this paper reflects on her work in the five main spheres within which credit unions (like all co-operatives) must function effectively if they are to achieve their full potential: their relations with members, their connections to the communities they serve, their associations with other co-operatives (of their own and different types), their relationships with governments, and their development of appropriate managerial/ governance practices. As with all other leaders, Nora Herlihy had to deal with each of these dimensions of co-operative life in her own way, in collaboration with others, and in keeping with the situation in the country and the circumstances in which she lived. The details of her contribution, of course, were unique; how she generally went about her work and what she generally encountered as she did were less so.

Spreading the credit union message

During the formative period, one of the greatest challenges that pioneers faced – and leaders in new movements continue to face – is to communicate adequately the "idea" of credit unions to people potentially interested in it. In one sense, this can be relatively easy because credit unions can offer help to large numbers of people who have few resources and abundant needs. Originally, credit unions were intended largely for the marginal poor, the poor, sometimes the very poor, but, often enough, for people in the middle class as well. As long as they maintain that sense of purpose, they will always find an appreciative audience for the work they do.

In Ireland, particularly prior to joining the Common Market in 1973, and especially before the heyday of the Celtic Tiger (roughly, 1995-2007), credit union memberships included many people in rural areas (from which people had been forced to migrate in waves for some five or six generations because of famine, poverty and lack of employment) and many in the working class districts of Dublin, the larger towns and the smaller cities – people for whom employment was always problematic. In one respect, the dissemination of the credit union message was somewhat easier than in other countries because, despite the relatively common poverty, the remarkably high level of literacy and education made communications with, and training of, members comparatively easier. There was also a strong tradition of co-operatives in rural areas, largely the result of the work of Horace Plunkett,[3] though an unfortunate experience he and his colleagues had with credit co-operatives at the turn of the twentieth century was still warmly recalled fifty and more years later.[4] There were also, as discussed below, effective, available networks that could be utilised for the transmission of the "message".

Before the campaign could even begin, however, Nora, like so many pioneers, had to study hard in order to understand fully the idea of credit unions. She spent many hours over several years trying to understand the co-operative movement generally and the credit union movement specifically. For much of the time, she met weekly with similarly committed people. In other countries other pioneers also had to devote considerable time to the same kind of study. That kind of commitment – and the burdens it imposes – is not readily grasped a half century later. The thought of spending long evenings in a study club environment stretching over several months (even years) before even starting on a project conflicts with the current passion for quick solutions to complex problems. It was, however, the common lot of those who pioneered many of the co-operative organisations that today are prospering, a contribution too often underappreciated.

Herlihy, like many other credit union pioneers, was involved with other kinds of co-operatives, in her case with the development of consumer and worker co-operatives in Dublin from the 1950s onwards. Like them, she came to realise the centrality of finance in mobilising communities, and she focused more and more on credit unions. She then followed a common course by reading widely and deeply into the history and development of credit unions in the United States and Canada. While significantly influenced by aspects of the Canadian movement, especially the thought of Moses Coady and the work of the Antigonish movement in Nova Scotia,[4] she learned most from the American experience, particularly the views that dominated it during its formative and stabilising periods. She utilised well the resources that were made available by the Credit Union National Association in the United States and its World Extension Department (after 1970, the World Council of Credit Unions). Her commitment to the early American model of credit unionism, with its characteristic emphasis on strong bonds – workplace, ethnic, and religious – was unshakeable, as was her acceptance of the more debatable American belief that credit unions should remain aloof from directly financing other kinds of co-operatives.[5]

Because of her own tortuous route to co-operative understandings and because of the powerful model of the American and Canadian experiences during their formative periods, Nora and her fellow leaders in the Irish movement placed considerable emphasis on education and training. This, too, was typical of many leaders in most of the new movements as they emerged from the 1930s onward. The educational dimension of these efforts (concerned with "philosophy", appreciation of the social significance of co-operation, the understanding of historical patterns and roles within the political economy) tended to be more common during the formative periods. Thereafter, the training elements (for example, how to be more effective board or committee members and how best to provide specific services within the credit union, such as record-keeping, following procedures, and learning tasks) were emphasised more as credit unions grew and became more complex and as differently motivated leaders appeared. Almost invariably, as the years passed, the needs of institutions weakened the intellectual rigour of the movements. Nora was arguably more consistent than many other leaders in resisting this change, partly understandable perhaps because she was a teacher, partly because of the depth of what she had learned in her studies.

The most important point, though, is that in Ireland, as in so many other countries, the movement succeeded largely because of its capacity to meet the needs of its members. During the formative and stabilising periods, the kind of credit that was particularly needed in Ireland (and in other) countries was in the form of small personal loans to help individuals and families overcome financial shortages between paydays or to meet unexpected emergencies. Those kinds of pressures had typically meant resorting to pawnbrokers or moneylenders and the exorbitant interest rates they typically charged on borrowed funds. For credit unions to replace this system, however, they had to have reliable information on prospective borrowers within their memberships, information that came from people who knew them well – the people who made up the credit and supervisory committees. The knowledge such people possessed – and the kinds of moral or social pressures they could apply if borrowers became delinquent – were important ingredients for the success of credit unions in their early years. It was the same kind of community knowledge that helps to explain the early successes of the credit union movement throughout much of the rest of the world.

Another important reason why credit unions were usually successful was that their leaders, like Nora, understood the members well because they shared similar backgrounds with them – although cultural differences created different kinds of relationships as well as both varied possibilities and difficulties for development around the globe. The emphasis on addressing rural issues, for example, varied (and varies) somewhat from movement to movement, but (with the exception of the United States[6]) it has been a relative constant in most countries, a measure of the immense global transition in rural life during the twentieth century. Thus the work that Nora and many others did in rural Ireland was similar to work done by many early leaders in rural areas during the formative eras in Canada, Korea, Australia, and many other countries in the global South.[7]

Like many early leaders of credit union movements, Nora and the other pioneers of the Irish movement relied on several kinds of networks to mobilise interest and develop credit unions. These included networks among women and teachers' groups and within the Roman Catholic Church. Since most credit unions were started with an emphasis on thrift and saving rather than borrowing and spending, they inevitably focused on members' uses of household funds, which in most societies relied (as they still generally rely) on the vigilance of women in monitoring daily expenditure. In chronically poor populations, women tend to become the "glue" primarily responsible for holding households together through thrifty practice and savings discipline – the essential message of most forms of early credit unionism. It was common in Ireland and in other countries as well, therefore, that women played important roles in fostering support for local credit unions. They provided most of the routine office work and, often enough, particularly in the early years, managerial leadership. As a result, groupings of engaged and committed women emerged around early

• **Fig. 2** *Credit Union League of Ireland (CULI) Convention Day, Derry 1964. From left: John Hume, Dr PJ Cosgrave (Derry Credit Union), Paddy Rocks (Treasurer CULI), Kathleen Matthews, Fr Paddy Gallagher (President CULI) Nora Herlihy, Canon Cormac Lloyd and Sean Forde (Courtesy: ILCU).*

credit unions, even though the elected leaders were usually men and men became almost universally the managers of the credit unions as they became large.

In Ireland, Nora awakened the interest among women particularly in rural women's organisations (such as the Irish Countrywomen's Association), church associations (within the clergy and religious communities as well as lay groups), and teaching organisations. Similar kinds of women's associations, as well as informal women's groups within communities, were important for spreading the credit union message in other countries as well.[8]

The connection with the Roman Catholic Church, evidenced in the involvement of many leading clergy and laypeople as well as the roles of parishes in helping developing credit unions, was also common throughout the international movement. The Roman Catholic Church, its social commitment having been aroused by Leo XII's papal encyclical Rerum novarum in 1891,[9] was instrumental in starting the movement in Québec, in some American communities, in Pacific and Asian countries (such as Fiji, Indonesia, the Philippines), Central America, and several Latin American countries.[10] The most important promotion and educational/training initiative within the credit union world was the Antigonish Movement, located at St. Francis Xavier University in Nova Scotia, Canada. It started to undertake international work, largely through Church networks, in the 1940s, and became particularly active from the late 1950s onward.[11] While it made many efforts to work among Protestant Christians and people of other faiths, the core of the Antigonish message emerged from Catholic thought.

The involvement of the Roman Catholic Church with credit unions was, therefore, a global phenomenon from the 1930s through the 1980s, an important manifestation of the Church's concern for Social Justice. It was an activity that engaged its missionaries and lay people – from both the "Liberation Theology" and more conservative wings of the church – for several years. Nora and her associates in Ireland, when they worked with the Church, were simply replicating what others were doing in many other parts of the world.

Such networks, of course, were also conduits through which Nora, her Irish colleagues and leaders in other countries around the world reached out to communities and, in return, were made more deeply aware of community needs. Harmonising this relationship was, however, always a challenge as it always will be. Credit unions are significant but only partial answers to community needs, as they must keep foremost their need to act prudently as the guardians of members' deposits. Perhaps their most important contribution, widely evident during formative and stabilising periods, is their capacity, in addition to being able to make modest contributions to community projects, to create the social energy needed to mobilise people for mutual and collaborative action. It was a kind of approach, however, that was easily passed over as credit unions entered into their building phases and as they re-examined and reformulated their missions subsequently because of external and internal pressures. It would always be easy to become more exclusively interested in meeting limited institutional needs as opposed to being prudently concerned about community welfare.

From the late 1950s through to the late 1960s, Nora was caught up in the classic multiple tasks of pioneer leaders. She, like other pioneers in other movements, was primarily concerned with the creation of new credit unions, a task that demands large contributions of time and forceful leadership to ensure effective development. Like them, too, she had to work on the passage of appropriate legislation, requiring widespread consultation within the developing movement and, once again, the contributions of substantial amounts of time and effort. She was the driving force behind the creation of a national focus for the movement through the establishment of a central body, in her case a League, which was created in 1960. And finally, she had to negotiate a healthy relationship with other credit unions, especially the American movement because of its international influence and service capacities.

• **Fig. 3** *Nora Herlihy with Eamon De Valera, President of Ireland, on the occasion of the signing of the Credit Union Act in 1966.*

In short, pioneers typically are stretched in several directions, all of them subject to critical review by their closest friends and their leadership rivals. The decision as to when to develop a central institution, for example, is always challenging for an emerging movement. It tends to awaken debates, often quite strenuous, about how to divide responsibilities between local organisations and any proposed new central entity. It can (usually does) raise "control" issues over whether each local unit should have one vote – or more – dependent upon its size. There are always issues about how the central organisation should be financed; about whether it should be seen as the servant of the local organisations or their "leader"; and about whether it should be dues funded or rely on income-generating activities. Finding one's way through such issues is always difficult.

The relationships with the international credit union movement, notably with Credit Union National Association, CUNA Mutual Insurance Company and the World Extension Department/World Council of Credit Unions, all located in the United States, can be complex, as they were in Ireland's case. In several countries, the association with CUNA Mutual Insurance Company created some controversies, largely because many national movements soon wished to develop their own insurance programmes to insure the savings and loans of credit union members. They wanted to do so for reasons of national pride, but also because they hoped to provide such services at lower costs and to receive more of the financial benefits that could flow from providing them.

The negotiations with governments also were invariably complex. Pioneers have to ensure that government officials become knowledgeable about the world of credit unions and provide the special legislative/regulatory frameworks necessary for their success. They have to work so that their relationships with government are helpful and not overbearing. All of this requires considerable consultation within the movement and (often) a crash course in how governments function.

Finally, the "pioneer" leadership had to come to terms with the demands of managing a credit union. This typically meant that local and national pioneers have a steep learning curve in the early periods of credit union development. Typically, they have limited experience in managing a business and have to learn about accounting and other forms of record keeping. They have to work out what kinds of member engagement are appropriate. Perhaps most importantly for national leaders, they have to help local credit unions (and any central institutions that emerge) work through how elected and employed leadership relate to each other – how they come to understand their roles and responsibilities. And much of this kind of understanding had to come from doing, from trial and error, not from a readily available research and resource base.

By and large, and gradually over the years, most credit union movements, often encouraged by governments, have tended to adopt much of the structure and practices of conventional financial institutions; in other words, most of the responsibilities for operating the credit union came to fall upon the employed help, especially the managers. Nora (along with many others in the Irish movement) was unusual in striving to preserve a very strong role for volunteers in the day-to-day activities of local credit unions and in the development of the League, the movement's central organisation. For many years, this emphasis helped to differentiate the Irish movement from many other movements around the world; it was a way in which the perspectives of the formative period, as defined by Nora and a few other leaders, were perpetuated through the stabilisation period and into the building phase.

Given their commitment to the movement and their contributions in the formation of its institutions, people like Nora Herlihy tend to be remembered for their important and sometimes controversial public roles. What can easily be overlooked are the personal costs they incur because of their devotion. People – at the time and later – often tend to undervalue what is so freely given. That is not as true for Nora as for others, perhaps, evidenced by this book and other forms of appreciation in the past, but it is not completely without truth either.

Such leaders as Herlihy, with their strong personalities and convictions derived from much research and reflection, views honed through years of struggle, often do not survive easily the transformations that occur as the movement stabilises and begins to build. Their assurance and confidence may not readily adapt to the needs for greater flexibility demanded by institutional growth, changing circumstances and the brokerage politics typical of the building phase. Their charismatic style of leadership, so valuable in the formative stage, may not be as effective (or as appreciated) in the stabilising or building phases. The ambitions of other leaders may intentionally or unintentionally undermine their authority. The departure of a given pioneer leader may well be painful, as it was at least in part in Nora's case; an unfair summation of a career well spent, no matter how frequent or genuinely felt any subsequent forms of recognition might be. But what is it that typifies the work of such dedicated pioneers as Nora Herlihy? Almost universally, it includes a stubborn determination to help people help themselves, a fierce independence of mind, a strong base in values deeply held, a capacity to mobilise networks of people and organisations, a concern for how organisations work – but also for why they exist – and a remarkable ability to pursue several challenging tasks at the same time. Moreover, the best of the pioneers have an unshakeable and abiding understanding of the people they hope to help, a deep and compelling social vision born of pain and circumstance and honed by years of dedicated service.

• **Fig. 4** *Seamus P. MacEoin and Sean Forde unveiling a memorial stone to Nora Herlihy at her graveside in Ballydesmond in 1992. Back row, left to right: Donal Casey and Neilly Mahony, Rathmore & District Credit Union, and Lauri Healy, ILCU Board member.*

Viewed that way, the old co-operative adage "we honour the pioneers most when we surpass them" is wrong: the movement leaders who follow them can never surpass them. They can only hope to sustain what the pioneers stood for, even as the institutions they created and the circumstances under which they exist change, as they inevitably must. Some contributions of the mind and spirit, the ultimate gifts of the best pioneers, do transcend generations, if people just take the time to remember, reflect and reapply.

The Nora Herlihy Memorial Centre, Ballydesmond

John Stephen O'Sullivan

Ballydesmond: Nora Herlihy's homeplace in historical context

The Nora Herlihy Memorial Centre is situated in the village of Ballydesmond, near the King's Bridge on the Upper Blackwater. The village is on the Co. Cork side of the river in the Barony of Duhallow. The Memorial Centre looks towards Mocka Rock, a rock face which stands at the edge of the Kingdom of Kerry. Across the street, a little to the left, a thriving supermarket is the current role of a building that originally was constructed to be a school in the hopeful decade before the Great Famine.[1] That was when, as part of an officially planned model village, the place now occupied by the Nora Herlihy Centre was the site of the largest building in the project.

In the era of the old Gaelic order, the O'Keeffe clan held sway in this part of Duhallow and also in the parish of Dromtariffe farther east. Their territory nearer the source of the big river, Abhainn Mhór na Mumhan, came to be described as the Mountain Pasture of Pobal Uí Chaoimh.[2] When 17th century wars saw foreign conquest prevailing, the Mountain Pasture was lost by the O'Keeffes and it fell into the hands of unenthused foreigners who, despite being represented by Irish agents, did little or nothing to develop the area.

Two and a half centuries elapsed between the assassination of Gerald, the 16th Earl of Desmond (1583) and the construction (1832-'33) of a substantial building on the site of the present-day Nora Herlihy Centre. There is a very strong tradition that the Earl, when trying to evade Elizabethan forces, sought refuge near the source of the Blackwater at Meenganine.[3] In the absence of a road system, Pobal Uí Chaoimh and much of the broader Sliabh Luachra area would long continue to provide a haven for fugitives.

In 1821, on the expiry of a 99-year lease, there was no investor willing to exploit its not-immediately-obvious potential. The Mountain Pasture became the direct responsibility of the British authorities and came to be known as the Crownlands.[4] In 1822, when Whiteboys displayed a powerful and menacing presence on both sides of the county boundary, aristocracy and townsfolk became uncomfortably aware of the proximity of a considerable expanse of land where outlaws could be cavalier in shrugging off the King's writ.[5] Motivated by security considerations, and also by philanthropic sentiments on the part of a few worthy public officials in the Department of Woods and Forests, imaginative thinking inspired plans to reform farming methods, provide good roads and build a model village - setting an example, it was hoped, for all landlords. Richard Griffith and James Weale were engineers for the project. The latter was the first to suggest the model village and Griffith, the premier road-builder of the time, entirely agreed.[6] When the village was built it was named King William's Town in honour of William IV (1830-1837) and it retained that name until the mid-20th century, when Ballydesmond (Baile Deasumhan) was deemed more appropriate.[7]

In the summer of 1832, official approval had been secured for the building of "an inn or carriers' way-house, with suitable offices". Griffith envisaged it as "a substantial house of moderate size .... to be used in the first instance as the headquarters of the principal road overseer and afterwards as an Inn, referred to as the Carriers' Inn".[8] A Treasury Letter (28 June, 1832) authorised the construction of a house with the necessary buildings, and the enclosure and improvement of the portion of land allotted to the house and to the maintenance of the horses to be employed on the new roads.[9] During 1833 an average of 388 men were employed on the various aspects of the farm development, road-building and village-building project. They worked in gangs of 10 or 12, were purposeful in their work and were paid once a month. In July–August, when there was a lull in farm work, the number employed soared to treble the average.[10] The Inn was built at a cost of less than £400. When it had served its first purpose as administrative centre for the great development project, it was available as a Carriers' Inn.[11] Carriers of butter to the Cork Butter Market stayed there overnight and had their horses stabled. In 1838, with Martin Roche as Innkeeper, it was "crowded with carmen every night and frequently stable accommodation [was] given to 25 horses".[12]

The Great Famine was a major setback to the plans and hopes that inspired the King William's Town development. Large scale subsidised emigration to America was introduced (1849-'51).[13] A few years later the Crown Estate was sold. Vincent Scully, M.P., bought part of it, including the model village, and raised the rent before selling it at a substantial profit in 1858.[14] The year 1858 was remarkable for its very good summer and we find accommodation at the Carriers' Inn being advertised in a tourism context under the heading, Royal Arms Hotel. Timothy Buckley announced that it had been "newly fitted up, . . . conducted according to the spirit of the times, moderate in terms and comfortable in the accommodation".[15]

In later decades, the Inn became O'Leary's Hotel. When Nora Herlihy was growing up she often visited the hotel, where her aunt, Maria (Herlihy) O'Leary, was the woman of the house. The hotel was located about 600m from the Herlihy home, which was located in the Glencollins side of the Village, near where Ballydesmond's G.A.A. venue, Páirc Nóra Ní Iarlaithe, now commemorates Nora. Although the hotel was a designated building, in

• **Fig. 1** *Nora Herlihy Park (Pairc Nora Ní Iarlaithe), Ballydesmond, the GAA park named in honour of Nora. (Photo: Patrick Casey)* the 1990s permission was granted to the owners, Ted and Julia O'Leary, to remove it and replace it with a new building of exactly the same size and shape. The O'Learys employed the builders, Buckley Brothers, to replicate the old building, and these builders continued the project after the property had been bought by Rathmore Credit Union in 1995.

The establishment of the Nora Herlihy Memorial Centre

Since the mid-1980s, the credit union had permission to use a Southern Health Board portacabin to transact business with its Ballydesmond members. With the acquisition of new premises, the ground floor of the replicated 'hotel' would provide a credit union office and also a room to be used as a doctor's surgery at appointed times. The local credit union, under the leadership of the late Dónal Casey, envisaged further use for this historic building.

In the year 2000, the upstairs section of the house was converted into a centre interpreting the historical background of the area and the career of Nora Herlihy (including general reference to the expansion of the credit union movement at home and abroad). The commemorative centre was designed and installed by Jane Savage and John Stevens of JS Designs in collaboration with Pádraig Kennelly of 'Kerry's Eye'. The content of the exhibition was derived from many sources but principally from the published works of Fr A. T. Culloty, especially his book, Nora Herlihy, Irish Credit Union Pioneer. Parliamentary Papers – particularly extracts pertaining to the Carriers' Inn – were researched by Tadhg O'Carroll (Dublin), while Maura O'Connor (Newmarket) provided newspaper material on the themes of the exhibition.

Near the entrance to the exhibition there is a bronze head of Nora Herlihy sculpted by Paula O'Sullivan. Display panels were installed to tell the story of Ballydesmond and Nora Herlihy. Drawings by local

• **Fig. 2** *A model of the Nora Herlihy Centre (including sub-office of Rathmore and District Credit Union), Ballydesmond. The model was created by Aidan Murphy, Ballydesmond, as part of his Leaving Certificate project in construction studies in Boherbue Comprehensive School in 2001 (Photo: Patrick Casey)*

• **Fig. 3** *Bronze sculpture of Nora Herlihy by Paula O'Sullivan (Photo: Patrick Casey)*

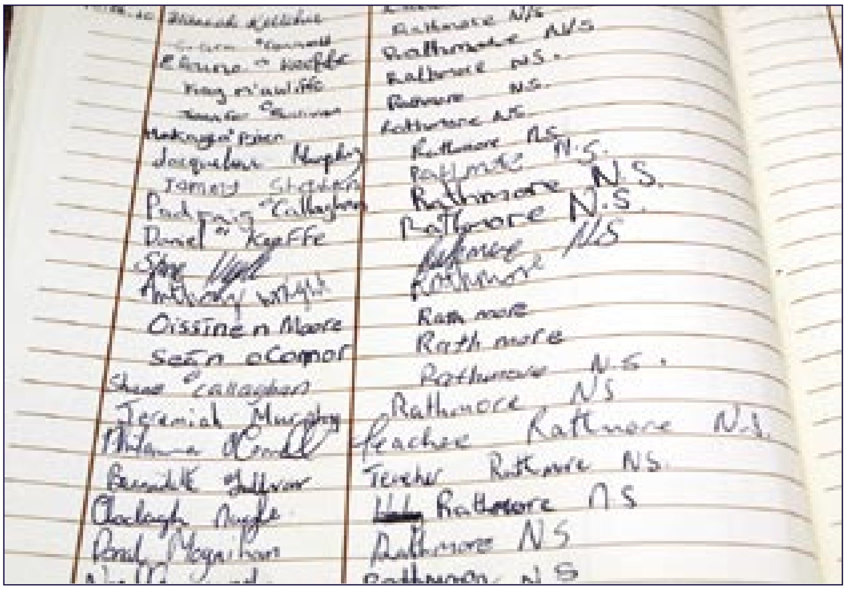
artist Ita McConville are central to the content of these panels. Local history features include an aerial view of the village and district, surrounded by references (in text and graphics) to the area, especially in the 19th and early 20th centuries, and to some local people who have achieved distinction and/or notability. Subjects include: schools, weather, the Titanic,[16] ambush and reprisal (1921), traditional music, longevity. Other features include plans of the Model Village and of its buildings and an illustration of the estimate of the construction cost of the Carriers' Inn, and a framed map of the King William's Town Estate. These panels fast-forward to 1995 and the transformation of the former Carriers' Inn into a credit union office.

The main theme of the exhibition is the life and career of Nora Herlihy. The panels focusing on Nora's family, childhood and education[17] include a photograph of Nora's parents and also of a school register showing where her name was entered on 30 June, 1914. Another set of panels documents conditions in Dublin in the 1950s - photographs of street scenes with the pawnbroker sign centrally placed - Nora Herlihy's career as a teacher and her contact with poverty in Dublin; and her continuing study to enhance her professional skills as well as her understanding of co-operatives and credit unions.[18] Also featured are photographs of Nora and other credit union activists, including Seán Ford, Séamus Mac Eoin, and Kathleen Matthews, as well as momentous occasions, such as President de Valera signing the new Credit Union Act in 1966. The panels also outline the development of the credit union movement in Ireland and internationally, illustrated by graphs and photographs. It is in this section one finds the large collection of photographs of credit unions offices and a map of Ireland showing their distribution. The exhibition also contains some of Nora's personal effects related to her credit union career. The exhibition closes with quotations from Tomás Mac Gabhann[19] and Kathleen Matthews[20], which affirm Nora's unique contribution to the establishment of credit unions in Ireland.

• **Fig. 4** *One of a series of display panels telling Nora's life story, from the history of her birthplace to the social conditions in Dublin that prompted her to seek innovative ways to alleviate poverty. The pictured panel includes a photograph of Nora's parents and also of the school register showing where her name was entered on 30 June, 1914 (Photo: Patrick Casey).*

Widespread interest and co-operation on the part of the local community energised the project and culminated in a great celebration in November, 2000, when John Hume officially opened the exhibition in the presence of members of the Herlihy family and many guests from the credit union movement.[21] On that memorable day the major significance of Nora Herlihy in the development of Irish society was emphatically acknowledged by the Credit Union Movement in Ireland and by the people of her native place.

• **Fig. 5** *Included in the exhibition are a number of Nora's possessions: her typewriter and pen, and a ceremonial key that she received in Mobile, Alabama, on Credit Union Day in 1960 (Photo: Patrick Casey).*



• **Fig. 6** *The visitors' book at the Nora Herlihy Centre. The Centre is an important educational resource for those interested in local history. It is also informative for those interested in the credit union movement, which represents an important part of Ireland's social and economic history in the second half of the twentieth century. Since its establishment, the Centre has been visited by schools and many other groups (Photo: Patrick Casey).*

‘A stroll down memory lane’: Saluting some of the unsung heroes of the Irish credit union movement

Tom McCarthy

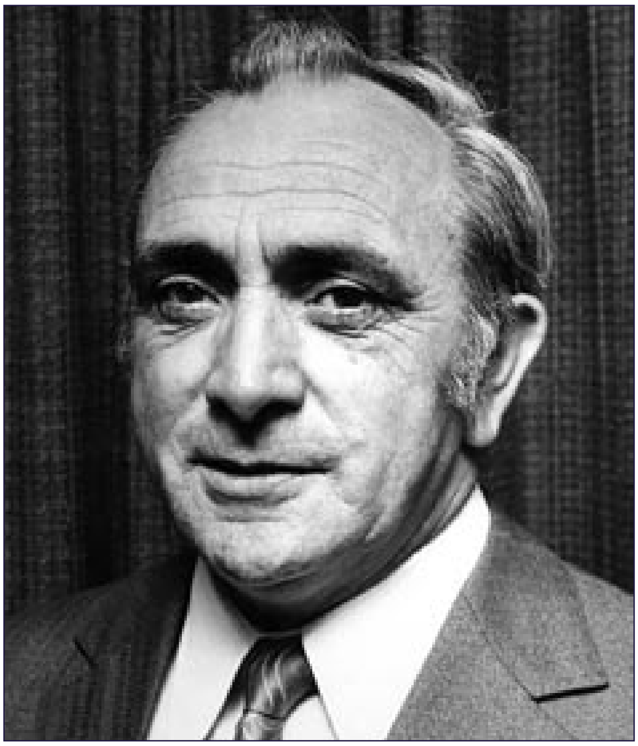
Looking back on my own time as a credit union volunteer since 1965, I am struck by the large number of people who give so much of their time to the movement. All are motivated by a desire to raise the living standards of their community or work colleagues. Some are satisfied to spend their time in their own credit union and have no desire to be involved at chapter or at national level. Others become involved locally and, then, at various levels of the movement. This active and committed voluntary participation is the key to the development of all voluntary organisations whether sporting, community, financial, urban or rural and is essential to the continued development of these organisations.

In this recollection I will concentrate on just some of those who, though they may not have been activists at national level, still made a major contribution to the overall development of the credit union movement. Some of them I knew personally, others I knew more by repute; but all of them had an influence on me and on the credit union movement generally.

It was also a great pleasure to me more recently in my role as coordinator of the Diploma in Credit Union Studies at UCC to meet many of the ‘old timers’ again as they embarked on the course and shared their acquired wisdom and experience with a younger cohort of credit union staff and volunteers.

Con Cambridge

My own credit union, St. Gabriel’s, was founded in 1965 at a time of serious industrial unrest among post office workers. The idea of establishing a credit union came from a proposal at a union meeting and arose from the fact that unions representing state employees were not allowed have a strike fund. It was felt that a credit union might provide a means of protecting the interests of union members in a strike situation. We received invaluable assistance at the time from Bryan Lougheed and Der Cogan of Ballyphehane Credit Union, and Plunkett McCarthy and Bill Bermingham of Gurranebraher Credit Union, who instructed us on the workings of a credit union. We also got advice on procedure for meetings from Con Cambridge who, at the time, was on the national executive of the Post Office Workers’ Union. I can still recall his advice to someone who wished to speak at the League AGM when he said: “they should first shake hands with the microphone on some other matter prior to speaking on their own motion”. I found it to be very sound advice which later stood me in good stead.



• **Fig. 1** *Con Cambridge (Courtesy: St Michael’s Credit Union, Blackrock, Cork).*

Con was elected as first chairman of the Standing Orders Committee of the Irish League of Credit Unions (ILCU). He always stressed that this committee should maintain its independence at all times and resist interference from all sections of the movement. He had an expression which he frequently used to indicate this - when the AGM had made a decision on a motion he would whisper to another committee member: "convention has spoken, blessed be the will of convention".

From 1963, Con was also an active member of his local community credit union, St Michael's, serving the needs of his adopted Blackrock area while he continued his trade union interests as an executive member of the Post Office Workers' Union. I am convinced that, had fate not intervened to take him from us in 1973, Con would have continued to make a major contribution to the movement at national level. He died while attending a credit union function in his beloved north side of Cork City.

Ar Dheis Dé go raibh a anam dílis.

Paddy Doherty (aka Paddy Bogside)

I attended my first League AGM in Cork in 1968. One of my abiding memories of this meeting is of a man of medium height, with one hand in a plaster and a sling, who spoke passionately on a number of occasions. I still recall almost verbatim the words he spoke during a discussion on the World Council of Credit Unions: "I am a Derryman and a Unionist - a Credit Unionist; I am a Derryman and a Nationalist - an Internationalist". I didn't know at that time that Paddy would later become famous in his native Derry where he was known as Paddy Bogside.

In his book, *Paddy Bogside*, he gives an excellent account of the events which led to the formation of Derry Credit Union:

> *Our people can't get off their knees unless they can have access to money. Without it we can't build houses or create jobs. Money means Power. We need our own bank.*[1]

Paddy continues:

> *"I was advised to see Fr. Tony Mulvey who knew of a system of banking in America run by ordinary people. . . He mentioned a woman called Nora Herlihy who understood the American credit union system very well. John Hume was advised to write to her. Nora Herlihy's reply was the most exciting and hopeful thing I had read in decades. Her words seemed to jump out of the pages and shake me. Within months - and against legal advice - I had persuaded our study group to start a credit union. Nine pounds and seven shillings was the sum total of the first night's savings, including membership fees."*[2]

The words 'against legal advice' are particularly significant as Paddy Bogside's motto throughout his community, credit union and political life was always: "It is easier to seek forgiveness than to ask permission". The contribution of credit union activists like John Hume and Paddy Bogside to the ultimate political and economic freedom of the City of Derry is incalculable.

• **Fig. 2** *Paddy 'Bogside' Doherty (Courtesy: Derry Credit Union).*

Kathleen Matthews

My first recollection of Kathleen Matthews was of hearing her name when various League Presidents appointed her as recording secretary at the annual delegate conferences of the ILCU (known at that time as the Credit Union League of Ireland). Having met Kathleen at the Chapter Chairmen's meeting in 1970, I was later to have the pleasure of serving with her from 1970-1972 on the 21 Committee. Her input to his committee was invaluable as she had a knowledge of the movement almost from its inception and she was also a great friend and confidante of Nora Herlihy. As Nora did not drive, Kathleen drove her all over the country spreading the movement far and wide. Kathleen was also involved in the formation of many credit unions, especially in the Dublin area and, consequently, became a highly regarded and well-respected activist by all who had the good fortune to come in contact with her.

Kathleen was active both at local and national level; she was a founder member of the Premier Navan Road and District Credit Union while also acting as secretary of the Credit Union League of Ireland. In 1965, she resigned from this latter position to become full-time Executive Secretary to the General Secretary of the League. She held this position until 1972 when she resigned to become manager of the Premier Navan Road and District Credit Union where she remained until 1989.

Kathleen's interest in her local community continued after this through her Presidency of Navan Road Community Organisation and as a member of the finance committee of her local church. Her voluntary work and her community involvement were instrumental in her being appointed a Peace Commissioner.

The huge respect for Kathleen herself and for her lifetime's work as a community and credit union activist was reflected in the large attendance at her funeral when the late Anne O'Byrne, then President of the ILCU, delivered a fitting eulogy.

Kit Mc Donald and Tommy Mulligan

As I look back to the Chapter Chairmen's meeting 1970, I remember not just Kathleen Matthews but, also, Kit Mc Donald who had been elected a League director earlier that year. I spoke to Kit recently in connection with this article and she clearly recalled her credit union involvement which began in 1962.

In that year, Kit attended a talk by Nora Herlihy at the Glentworth Hotel in Limerick and, subsequently, she joined a study group in Our Lady of Lourdes Parish. The formation of Our Lady of Lourdes Credit Union was the result. During this time, they received great help from Bryan Lougheed, Der Cogan and Fr. Ned Fitzgerald from Cork. An interesting development of the credit union movement in Limerick was the founding of the Archconfraternity Credit Union to which the men belonged, leaving a majority of women involved in the community credit unions.

Kit was involved in the formation of other credit unions in the Limerick area and was also involved at national level as a League Board director from 1970 to 1979 and, again, as a member of the ILCU's Supervisory Committee from 1986 to 1989. She later completed the Diploma in Credit Union Studies at UCC and in 2001was included in the Roll of Honour of the ILCU.

Kit's brother, Tommy Mulligan, was a founder member of Queen of Peace Credit Union in Limerick. He was a regular attendee at League AGMs and always took an active part in debates. He was, unfortunately, diagnosed with terminal cancer while studying for the Diploma in Credit Union Studies. Despite the odds, he successfully completed the course but passed away six months later. A great source of satisfaction to Tommy was the fact that his wife, Phyllis, his two sons, eight daughters and his foster daughter were all present with him at his graduation ceremony at University College Cork. His passing was mourned by his extended family and by the Limerick credit union movement.

• **Fig. 3** *Meeting of Chapter Chairmen, 1970. Included are Kathleen Matthews (front row, 3rd from left), Kit McDonald (front row, 5th from left); Jerome Dawson (back row, 4th from right) (Courtesy: Tom McCarthy).*

The Dawson Brothers – Jerome, Paddy and Raphael

Many personal friendships have developed between people from different parts of the country through involvement in the credit union movement. Sometimes this involvement included not just the credit union volunteers themselves but also their extended families. Having met and struck up a friendship with Jerome Dawson of Ballyhackamore, Belfast in 1970, we met again at the 1971 AGM in Killarney. On this occasion our wives were introduced and this meeting led to a family friendship that has lasted to this day - forty years later.

Jerome was a volunteer in his own credit union and in 1977 was also a member of the League Supervisory Committee. The Supervisory Committee of J. Dawson, J. Lynch and M. Ryan took the unusual step of proposing that their own committee be disbanded as they believed it served no useful function for the movement. The motion was not passed, however, as it failed by an extremely narrow margin to get the required two-thirds majority. Jerome later went on to become a director of the ILCU.

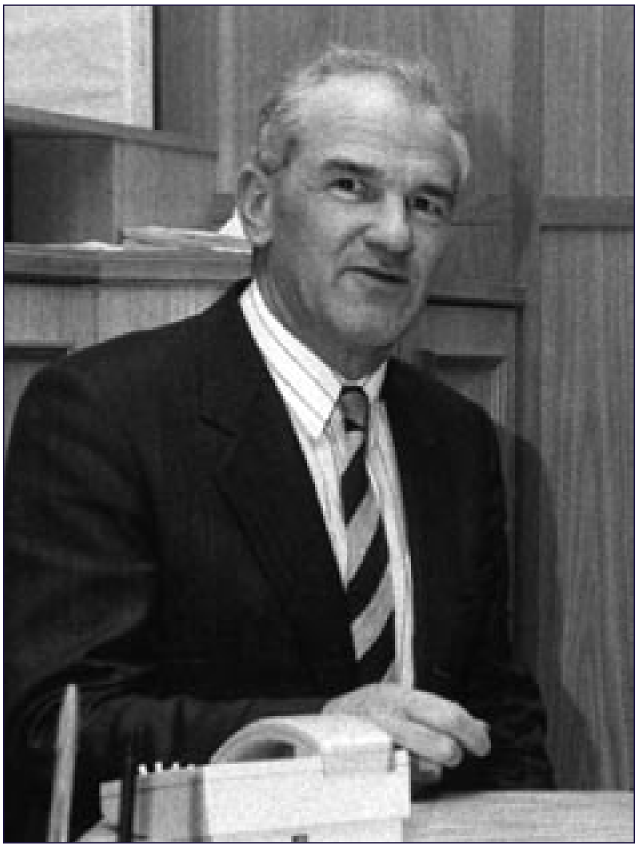
Through his involvement as supervisor and, later, director of the ILCU, Jerome was well known at national level but, were it not for our personal friendship, I would have been unaware that he had two brothers who were also involved in the movement at local level. These two, Paddy and Raphael, served exclusively in their own credit unions; Paddy was and, indeed, still is involved in Antrim Credit Union, while Raphael was involved in Hannahstown Credit Union.

I have no doubt but that this phenomenon of family involvement, as in the Dawson family, is replicated throughout the country. Indeed, my own brother Sean McCarthy has been a volunteer with The Lough Credit Union in Cork since 1968 and has been a member of its credit committee for over forty years.

I have no hesitation in saying that the volunteers 'who hide their light under a bushel', working diligently and quietly at local level, are the backbone of the credit union movement and have made it the success it is today.

Brendan Roche

An Unsung Hero, the title of the biography of Antarctic explorer Tom Crean, puts me in mind of Brendan Roche to whom the title could equally be applied.[3] Unlike Tom Crean, however, Brendan's adventure took place locally with the founding of The Lough Credit Union in Cork in 1966. Brendan was a founder director of The Lough and later served as its chairman for a number of years. When Brendan was subsequently employed as credit controller of the credit union he was struck by the problems experienced by members, many of whom, through no fault of their own, had fallen into arrears on their loan repayments. These problems were often exacerbated by other factors such as loss of employment or illness and frequently led to difficulties with service providers and with moneylenders.



• **Fig. 4** *Brendan Roche was a founding member of The Lough Credit Union. He developed 'The Lough System' – an early form of today's Money Advice & Budgeting Service (MABS) – to help people to manage their debts (Courtesy: Tom McCarthy).*

As a person with a very deep social conscience and strongly motivated by the credit union philosophy of community and member service, Brendan set about finding a solution to these problems. The solution, he felt, should preserve the dignity of the member while at the same time ensuring that the savings of other members were not put at risk. This resulted in what was initially known as 'The Lough System'. This system enabled members and non-members experiencing financial problems to make agreements, through the intervention of a third party (Brendan Roche), with lenders and service providers, which would enable them to meet their commitments over an agreed extended time scale.

The success of this system was soon recognised at national level and in 1992 was launched by Dr Michael Woods, then Minister for Social Welfare, as the Money Advice and Budgeting Service (MABS). Brendan was later employed as the first MABS officer and worked very successfully with Liam Edwards of the Department of Social Welfare. MABS offices are now located throughout the country and have an excellent record of service to people of all social backgrounds who experience financial difficulty. The current significant downturn in the economy makes the service even more vital as more and more people avail of it.

Although Brendan Roche's vision for a system that deals with people's debt problems has now found national recognition through MABS, his untimely death in 2001 has meant that his pioneering contribution has been somewhat overlooked. I feel that a way should be found to honour Brendan's memory within MABS or within the credit union movement. This would be a fitting and appropriate acknowledgement of the work of this unsung hero.

Sheila Ryan

Sheila Ryan was a founder member of Tallow Area Credit Union in Co. Waterford. I came to know Sheila first through her involvement in our neighbouring Chapter 12 of which she was later elected chairman. I became better acquainted with her when, in 1980, during my time on the ILCU's Standing Orders Committee, she was elected a League Board director.

She served three years in that position but did not seek re-election in 1983 as she wished to devote more of her time to the development of her local credit union. In spite of our long acquaintance, however, it was only in 1991, while she was a student of the Diploma in Credit Union Studies at UCC, that I became aware of the tremendous work that she and a willing host of volunteers in Tallow Area Credit Union had done to raise the economic profile of the Tallow region. During that time, the Diploma students were privileged to undertake a field trip to Tallow Credit Union to see at first hand the work being done at the Tallow Enterprise Centre. This centre was formed by the Tallow Enterprise Group under the auspices of the Tallow Area Credit Union and provided accommodation, help and advice to local personnel in setting up small and medium sustainable enterprises to create employment in the local area.

• **Fig. 5** *Sheila Ryan pictured with the sculpture of Nora Herlihy in the Nora Herlihy Centre, Ballydesmond, Co Cork (Courtesy: Sheila Ryan).*

Following her retirement from the League Board in 1983, Sheila undertook a course in Co-operative Studies in UCC and was, subsequently, appointed manager of the credit union in Tallow, a position she held until she retired in 2000. She was a personal friend of both Nora Herlihy and Seamus Mac Eoin from whom she received huge support and encouragement in the lead up to the establishment of the Tallow Enterprise Group. Sheila generously presented her memorabilia of Nora Herlihy for display in the Nora Herlihy Memorial Centre in Ballydesmond. She visited Wales and England to encourage groups in the formation of new credit unions and has participated in co-operative seminars in France and in Spain.

Brendan and Peggy Lynch

Brendan Lynch will be familiar to all who have attended League AGMs over the years as a frequent contributor to debates on behalf of Donore Credit Union which has the distinction of being Ireland's first credit union. It was formed in 1958, due in no small way to the untiring work of Eileen and Angela Byrne following their attendance at a weekend seminar in Red Island Holiday Camp organised by the National Co-operative Council. Brendan joined this group in 1965 and is still an active director of Donore where he has been treasurer since 1982.

Brendan has been involved in various credit union projects and activities over the years, from membership of the Credit Union Advisory Committee to assisting in the development of the Central Credit Union. He was instrumental in the formation of Liffey South West MABS of which he was elected chairman in 1998. Brendan's name will long be remembered for his community spirit and for his dedication and commitment to the credit union movement and its ethos. In 2001, he was included in the Credit Union Roll of Honour.

Brendan's community activity was not confined to the credit union movement. He was elected to Dublin City Council in 1974 as a community councillor and served on the Council for twenty-five years. He was awarded the ultimate tribute for this involvement when, in 1996, he was elected Lord Mayor of Dublin, a role he fulfilled with dignity and honour.

• **Fig. 6** *Board of Directors, Donore Credit Union, 2000. Included are Peggy Lynch (standing, 2nd from right) and Brendan Lynch (seated, 2nd from right) (Courtesy: Donore Credit Union).*

In my introduction to this article, I made reference to the fact that while some people became involved at local and national level others gave their commitment exclusively at local level. Brendan's wife Peggy Lynch is one of the latter group and, like him, has also been involved in Donore Credit Union since 1965. She was originally a member of the supervisory committee and more recently has been a director. With Mary Moran (also a director in Donore Credit Union), Peggy successfully completed the Diploma in Credit Union Studies in UCC.

The commitment of the Lynch family to the credit union movement in their local area of Donore is unwavering and their community spirit has helped not only in Donore but also, in the wider community area.

Donal Casey

Donal Casey was born in Cullen, Co. Cork, which like Ballydesmond, the birthplace of Nora Herlihy, is a village near the Cork-Kerry border. Unlike Nora, who spent her adult life in Dublin, however, Donal moved just the short distance to Rathmore in Co. Kerry where, throughout his life, he was an active member of that community. Donal was the ultimate community activist. He gave freely and generously of his time to the local GAA club both as a player and an administrator. However, Donal's allegiance to Kerry football at local level did not extend to the county team in their many tussles with his native Cork!

Donal was involved in many community activities including the local community association and community alert. As might be expected for someone of Donal's commitment, he was also involved in his local credit union. Donal became a voluntary teller in 1978, director in 1979, vice-chairman in 1980 and chairman in 1982. One of his main aims as chairman was to ensure that a suitable memorial to Nora Herlihy be erected in her native Ballydesmond which was in the common bond of Rathmore and District Credit Union and where they already had a sub office. This project was undertaken with the active support of the League Board.

Donal's ambition for this project was fulfilled posthumously when John Hume, MEP and former President of the ILCU, officially opened the building in 2000. This building now houses the Nora Herlihy Memorial Library, the credit union sub office and a Health Service Centre.

Donal's other priority had been the provision of a new premises for Rathmore and District Credit Union. This project also reached fruition, albeit after Donal's passing, with the purchase of a suitable site and the opening of the new credit union premises by League President, John O'Regan, in 2003.

The execution of these two projects to which Donal's vision had hugely contributed had already reached an unstoppable momentum when he tragically passed away in 1998. My abiding memory of his funeral was the feeling that Rathmore and the surrounding area had lost a favourite son. This feeling was given expression shortly afterwards when a square in Rathmore was officially named after him. It is fitting that Rathmore and District Credit Union now stands proudly in Donal Casey Square.

• **Fig. 7** *Donal Casey (Courtesy: Rathmore Credit Union).*

The author wishes to thank Margaret Lougheed for editing drafts of this essay.

SECTION 4

Credit unions in Ireland: Meeting the demands of changing economy and society

The Irish credit union movement in context 1958 – 2001

Ray O'Connor

Introduction

This essay analyses the evolution of the credit union movement in Ireland, situating this in the context of wider socio-cultural and economic developments experienced in Ireland during the second half of the twentieth century. Between 1958 and 2001 three distinct phases in the growth and development of the credit union movement in Ireland can be discerned: rapid expansion (1958–1972), transition (1973–1980) and consolidation (1981–2001). Each of these phases loosely mirrors periods in Irish history where distinct socio-cultural and economic developments were taking place. The 1960s was a decade of "sustained economic growth"[1], "exceptional demographic change"[2] and rapid urbanisation. This period coincides with the credit union movement's phase of rapid expansion. In the 15 years between 1958 and 1972, 436 credit unions were successfully established on the island of Ireland with over 250,000 members. The 1970s represented a period of transition for the credit union movement and for the national economy. The economic successes of the 1960s were based on developing an open economy. There were, however, drawbacks as well as benefits to adopting such a strategy for economic growth.[3] The oil crisis of 1973 signalled the risks quite strongly. Ireland's erratic economic performance from 1973 onward was characterised by:

> *stagnation in industrial output in 1974, a marked decline in 1975 and recovery in 1976. Inevitably unemployment increased, with the usual time-lag, to unprecedented levels – from 65,000 in the early 1970s to 108,000 by 1976. Overall output stagnated in 1974 and 1975, but recovered moderately in 1976 and strongly in 1977.*[4]

During this period of economic uncertainty the nature of growth within the credit union movement altered. The net increase in credit union numbers over this period slowed significantly to 13 but the rate at which people chose to join the credit union movement accelerated significantly. In the nine years between 1972 and 1980, over 200,000 new members joined credit unions. The deceleration in credit union formations and the acceleration in membership growth represented the emergence of a trend that found clearest expression between 1981 and 2001 when the movement consolidated its position in Irish society. During this twenty-year period, the number of credit unions operating in Ireland increased by only 76 but membership increased by over 2.1 million. By 2001 there were 535 credit unions in Ireland with 2,628,737 members.

A phase of rapid expansion 1958 - 1972

The late 1950s and the 1960s represented a significant watershed in the social, economic and religious geography of Ireland. Historian, Joe Lee describes these years as "one of those pivotal periods when a society swings on its axis to face in a new direction".[5] Yet in the midst of all this change there were important elements of continuity. For many who migrated from rural areas to the sprawling new suburban networks on the edges of Ireland's major cities, the Catholic Church functioned as just such an agent of continuity. In the late 1950s and early 1960s, the notions of community and the Catholic parish were synonymous in both rural and urban Ireland. The church was the focal point in each parish. The Gaelic Athletic Association (GAA),[6] by utilising the Catholic parish network, reinforced the importance of this spatial entity:

> *The 1950s were remarkable for urban church going. Churches in suburb and city centre often allowed for the celebration of six masses on Sunday to accommodate the vast numbers who flocked to fulfil their religious obligations,*

> *and daily masses were required to meet the demands of the faithful. As in the post-Famine period, the Church had met the challenge of the Irish rural world with major building programmes, so in the 1950s in similar fashion she prepared herself in Dublin for the demands of Irish urban growth.*[7]

As the suburbanisation of Irish cities accelerated in the late 1950s and 1960s, the Catholic hierarchy had to re-draw old parish boundaries and create new parish networks.[8] Each new parish required the basic infrastructure of schools and churches so the Catholic Church began to fundraise in the new housing estates. Very quickly the clergy and the bishops realised the level of indebtedness, financial distress, and poverty being experienced by their parishioners. Hire Purchase schemes operated by major retail outlets had interest rates of up to 33%. Moneylenders' interest rates were even more exorbitant and completely unregulated. Banks were uninterested in fully developing this market and lending to small-scale savers. The clergy became involved with credit unions because:

> *The exploitation by moneylenders on one side and financial institutions on the other, had deprived many families of their dignity, sapped initiative and put unbearable strains on marriages and homes.*[9]

The Catholic hierarchy, by beginning a phase of church building when it did, realised the financial hardships being experienced by the people. But they also realised that, as bad as things were, the people still managed to find some money each week or month to fund the building campaign. Therefore, they might also be able to put money aside in the form of personal savings if the right service infrastructure were put in place. The credit union was an organisation that, if managed properly, could provide the necessary range of services. Furthermore, its ethos, which emphasised thrift and prudence, was very acceptable to the church. Many bishops actively espoused the adoption of the credit union movement. Two bishops in particular – Bishop Michael Browne of Galway and Bishop Cornelius Lucey of Cork – were ardent supporters and promoters of the movement. Both encouraged their clergy and parishioners to form and join credit unions. They donated money and facilities such as parish halls, school classrooms and church basements from which credit unions could operate. Bishop Browne – normally regarded as an austere, remote figure – even allowed that he be photographed receiving his passbook on becoming a member of St Anthony's and Claddagh Credit Union. Every Sunday, priests endorsed credit unions in their sermons, portraying them as worthwhile and worthy of membership - actively encouraging their parishioners to become members. In some places these sermons were reported in the local and regional newspapers, and this further raised the profile of the credit union in the wider community.

• **Fig. 1** *Bishop Michael Browne, a key advocate of credit unions, pictured in St Anthony's and Claddagh Credit Union, Galway (Photographer: unknown)*

The Catholic Church, in many respects, was the conduit that facilitated the spread of the credit union movement. Many clergy believed that credit unions could function as catalysts for the promotion of a sense of community, identity and belonging in the new suburbs that were being built in cities right across the country in the late 1950s, 1960s and 1970s; that credit unions, in conjunction with other voluntary organizations, would accelerate the process of turning large anonymous housing estates into vibrant parish communities.

International research has found that

> .....*credit unions are part of an international co-operative movement that has typically found its strongest supporters in countries experiencing rapid modernization, particularly societies being transformed by industrialization.*[10]

The Irish experience is no exception, for it was during this period of change, reorientation and economic development that the credit union movement – which had been advocated as a solution to many of Ireland's social and economic problems since the early 1940s – finally took root and rapidly expanded.

When analysing the phase of expansion between 1958 and 1972, it is possible to identify four distinct periods. Period One covers the five years 1958 – 1962 and can be characterised as a phase of slow but sustained expansion. In total, 38 credit unions were established during this period and only 7492 members were registered. Shares to the value of €108,348 had been purchased within four years of the modern credit union emerging in 1958.

Period Two encompasses the four years 1963 – 1966. During this period the establishment of credit unions accelerated rapidly as communities throughout the country adopted the innovation. On average, 32 new credit unions per annum began operating – almost as many each year as had been established in the entire first four years of the movement's existence. Clearly, the credit union movement was, by now, beginning to develop momentum. The rate at which new members were attracted to the movement also accelerated with over 50,000 new members joining credit unions across the island. Levels of investment in the credit union movement also increased significantly. In this four-year period members purchased shares to the value of €2.5 million.

Period Three (1967–1969) can best be characterised as a time of hyperactivity with regard to credit union formation and membership growth. This period recorded a net increase of 169 credit unions and membership increased by almost 120,000. The sustained growth in membership was mirrored by the accelerating growth in shares. Shares purchased during this period totalled €8.7 million. This acceleration in the rate of increase of members, shares and new credit unions can, to a large extent, be attributed to the passing of legislation that acknowledged, legitimised and regulated the credit union movement in Irish society. The enactment of the Credit Union Act in 1966 had both short- and medium-term impacts on the movement. In 1967, the credit union movement registered its highest net increase in the number of credit unions for any one year.

Finally, period four (1970–1972), while still very much part of the phase of expansion, is characterised by a deceleration in both credit union formation and membership growth. The number of credit unions grew by 100 and over 75,000 new members registered with credit unions. However, the number of shares purchased by members grew dramatically. Reassured by the guarantees provided in the Credit Union Act, members chose to invest heavily in credit unions. By the end of 1972, the credit union movement held €29.7 million in shares. Over €18.3 million (62 per cent) of this total had been invested between 1970 and 1972. At the end of the phase of expansion, the credit union movement was particularly well placed in Irish society with 436 credit unions operating in Ireland. Membership had reached 256,350 and these members had purchased shares to the value of almost €30 million.

Table 1: Change in membership and number of credit unions, 1962 - 1972

Year	No. of Members	No. of Credit Unions
1962	7492	38
1963	17500 (+10008)	71 (+33)
1964	28800 (+11300)	100 (+29)
1965	41500 (+12700)	130 (+30)
1966	61100 (+19600)	167 (+37)
1967	94170 (+33070)	240 (+73)
1968	126306 (+32136)	289 (+49)
1969	180442 (+54136)	336 (+47)
1970	222126 (+41684)	366 (+30)
1971	238034 (+15908)	419 (+53)
1972	256350 (+18316)	436 (+17)

Source: Irish League of Credit Unions

Within eight years of establishing the first credit union in Ireland, the movement had successfully negotiated the development of specific legislation to govern its activities. With the enactment of the Credit Union Act (1966), the State replaced the Catholic Church as the sanctioning institution. While credit unions in their formative stage continued to benefit significantly from the support of the Catholic clergy, once established, they became less reliant on the clergy taking an active role. The legislation was designed to facilitate the activities of the credit union movement. The environment it created enabled credit unions to fully exploit their potential. It allowed them to offer a wide range of services and, most importantly, to make available fairly sizeable loans to members over longer periods. The successful bid to secure legislation that catered uniquely for credit unions - combined with the government sanction that this legislation was perceived to confer upon them - had an immediate and positive impact on the movement. In the three years following the enactment of legislation in 1966, the number of credit unions more than doubled and the membership almost trebled. In 1965, there were 167 credit unions with 61,100 members; by 1969, this had risen to 336 credit unions and 180,000 members. Once the range of services offered by credit unions became widely known, the demand for these services was sufficiently strong to ensure not only their survival but their continued expansion and growth.

To open so many community and industrial branches, and to attract such a large number of members, was no small achievement for a new movement. The growth rate is even more remarkable when viewed in the context of the voluntary nature of the service delivered to members by newly formed credit unions. Opening hours were normally restricted to a few evenings each week and/or a few hours at the weekend, usually after Sunday mass. They operated from locations such as local schoolrooms, the front rooms of houses and parish halls, and yet new members were prepared to trust credit unions with their savings.

The rapid rate of expansion serves to highlight the extent to which the major financial institutions had ignored this lucrative small loans market for which there was such an obvious demand. The business model of larger financial institutions demanded economies of scale and threshold populations in order to justify the extension of their branch networks and, consequently, their geographical spread was more limited. Credit unions were not constrained by such factors. New credit unions located in the expanding suburban networks of major cities, the large and small county towns, and rural areas. They operated from premises where only nominal rents were charged, and voluntary workers also helped to keep the cost base low. During this period, both communities and industrial groupings enthusiastically embraced the idea of the credit union.

A phase of transition 1973 – 1980

The 1970s brought significant change for both the island of Ireland and the credit union movement. The early years of the decade in particular ushered in major change. The escalation of ‘the Troubles’ in Northern Ireland had a profound impact, for example, on the success of the credit union movement north of the border.[11] National economic performance throughout the 1970s was erratic. In the Republic, decimalisation of the currency was followed by the international oil crisis of 1973. Despite these upheavals, Ireland's accession to the European Economic Community in 1973 had an immediate beneficial economic impact, particularly in rural areas.[12] Overall, the 1970s witnessed the emergence of positive economic indicators. The situation is summarised well by O'Hagan:

> *In 1977 inflation rates had fallen, manufactured exports were booming and Ireland had the fastest rate of population increase in Europe. Throughout the 1970s, in fact, population had increased rapidly as a result of the ending of emigration, with, indeed, net immigration of 100,000 or so in the 1971 – 79 period. Besides, unlike the 1950s, the recession in the 1974 –75 was not confined to Ireland, but affected every country in Europe. Indeed, Ireland was only one of two countries in the European Community not to suffer a decline in real Gross Domestic Product in 1975 and the recovery in output terms in the 1976 –79 period exceeded that of most other member states. Nevertheless the spectre of unemployment remained. Yet unquestionably the spirit of change and optimism that emerged in the late 1950s was still in the ascendancy in 1978. In the intervening period Ireland had undergone an economic transformation and the capacity acquired in this period for solving economic problems was not now to be lost easily.*[13]

The suburbs continued to grow, and towns, some of which exhibited very high rates of growth in the 1970s,[14] required an expansion in services to match population growth. In 1926, only 32 per cent of the Republic of Ireland's population lived in urban areas (i.e. towns – defined as aggregate urban areas with population in excess of 1,500). By 1971, for the first time, over 50 per cent lived in urban areas. Yet it was not the smaller urban centres that attracted the greatest number of people. It was towns with populations in excess of 5,000 that experienced the fastest growth rates:

> *Towns with a population of 5000 – 9999 performed particularly well and clearly benefited from the policy of industrial dispersal enacted by the IDA. The county towns generally increased their resident populations, as did settlements within commuting distance of Dublin, Cork and Limerick.*[15]

It was the growth of the Greater Dublin Area that was about to cast the greatest shadow over its own rural hinterland and indeed over the rest of the country:

> *In the inter-censal period 1971-9 the counties of Kildare, Meath and Wicklow, where new dormitory suburbs had been built to serve the city, recorded population increases of 34.9 per cent, 26.6 per cent and 26.4 percent respectively.*[16]

In the west of Ireland, Galway city experienced a 32.8 per cent population increase in the inter-censal period 1971 -1979.[17] The expansion of this large urban centre was in stark contrast to the experience of the smaller centres that characterised the remainder of the west of Ireland's urban system between 1961 and 1981:

> *Smaller towns fared less well and there was a sharp decrease in the number of settlements with fewer than 1500 residents. These smaller centres are more representative of the urban structure in the western areas, and this indicates the continued erosion of this disadvantaged area's urban system.*[18]

This urban growth impacted significantly on the expanding credit union movement. The demand for the services offered by credit unions was greatest in areas of population expansion. The movement registered greatest success in the more urbanised provinces of Leinster and Munster. Credit unions responded quickly to this expanding urban context and provided financial services in the absence of any meaningful response from more established financial institutions. During the 1960s and 1970s, credit unions did not compete with banks. They provided financial services in locations where either a vacuum had existed or in newly developing residential areas where banks had no plans to establish branches. In essence, they catered for a market that banks were uninterested in exploiting.

The issues of women's rights and equality for women in the workplace emerged forcefully from 1972.[19] Unlike banks, credit unions, since their inception, had facilitated married, female members seeking access to loans and did not require the signature of a husband on all transactions. In a climate of socio-cultural reorientation, credit unions played a key role in empowering women. However, this was not inspired by a feminist agenda; credit unions simply were recognising the reality that, in most households, women were responsible for managing the household budget.

During this period of transition, credit unions emerged from the parish halls and schools that they had operated from in their formative years and either rented or purchased premises in as central a location within their communities as could be afforded. Some also hired part-time and full-time staff as the demand for their services placed excessive demands on volunteers. Paid staff and newly purchased premises presented a more professional image to the public. Both developments also facilitated the extension of opening hours. Therefore, during the 1970s, the character of the credit union began to change in two important respects. It was becoming more professional and far more visible on the local landscape. A new confidence emerged within the credit union movement.

In the eight-year period between 1973 and 1980, the number of credit unions began to stabilise. The number of credit union formations decelerated significantly. In all, a net increase of only 13 credit unions was registered during this period. In contrast to the marked decline in the net increase of credit unions during this period, membership grew more rapidly than it had in the period of expansion. Between 1973 and 1980, membership increased by 205,231. A key feature of the credit union movement therefore during the 1970s was that the average size of credit unions increased significantly. At the end of the phase of expansion in 1972, the average membership of credit unions was 588. This increased to 1028 by 1980.

Table 2: Membership and Credit Union Growth 1973 -1980

Period	Net Membership Increase	Net Increase in Credit Unions
1973 –1980	205231	13

Source: Irish League of Credit Unions

While membership growth was impressive over this period, growth in shares purchased by members in their credit unions was also quite striking. In 1972 members had purchased shares worth 29.7 million euros. This rose to 190.3 million by the end of 1980 – an increase of 160.6 million. The average shareholding per member increased from 132.21 euro at the beginning of the phase of transition in 1973 to 412.33 euro when it ended in 1980 – a threefold increase. The temptation, based on these figures, therefore would be to view this period as one of continued significant growth for the credit union movement. But to understand fully the level of share purchase in credit unions between 1973 and 1980, it has to be viewed in the context of wider economic developments. Between 1973 and 1980, the Annual Average Weekly Industrial Wage (AAWIW) increased from €38.17 to €131.32 (a 3.5 fold increase). It is only when the purchase of shares in credit unions are assessed in the context of the AAWIW increases that a more accurate understanding of share growth rates can be achieved. By placing share growth in the context of wage inflation, it is clear that the growth in the shareholding of members of the credit union movement was not as significant as it initially appeared. In reality, over the period 1973 -1980, share growth actually failed to keep pace with increases in income (Table 3).

Table 3: Assessing Levels of Investment in Credit Unions 1973 -1980

	1973	1974	1975	1976	1977	1978	1979	1980
Mean Shareholding per member (€)	132.21	146.66	169.55	179.75	207.23	275.56	317.23	412.33
AAWIW	38.17	46.17	60.85	72.86	83.55	95.40	110.01	131.32
No. of AAWIWs per member	3.46	3.18	2.79	2.47	2.48	2.89	2.88	3.14

Source: Compiled from data from the Irish League of Credit Unions

The situation facing the credit union movement in the mid-1970s was that the level of shares purchased by members in credit unions had fallen, in real terms, to levels lower than in 1965. From 1978 onward the level of investment improved but by 1980 it had still not returned to levels enjoyed by the movement at the end of the phase of expansion (1958-1972).

Towards the end of this period of transition, information relating to the amount of money members were borrowing was circulated internally within the credit union movement. For the three years 1978, 1979 and 1980, credit union loans nationally averaged 93 per cent of the total amount held in shares. That such large amounts of money were being circulated within the movement in the form of loans (10.24 million euro in 1978; 13.16 million euro in 1979; 17.85 million euro in 1980) at this time is testament to the demand from members for this particular credit union service.

While the key characteristic of the credit union movement for the years 1973 – 1980 was one of a movement in transition, an embryonic process of consolidation had already begun to emerge. The rate of increase in the number of new credit unions slowed dramatically when compared to the phase of expansion. Membership continued to increase significantly from 1973 – 1980 and the average size of credit unions almost doubled. While the number of shares grew very rapidly, this growth did not keep pace with wage increases and in real terms the level of investment by members in credit unions declined and then stagnated. Significantly, when measured against wage increases, over the entire period 1973 – 1980 share purchasing remained at levels that were below those experienced by the movement during the phase of expansion. The primary motivation for joining credit unions also altered during the phase of transition. Many now became members of credit unions to access the relatively high annual dividends paid to shareholders.

A Phase of Consolidation 1981-2001

The twenty-year period (1981 – 2001) is composed of two decades of markedly contrasting economic circumstances. During the early 1980s an economic recession gripped the country. Some 42,000 manufacturing jobs were lost between 1980 and 1986.[20] Unemployment levels reached 17 per cent in 1985.[21] Emigration returned on a large scale. The increase in the numbers requiring unemployment benefit in the seven-year period 1980-1986 was not something that was anticipated by the State and consequently, in the early stages of the unemployment crisis, the government borrowed heavily to maintain public services. From the mid-1980s the government implemented a series of remedial measures aimed at curbing public spending and reining in the national debt. However, while the government grappled with the economy between 1987 and 1994 and were busy bringing the national debt under control, Irish citizens did not witness any immediate improvement in their circumstances. Employment, not economic growth, was the measure by which many had traditionally gauged the health of the economy and, despite a brief respite in the late 1980s, by January 1993 the number of those registered as unemployed exceeded 300,000:

> *Ireland now had the unenviable distinction of topping the EC unemployment league table, with a rate nearly double that of the EC as a whole .....*[22]

Even on the eve of the 'Celtic Tiger' economy, the mood of economists in the country was sombre, the general consensus being that there were difficult economic times ahead. Because the actions taken by government to ameliorate the economic situation did not have any tangible effect over the period 1987 –1993, many economists perceived that recessionary conditions were still dominant. Indeed for many citizens of the State, the period from the mid-1980s until the early 1990s was perceived as a period of economic difficulty for the country. It was characterised by reluctance on the part of the government to sanction any significant increases in public expenditure. The very high levels of unemployment reaffirmed this perception. Therefore, the advent of the economic boom took many by surprise when, almost overnight, the cumulative effect of years of prudent economic management and sound policy-making decisions positioned the country ideally to take advantage of a major global economic upturn. During this period Ireland also benefited from EU Structural Funds which were strategically channelled into third level education and also into improving and developing transport facilities and infrastructure. While popular perception therefore would tend to characterise the entire period between 1981 and 1993 as one of recession and economic difficulty it is possible with the benefit of hindsight to refine this view. From 1993 the economy showed signs of improvement and 1994 witnessed the emergence of the Celtic Tiger Economy. Between 1995 and 2001 emigration ceased and full employment was achieved. The economy enjoyed a period of unprecedented and sustained growth.

The period of consolidation for the credit union movement therefore took place during three distinct economic contexts: economic recession (1981–1985), reorientation and recovery (1986–1993) and economic boom (1994–2001). To state that credit unions remained relevant in each of these economic contexts would be to understate the situation significantly and do an injustice to the credit union movement. In all three contexts, the credit union movement continued to embed itself more deeply in Irish society and economy. During the 1980s, most credit unions had purchased premises and had hired one or more staff. Office hours were extended and, by the late 1990s, for the vast majority of credit unions the number of hours open to members exceeded that of competing financial institutions. Also, most had invested in purpose-built premises in highly central and prestigious locations within their communities. Credit unions became deeply embedded into the fabric of Irish society and economy at local/community level. Completing the process that began in the 1970s credit unions began the new millennium with paid staff in centrally-located, purpose-built premises.

Between 1981 and 2001, the number of credit unions operating throughout the country increased at a much slower rate than membership. By 1981, there were community based credit unions operating in most localities. In December 1980, there were 449 credit unions in operation; by 2001 this had risen to 535, an increase of only 86 credit unions. Effectively, by 1980, the credit union movement had diffused to a level approaching saturation point and few communities that could sustain a credit union did not have one. When new credit unions were established after 1980 they generally developed under one of four circumstances:

- in areas on the edges of cities where entirely new suburbs were developed;
- in rapidly expanding satellite towns on the edges of major cities;
- in areas where the common bond of an existing credit union had become too large and unwieldy and an existing branch was given autonomy;
- in isolated rural communities where it was decided at a relatively late stage that a credit union would be a desirable asset in their locality.[23]

Between 1981 and 2001, island-wide credit union membership increased from 512,157 to 2,628,737. This represented a net increase in membership of 2,116,580 or 413 per cent. But this increase in membership was not distributed evenly across the entire period. By far the greatest increase in membership occurred when the economy was emerging from economic recession (1986–1993) and entering an economic boom (1994–2001).

In the period of economic recession between 1981 and 1985, one would have anticipated a great demand for the services offered by credit unions; that people earning small to medium sized incomes would have been attracted in large numbers to the movement. The membership trends support this expectation: Between 1981 and 1985 the credit union movement registered an average annual increase of 47,386 members, and over the 5-year period attracted more members than in the 8-year transition period. This increase in membership represented the beginning of the phase of consolidation proper that was signalled toward the latter end of the phase of transition. However, as the phase of consolidation progressed, the rate at which members were attracted to the credit union movement rapidly accelerated. Between 1986 and 1993 over 767,000 new members registered with credit unions across the country. This represented an annual average intake of 95,983 new members – or a doubling of the intake between 1981 and 1985. During the period of the Celtic Tiger (1994 – 2001), membership of credit unions increased by 1.16 million representing an average annual increase in membership of 145,295.

Between 1994 and 2001, the largest ever increases in both membership and shareholding were registered. Membership increased by one million and shareholdings grew by almost five billion euro. Significantly, the net increase in credit unions operating was only eleven. By this period, credit union coverage had reached saturation level; the scope for developing new credit unions with the threshold populations required to sustain their activities was limited. In fact many smaller credit unions began to experience difficulties as tighter regulation imposed increasing levels of bureaucracy that increased the workloads of staff and volunteers. Issues such as the amalgamation of credit unions to exploit economies of scale and achieve a viable future began to appear on the agenda. By 1998, the number of credit unions had reached 535 and it remained at that level until 2001. With nationwide coverage having been achieved it was unlikely that many more credit unions could realistically be established. Membership almost doubled in the course of these nine years. It increased from 1.46 million members in 1993 to 2.6 million members in 2001. The pace of growth presented the credit union movement with many challenges. While all credit unions experienced growth in membership and shareholding during the phase of consolidation, growth in membership was not dispersed evenly throughout all of the 535 credit unions. The growth in membership was triggered by two factors. The first related to population growth. Because population growth was not evenly distributed across the country this meant that credit unions located in the regions where rapid population growth was being experienced enjoyed more rapid and sustained growth than others. The second factor that impacted on membership growth related to the ability of credit unions to cope with rapid increases in membership. Throughout the 1980s and 1990s, credit unions had invested in purpose built premises, hired and trained full-time staff, extended opening hours and completely computerised their operations. Consequently, in general, credit unions had little difficulty in dealing with the large volume of new members who joined over the 9-year period 1993-2001.[24]

During the 1980s, and more especially the 1990s, credit unions were subjected to increasing levels of competition. The mainstream financial institutions, realising that credit unions had identified a lucrative market, became increasingly interested in exploiting

Table 4: Net Membership Increase 1981 -2001

Period	Net Membership Increase	Per Annum Increase in Membership	Net Increase in Credit Unions	Per Annum Increase in Credit Unions
1981 -1985	236931	47386	27	5.4
1986 -1993	767863	95983	48	6
1994 -2001	1162362	145295	11	1.4

Source: Irish League of Credit Unions

Table 5: Credit Union Shareholding and Membership 1994 -2001

	1994	1995	1996	1997	1998	1999	2000	2001
Shares (euro) billions	2.09	2.52	3.02	3.58	4.15	4.40	5.73	7.04
Members (millions)	1.63	1.78	1.93	2.08	2.21	2.28	2.49	2.62
Credit unions	526	530	532	534	535	535	535	535

Source: Irish League of Credit Unions

this market. The advent of a more proactive approach by financial institutions, where potential customers were targeted aggressively for credit cards and small loans, created a new context in which credit unions had to operate. In the 1990s, banks began to pre-approve their clients for loans that were unsolicited, writing to them to inform them that particular amounts of money were available to them. Credit unions, however, carried on as they always had and waited for members to approach them and request loans from them. The banks invested heavily in technologies that enabled them to minimise the ongoing costs of servicing loans. Repayments were deducted directly from existing accounts on a scheduled basis. Clients were offered financial incentives to conduct their transactions over the telephone or on the Internet.

Using available technologies and adapting them to their needs, the strategies adopted by banks were designed ultimately to remove the customer from the bank. The mainstream financial institutions, in order to maximise profits, began a process of rationalising their branch networks. This process facilitated a reduction in staffing and, therefore, annual wage bills, thereby intensifying cost-based competition. In response, credit unions would have to become more competitive in the interest rates charged to members for loans.

Unlike banks, the extent to which credit unions could reduce costs by exploiting technology was limited. The scale at which individual credit unions operated meant that they could not achieve the economies of scale enjoyed by banks. Moreover, an important aspect of credit union ethos and philosophy was that members were welcomed to the credit union premises. Visiting the credit union to purchase shares or repay loans was the only point of contact with the credit union for many members. Unlike mainstream financial institutions, where rationalisation of branch networks was at the core of their strategies for survival, credit unions continued to grow in number; between 1991 and 2001, 22 new credit unions were opened. Also over this period, many long-established credit unions opened new sub-offices to cater for population expansion within their common bonds. They also extended their opening hours. Taking into account the working lifestyles of many of their members they opted to remain open at lunch time and also extend their opening hours into the evening. Unlike the major financial institutions, credit unions actively encouraged their members to visit the premises to conduct their transactions. Importantly, credit unions never introduced transaction charges and consistently refused to impose any levy on their members for cashing cheques, a practice that banks have long operated.

The fact that credit unions chose not to change their methods of service delivery – indeed they would have been unable to change them to a degree where significant cuts in expenditure would have been achieved – meant that, relative to banks, credit unions' income was further eroded. The wider availability of the service that credit unions once dominated (i.e. the small loans market) and the structures that other financial institutions put in place to facilitate repayment impacted on credit unions' ability to loan money in sufficient quantities. This situation has resulted in many new questions being asked within the credit union movement and a questioning of many of the core structures. Could credit unions remain viable if they continue to operate as autonomous entities? Could structures be put in place to maximise economies of scale while autonomy is maintained? What future is there for small credit unions? Could a federal structure provide a workable model for the credit union movement? Are amalgamations necessary? These are some of the issues addressed in the next essay.

From church halls to banking halls:
The story of the credit union movement as represented on the landscape

The case of St Michael's Credit Union in the Cork suburb of Blackrock is similar to many credit unions in terms of the transition from temporary accommodation to purpose-built premises. Most credit unions started out in church/school/community halls or even the front room of a volunteer's house. Opening hours were limited to a few hours per week.

As credit unions' membership grew, so too did the need for more space and longer, more frequent, opening hours. This, in turn, necessitated the rental, purchase or building of new premises.

In the 21st century, credit unions occupy central locations within their communities. Some credit unions have made further efforts to bring the credit union to their members, locating sub-offices in local shopping centres, which have become a new focal point in communities.

• **Fig. 2** *A selection of the premises occupied by St Michael's Credit Union, Blackrock, Cork since its foundation in 1963. During the first nine years, the credit union operated out of several locations, including a cottage in Ballinure Road (pictured), St Michael's GAA Club in the former railway station, the Confraternity Room of St Michael's Church (pictured) and Scoil Mhuire Ursuline Convent (pictured). The credit union opened a new office in Skehard Road in 1972 (pictured). The present purpose-built premises in Skehard Road (pictured) opened in 1996. In 2006, a sub-office was opened in Mahon Point shopping centre (pictured). Photos courtesy of St Michael's Credit Union, Blackrock, Cork.*

Amalgamation and federated co-operative models: A place for both in the development of the Irish credit union movement

Noreen Byrne, Michael Ward, Kathleen Prendergast and Carol Power

As of 2009, there were 499 credit unions affiliated to the Irish League of Credit Unions. They have a strong physical presence, being found in almost every town, village and city suburb. Credit unions in Ireland also have very high levels of membership, with 2.98 million members on the island of Ireland. They are also one of the biggest voluntary organisations in the country with an estimated 9,500 volunteers working on boards and committees.

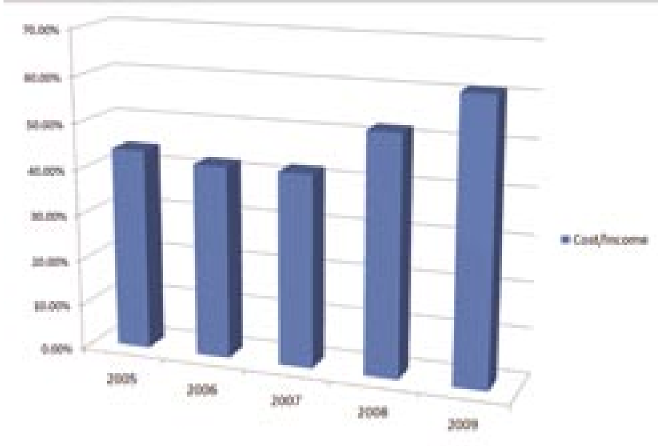
The story of credit union movements throughout the world has been one of rationalisation in the form of consolidation and collaboration. The term rationalisation is used in relation to the process of streamlining activities to increase effectiveness and efficiency. Rationalisation does not have to mean downsizing, job cuts or takeovers. The case for rationalisation is to reduce costs and increase scope for credit unions to develop their products and services while continuing to meet the needs of members and maximise member welfare. If credit unions are to remain true to their ethos, member welfare must be the driving force behind rationalisation; the achievement of growth and cost efficiency must be regarded as a means to an end rather than a goal in itself. This essay assesses the need for rationalisation in the Irish credit union movement. It explores the various rationalisation options open to credit unions seeking to improve their service to members, such as mergers, amalgamations, and federated networks.

Is there a need for rationalisation in Ireland's credit union movement?

Is there a need for rationalisation in the Irish credit union movement? Given that the purpose of rationalisation is to reduce costs and increase scope, to answer this question it is necessary to examine how credit unions are performing in terms of both costs and scope.

Costs

Costs, as a percentage of income in Irish credit unions, have increased significantly over the last two years (Figure 1). In March 2010 the average cost as a percentage of income for the movement was 62.19%. However, some of this increased cost is due to greater provision for bad debt. It should also be noted that an increasing cost/income ratio is not unique to credit unions, as most businesses within this period of recession are having to deal with this issue. However, there is a need within the credit union to ensure that costs do not continue to grow, particularly in an envirnoment within which it will be hard to grow income.



• **Fig. 1** *Cost Income Ratio – End of year average cost/income ratios for credit unions in the Republic of Ireland. (Source: Irish League of Credit Unions).*

The Need for Economies of Scope

When we talk about scope, we are referring to capability (human and technological) and the product range. We will discuss each in turn:

Governance: Two major factors driving credit union mergers in the UK are volunteer burnout and governance issues.[1] In Ireland, there has been some criticism of credit union boards, particularly from the former credit union regulator, in terms of the older age profile of board members and also low levels of turnover on long-established boards. A common response to this criticism is that the slow turnover is due to the difficulty in recruiting volunteers. The authors of this paper would question this perspective and are in agreement with the former regulator when he indicated that credit unions tend to focus on

> *Causes external to credit unions and very little on internal obstacles to volunteering to be found in the way credit unions operate…the idea of attracting volunteers is fine in principle in some boards so long as they don't rock the established power structures.*[2]

Having in place a proper and functioning nominating committee and democratic election system is of critical importance. In many credit unions at the time of the AGM, the ratio of candidates to positions will often be only 1:1. This is hardly a democratic election process.

The current regulator has pointed to the need to enhance the skills and competencies on credit union boards. However, while boards should not be in awe of accounting or legal skills – indeed such skills and knowledge did not protect conventional banking institutions from reckless governance and decision-making - there is a need for a minimum level of competence in the reading and understanding of financial accounts and the workings of the PEARLS Ratios.[3] This should be coupled with a common sense approach and confidence to ask questions when something is not clear or does not quite ring true. Credit union boards also need a vision for their credit union. However, credit union visions often seem to revolve around growth almost as a default position. It is important to point out that a vision based on anti-growth or growth for the sake of growth is not a vision. The starting place for any vision should be members' needs and then, following on from that, what the credit union needs to do to meet those needs (long-term, and collective as well as individual).

Increasing member participation in the credit union

Like credit unions, agricultural co-operatives have a Board of Directors elected from the membership. However, in addition to the board, agricultural co-ops also have geographically-based advisory committees. These committees minimise the gap between the board and co-op members by providing a conduit for the views of members to be communicated to the board. This allows for greater member participation.

Larger credit unions could benefit from this organisational model. As well as contributing to member participation, advisory committees would also act as a training ground for future directors.

Products/Services: The product range in the majority of Irish credit unions consists mainly of the core products of savings and loans. This differs greatly from the situation in American, Canadian and Australian credit unions which offer a wide range of products and services, from full electronic services to mortgages and investment products. Members' needs are changing and, in order to remain relevant, Irish credit unions will need to develop their range of products and services. However, credit unions must be careful that they do not simply offer standardised products and services that are widely available elsewhere. This would only drive credit unions into competing on price alone, where credit unions are unlikely to succeed. The point of opportunity could be to identify the gaps in an increasingly standardised financial market. In terms of new products and services, which are widely available elsewhere, flexibility could be the main point of difference. One of the core competitive advantages of the credit union should be its flexibility.

It will be difficult for credit unions to increase their product range and develop the technology required by working as individual units. They need to collaborate with other credit unions to create the necessary leverage. However, credit unions need to be careful that they do not become just another bank, almost by accident. They need to find a clear space within the financial services market. This space will not be created simply by offering the same services as a bank or by focusing primarily on consumer credit. However, there is a need for productive credit such as for educational purposes and entrepreneurship. The latter in particular is difficult for the credit union due to their lack of expertise in this area. There is also a need to mobilise savings in local areas for investment in the local community. This requires innovative social investment tools. Triodos Bank, now operating in Ireland, has expertise in this area. Rabobank have expertise in lending to SMEs but do not have the local branch network. Perhaps, there are opportunities for greater strategic linkages between the credit union and these types of institutions.

Technology: Technology in the Irish credit union movement is highly fragmented, with at least nine different IT systems in operation. While this piecemeal development has produced some effective systems, there is little or no compatibility among them. This makes it difficult to develop uniform products and services across the movement. There is a need for greater collaboration between the IT companies and also the need for common standards of development. This is also a clear area where credit unions could collaborate allowing them to avail of certain technologies.

The Need for Scale

Scale or size is another force which drives rationalisation in credit union movements. From 1980 to 1996, there was a 45% reduction in the number of credit unions in the US. Most of the rationalising credit unions had assets of less than $10 (€8.3) million, the majority of which were concentrated in the < $5 (€4.6) million asset category. The credit unions within this category merged, liquidated, grew to a larger asset class, or failed.[4]

The asset breakdown of credit unions in the Republic of Ireland in 2009 is presented in Table 1. Just 12.5% of credit unions fall within the ≤ €5 million category, compared to 22% in 2004. Approximately 28% of credit unions fall within the ≤ €10 Million asset category, compared to 42% in 2004. Irish credit unions are quite large and it has been suggested that many credit unions in Ireland are much larger than their counterparts in Canada.[5] There would also appear to be many small credit unions operating in the US. Sometimes, there is a false perception that the American movement consists of very large credit unions of bank size proportions. In fact, in 2004, 47% of US credit unions had an asset size ≤$10 (€8.3) million.[6] The main difference between the US and Irish movements is that even very small credit unions of less than $5 (€4.6) million in asset size in the US are offering a wide range of services, comparable to those of a conventional bank in some cases.

Table 1: Asset Categories of Irish Credit Unions as at 30/09/2009 (ILCU)

Asset Category	Number	Percentage
<€1 million	2	0.5%
€1-€3 million	28	7%
€3-€5 million	20	5.0%
€5-€10 million	63	15.8%
€10-€15 million	61	15.3%
€15-€20 million	41	10.3%
>€20 million	184	46.1%

Source: Irish League of Credit Unions

However, an American writer discussing credit union rationalisation within a US context indicates that credit unions that are less than $10 (€ 8.3) million in asset size will find it difficult to meet regulatory and service requirements in the future and suggests that credit unions within this category need to collaborate with other credit unions either through mergers/amalgamations or through strategic alliances.[7] Smaller credit unions in Ireland face similar challenges and are likely to benefit from collaborating with other credit unions to enable them to increase their service offerings, develop their technology and strengthen their future prospects.

Who benefits from rationalisation?

While it is necessary to reduce costs and increase scope, credit unions must ensure that they maintain the unique identity of the movement. Central to the ethos of the credit union movement is the collective welfare of members. Reduction in costs and an increased range of products and services should provide a tangible benefit for members. However, if the focus switches from member interest to growth, then the benefits will be short-term indeed. In a growth-focused scenario, members' control over the credit union diminishes. If such a situation were allowed to develop, there would be no real benefits for the member. On the contrary, once the orientation in a co-operative shifts to growth as the driving force – albeit unintentionally – then member control diminishes. While corporate social responsiblity (CSR) initiatives offer an opportunity to refocus on member welfare, they are often token in nature.

Options for credit union rationalisation

If a credit union agrees that rationalisation is required to enable the delivery of a better service and wider range of products to its members, there are a number of options that it can consider.

Internal growth

Mark Meyer, CEO of the Filene Research Institute, recently described this form of growth as the contrarian view.[8] It is an interesting description implying something unusual within an environment of consoldiation. According to Meyer, credit unions that focus solely on a strategy of internal growth must have a clear vision and must recognise that their credit union will not be good at everything and in fact will even be bad at some things. This suggests that board members must have confidence and an excellent understanding of themselves and their organisation. Not all credit unions will have this unity of purpose and understanding. Meyer indicates that, once a credit union has a vision and the recognition that it can't be good at everything, it is possible to succeed.

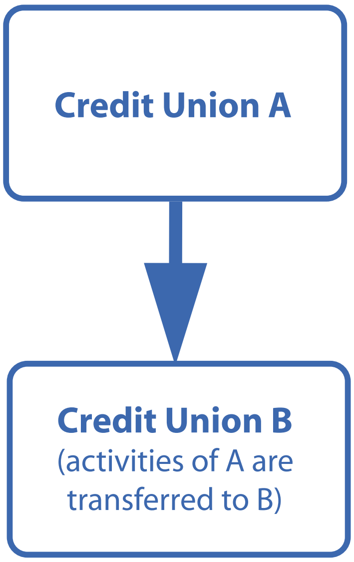
Removal or expansion of the Common Bond

In some credit unions, the restrictions imposed by the common bond are perceived as the main factor limiting growth. However, many credit unions have low levels of penetration within their existing common bond, particularly in terms of lending, suggesting that there is scope for expansion within their existing common bond. There are many issues other than the common bond which are limiting credit union growth, such as inadequate marketing, lack of electronic delivery of products and limited product range. It is possible that a shift to larger common bonds and fewer credit unions would lead to lower levels of credit union membership. This view is supported by research carried out in America[9] which found that credit union participation rates generally decline as the group of potential members becomes larger - that is, the larger the pool from which a credit union can draw, the less effective it is in attracting members. It could also be said that there is less incentive to meet the needs of a diverse range of members and hence the credit unions may become less innovative over time.

There is a need for the movement in Ireland to formally investigate the impact of the common bond on the growth and efficiency of credit unions. However, before expansion of the common bond is considered, we would advocate that credit unions should first focus on developing their product range, move towards electronic delivery of their services, greatly improve their marketing and develop co-operative partnerships with other credit unions. Where a credit union is restricted by its common bond, it is worthwhile investigating the possibility of amalgamating with a nearby credit union.

Transfer of Engagements

There have been a number of successful transfers of engagements in recent years. A transfer of engagements means the transfer of operations from one credit union to another. This is presented diagramatically in Figure 2.



• **Fig. 2** *Transfer of Engagements.*

Credit unions involved in recent transfers of engagements include:

- Law Library to the HSE
- Belfield to Dundrum
- Fethard to Clonmel
- Ballinakill to Abbeyleix
- Rathgar to Ranelagh
- St Valentine's to Greenhills.
- Ballymurn to Enniscorthy
- Clonsilla to Premier, Navan Road
(now known as Community Credit Union)

In each case, different circumstances influenced the decision to transfer engagements. Some had predominantly older board members who felt they were no longer able to cope with the burden placed upon them by increasing regulation. Others felt that their credit union had come to a standstill or was in danger of going into decline. They did not want to see the credit union fail and felt a responsibility towards members to make sure that this did not happen.

According to ILCU personnel, the credit unions involved have been satisfied with the transfer arrangements. One of the key concerns for a credit union transferring its engagements is that their office will be closed down and that members will lose their local credit union. However, in all cases to date, the existing offices have remained open and, in some cases, have received an upgrade. In the majority of cases, staff have been retained, although some have taken voluntary redundancy. All members' entitlements, such as loan and savings protection insurances, remain intact. Volunteers in the transformed credit union have a right to be on the nomination list for the new credit union. In all cases, those volunteers wishing to do so have transfered to the new credit union. For members, the key difference is that they now benefit from a broader range of services and their credit unions have been secured for the future.

Merger/Amalgamation

An amalgamation is the coming together of two or more credit unions to create a new credit union as their successor.

• **Fig. 3** *Amalgamation of Credit Unions.*

Effectively, credit union A and credit union B disband and decide to set up a new credit union – credit union C. In business, a merger is the acquisition of one company by another so that only one remains, for example, where one company acquires most or all of the shares in another so that the latter becomes a subsidiary. That model is closer to the idea of a transfer of engagements. Amalgamation, on the other hand, is the actual coming together of two or more credit unions to create a new credit union as their successor. It should be noted that the Credit Union Act, 1997, makes reference not to mergers but instead, to amalgamations and transfers of engagements. In an amalgamation, both credit unions must agree joint policies and strategies going forward as a new entity. In a sense, both arrive at the table as equals. In a merger context, Welsh (2004:14) indicates that 'a merger of equals' approach is "doomed to failure", arguing that one player must be dominant and both parties must understand from the beginning that "one of the players must be empowered to make the tough calls".[10]

There has been significant research on mergers. A US study[11] of 1,600 credit unions involved in one or more mergers during the period 1989-1994 indicated that, on average, service provision to members had improved in acquired credit unions, and had remained unchanged in acquiring credit unions. However, based on more detailed analysis, they found that roughly half of acquiring credit unions and roughly 20 per cent of acquired credit unions experienced a decline in service provision following a merger.

An Australian study of 31 credit union mergers found that mergers are not associated with improvements in efficiency superior to those achieved by internal growth. The study suggests that the twin goals of economies of scale and improved member service:

> *may be better gained through aligning with other small financial institutions and centralised bodies to purchase aggregated services, and outsourcing specialised technology support and product development expertise.*[12]

It goes on to state that to remain competitive a credit union, like other enterprises, must create a balance between the size of the organisation and the member service. It concludes that mergers alone will not ensure the survival of credit unions in the third millennium.

The aforementioned US study[13] also examines the various characteristics of credit unions which benefit from mergers. That study found that acquired credit unions are likely to benefit from mergers if they have scope to improve, in the form of weak loan portfolios and so on. Acquiring credit unions are likely to benefit from mergers if they have previous experience of mergers. Finally, they indicate that merger partners, both acquired and to a lesser extent acquiring, are likely to benefit from mergers if they are both different, where each can benefit from the unique competency of the other. Hoel (2004) states that acquired credit unions benefit from a merger when the acquiring credit union is much larger, where the acquired loan quality is poor, where there is a big difference in products per member and where there is a small difference in loans to savings ratios.[14]

Federated Models

Organisational federations or networks are, in essence organisations which come together for mutual benefit.[15] They are usually characterised by a formal co-operative arrangement between a number of organisations who have come together to achieve a common goal.[16]

In a comparative study, a number of researchers compared the Quebec Desjardins Movement with the United States Credit Union System - the former conforming to the network model and the latter representing the non-network model.[17] In their study they found that the Desjardins network model credit unions demonstrated a higher overall efficiency than the US non-networked credit unions. They assert that the strategic network provides a monitoring system, which helps to counter problems associated with the dilution of internal governance, as a result of size. They also make the proposition that strategic networks are a "superior form of governance over mergers as a strategy of rationalisation and consolidation". Goth (2005) highlights the relevance of the network model for the future development of Irish credit unions.[18]

However, there are also challenges with regard to networks. Tension and conflict can arise between the members of a network and the central hub, particularly in the case of ongoing financial commitment and investment.[19] If a member organisation decides to leave the network, it can greatly increase its vulnerability. However, most of this tension can usually be avoided if the network is properly constituted in the first instance. Successful networks are also highly dependent on the elimination of opportunism or the 'free-rider problem'.[20]

The process of rationalisation in the Irish agricultural co-operative movement offers important lessons for the credit union sector. From 1970 to 1990, the number of agricultural co-operatives decreased from 160 to 30.[21] This occured mainly through amalgamations or mergers and takeovers. However, a number of co-operatives decided not to follow this route, choosing instead to remain independent and/or follow a federated route.

Carbery Group – A federated network

The West Cork Agricultural Co-operatives formed a federated network and established their own central industrial plant owned by the four co-operatives, called the Carbery Group. This federation of agricultural co-ops has consistently offered farmers a good price for milk and has tended to outperform the co-op/plcs.

Carbery is also noted as being one of the more innovative co-operatives in terms of its diversity of service to the farmer member. Carbery's product range includes a number of well-known brands, such as Dubliner Cheese.

(Photos Courtesy: Carbery).

Which form of rationalisation was the most appropriate or successful? The key question is: How should successful rationalisation be measured? Should the result be large international businesses or should it be the maximisation of member benefit? If rationalisation is measured in terms of international expansion, then the rationalisation of the Irish agricultural co-operative movement was a success. However, if measured in terms of member benefit, then that success is less clear. It should be noted that those co-ops which decided to focus primarily on the farmer rather than on the development of an international business have consistently offered a better milk price to farmers.

A similar model within the credit union movement is the Credit Union Service Organisation (CUSO). CUSOs are one form of federated model where a group of credit unions form a central organisation to carry out certain activities for the group, while remaining independent units themselves. CUSOs seem to be mainly an American phenomenon. However, Fischer (2004) believes that the CUSO model could easily be adapted for other credit union movements.[22] CUSOs were first formed in 1970. By 1995 there were 300 CUSOs in the US and by 2003 this had grown to 3,500.[23]

A group of seven credit unions in the south west of Ireland have formally come together to form a CUSO: the Credit Union Alliance.

The ILCU's process of developing a Payments CUSO is well advanced. This CUSO will be open to all credit unions and will focus on the following services:

- Credit union debit cards
- Fully functional credit union internet banking.
- Mobile banking, enabling account balance checks, account transactions, and payments and so on, via a mobile device such as a mobile phone.

Credit Union Alliance

In 2006 a number of credit unions, located primarily in West Cork, came together to discuss how they could build upon and formalise existing, informal co-operative arrangements in relation to marketing and other initiatives. In December 2009 the group formally registered as a Credit Union Services Co-operative Society (CUSCOS). The group trades under the name Credit Union Alliance.

The seven member credit unions are: Ballincollig, Bandon, Bantry, Clonakilty, Kinsale, Skibbereen and St. Gabriel's (an industrial credit union based in Cork City and whose common bond comprises postal and communications employees in the province of Munster). The alliance is structured in such a way that membership is open to any credit union.

The group's focus is on:
- Credit control, loan recovery and related legal aspects
- Audit and governance
- Marketing
- Compliance
- Information Technology
- Human Resources
- Training and Liaison
- Development and new services

A key objective of the Credit Union Alliance is the reduction of costs and the standardisation of policies and procedures across the group, resulting in clear benefits for each of the credit unions. The model is developed in such a way that recognises that members' needs remain the credit union's *raison d'etre*.

This payments CUSO will be open to all credit unions. To avail of the services, it will be necessary to join and pay a membership fee. It will be then up to each individual credit union as to whether they absorb transactions charges or pass them on to members. At this stage it looks likely that the Payments CUSO will use a company structure. The board of the CUSO would have representatives from individual member credit unions and ILCU personnel.

A way forward for Irish Credit Unions

This essay has outlined that while most agree that rationalisation is necessary, the form it should take is less clear. The form taken will vary from credit union to credit union, depending on their circumstances.

If the credit union is in a strong position, it may take a contrarian view and decide to remain independent. Meyer indicates that to do this the credit union must have a strong 'clarity of purpose' and also recognise that it will not be good at everything and may even be bad at some things.[24]

If a credit union is in a poor financial condition and there is no clear plan on how it can rectify this, then it will continue to decline and may even fail. Hence such a credit union, for the sake of its members must decide that it should merge or transfer its engagements to another credit union. Such a credit union should be proactive and approach a neighbouring credit union and the Irish League of Credit Unions or the Credit Union Development Association for support and advice.

Evidence so far has suggested that credit unions pursuing a transfer of engagements strategy experience positive changes. With no compulsory redundancies, staff enjoy greater employment security and members retain their local credit union office while benefiting from an enhanced range of services. This is a win-win outcome for all. It is a far better option than going into steady decline or failing – an undesirable situation for the entire movement, the individual credit union, its staff and, fundamentally, its members.

If a credit union is in a strong position but wishes to reduce costs and increase its product range, it might consider approaching another local credit union and either merging or amalgamating with them to create a new credit union. However, to ensure a successful outcome, both credit unions would need to have a strong relationship developed over a period of time.

CUSOs offer another option for credit unions that enjoy a good relationship and can identify grounds for increased co-operation. While co-operation is happening at a basic level in terms of marketing, to be really effective it would need to follow the CUSO model by sharing services and so on. A clear agreement would need to be drawn up whereby each of the participating credit unions would agree to commit time and financial resources to the co-operative network and thereby help to eliminate free-riding by individual credit unions. The Credit Union Alliance in West Cork is at an early stage of development but has the potential to become a successful federated model. It is interesting to note that credit unions in West Cork are following in the footsteps of the West Cork Agricultural Co-operatives which decided not to follow the merger and PLC route and instead formed a federated model. The ILCU's planned CUSO payments model, which will be open to all credit unions, is a very interesting development for Irish Credit Unions.

Whichever rationalisation path a credit union chooses depends on its current circumstances. Therefore, rationalisation plans should fit in within the overall strategy of the credit union. In other words rationalisation should not be a strategy in itself but should help credit unions achieve their strategy.

Mergers, in one sense, are the easy way out. By developing a federated model, credit unions must develop something new and it is possible for credit unions through this process to re-invent their future. The advantage of the federated model is that credit unions can achieve scale economies while retaining their autonomy and local identity, all of which are required for the future development of Irish credit unions.

Rathmore and District Credit Union: Past, present and future

Volunteers of Rathmore and District Credit Union

Introduction

Straddling the Cork and Kerry border is a community that has significance for credit union volunteers around the country. The village of Ballydesmond was the birthplace and childhood home of the movement's nationally recognised pioneer, Nora Herlihy. Ballydesmond lies within the common bond of Rathmore and District Credit Union.

The people of this area are proud of Nora Herlihy's role in driving the credit union movement nationally, and this heritage is celebrated in the memorial centre that is attached to the Ballydesmond sub-office of Rathmore and District Credit Union. However, Nora had left Ballydesmond to further her education and embark on her teaching career some 40 years before the establishment of the local credit union, and so its development has relied more upon the efforts of local individuals than on the nationally recognised pioneer. In this essay we outline how Rathmore and District Credit Union has developed since its establishment in 1968, highlighting the role of certain individuals in driving its success, and considering some of the factors that will determine its future strategic direction.

• **Fig. 1** *The Common Bond of Rathmore & District Credit Union straddles the Cork-Kerry border, stretching from Clonkeen in the south to Kiskeam in the north, and from Scartaglin in the west to Cullen in the east.*

Origins and development of Rathmore and District Credit Union

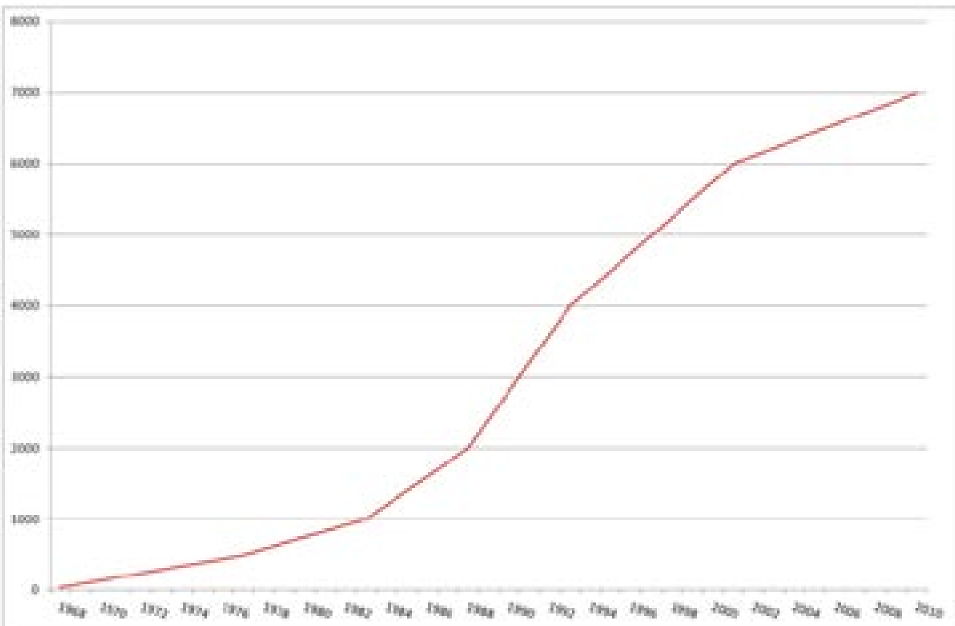
The co-operative spirit, and the understanding of the strength that financial independence gives to a community and its people, are the seeds from which has grown the strong credit union that is Rathmore and District today. Earlier in this volume, Fr. Culloty outlined the difficulties experienced by the people of Ballydesmond in earning a living during the time of Nora Herlihy's childhood. Even from the early twentieth century, there is evidence of the local desire to improve the quality of life through financial means. A quotation from a sermon given by Canon O'Riordan on St Stephen's Day, 1909 demonstrates this: "I need say no more except that if we got control of our own money we would make Ireland one of the most prosperous countries in Europe".[1]

Over half a century after Canon O'Riordan's sermon, in the month of October 1967, Fr. McDyer, a Muintir na Tíre activist from Donegal, was invited by Clonkeen Muintir Na Tíre to speak on strategies to improve living standards. His talk inspired the Shrone guild of Muintir Na Tire - represented by Garda Sergeant John Leen, Phil Cremin and Dan Joe Cronin - and the idea of establishing a credit union was born.

True to the co-operative ethos of the credit union movement, the people of Shrone were not alone in this new venture: officials from the nearby Kanturk Credit Union gave advice on the steps to be taken with a view to setting up a new credit union. Just six months after the Clonkeen meeting, Rathmore Credit Union was founded, operating out of Shrone National School. At the first meeting there were 29 members. The sum collected in shares was €43 (£34). Officers appointed were Fr. Brian Kelly C.C., Joseph Hickey, Pierce Sullivan, James O'Hehir, John Hickey, Donal Hartnett, John Leen, Dan Joe Cronin, Phil Cremin, Tim Counihan and Michael Crowley.

From these early days, the credit union has continued to grow. This is reflected in the increase in membership and shares, the enhanced range of services offered, and the credit union's strengthened social and physical presence in the community. While at the outset there may have been some reluctance to join the credit union, the hard work and long hours volunteered by individuals helped the credit union to grow. Fr. Brian Kelly, for example, whose interests ranged from the promotion of progressive farming methods and saving hay to promoting the credit union, was a key advocate of credit union membership through his Sunday sermons.[2] These efforts ensured that, by the end of 1968, savings had grown to €604 (£476) and the first loan of €50 (£40) had been granted.

Figure 2 illustrates the growth in membership since 1968 to its current level - approximately 7,000. Although it took 17 years to reach the savings milestone of £ 0.5 million (€635,000), within less than two years savings doubled to reach £1 million (€1,270,000) by 1986. By the time the credit union had reached its 40th



• **Fig. 2** *Membership growth in Rathmore and District Credit Union, 1968-2010.*

anniversary in 2008, members had placed their faith in the credit union to the value of €40,000,000.

Reflecting the growing importance of the credit union within the Rathmore community, and also to facilitate the people of surrounding areas, the credit union's physical presence has developed significantly since the early days when it operated out of Shrone National School. Late in 1968, the credit union moved from Shrone to Rathmore Village, while sub-offices were established in Knocknagree and Gneeveguilla in the early 1970s. In 1980, premises were purchased at the west end of Rathmore village and purpose-built premises were developed on that site in 1988. In the meantime, sub-offices were opened in Ballydesmond (1986) and Barraduff (1987). The early 1990s witnessed the opening of new sub-offices at Knocknagree (1991) and Gneeveguilla (1994). In 1995, the credit union acquired new premises in Ballydesmond to accommodate both a credit union sub-office (opened in 1997) and the Nora Herlihy Memorial Centre (opened in 2000).

From its humble beginnings, the credit union has expanded its range of services to meet the diverse needs of its members. The development of the credit union has been driven by many but key amongst them are the staff of the credit union who strive to meet members' financial needs with a warm smile and an attentive ear. It is the staff and volunteers who are always ready to take up the challenge to help the local community. The credit union has become the financial focal point for the community. For example, it provides services to local businesses, which helps to minimise bank charges for hard-pressed local enterprises. Furthermore, money earned in the community is kept locally for recirculation within the community.

County Council Housing Loans in the 1980s provide an example of how a loan need enabled the growth of the credit union. At this time the local county councils were offering fixed rate loans over 30 years at 14-15 per cent. The county councils were the only source of this type of credit as other financial institutions did not offer these

• **Fig. 3** *The Nora Herlihy Centre and sub-office of Rathmore & District Credit Union, Ballydesmond (Photo: Patrick Casey).*

services. Later, when interest rates dropped, members used the credit union to access funds to redeem their loans on more favourable terms. This can be seen as a key event in the growth of the financial services offered by the credit union.

The level of service that the credit union provides to members has resulted in a great spirit of loyalty between the member and the credit union, as typified by the farming community. Through the persistence of board member Con Hurley, the credit union formed good relationships with this community, based on mutual trust. This had the dual benefit of firstly enabling the credit union to meet the needs of a key component of the community and, secondly, to adapt and transfer these services to meet the needs of other groups. For example, in 2008 farmers were facing a major change in how they received their EU payments and pensions: no longer would they be paid by cheque; instead monies were to be deposited directly into bank accounts using electronic methods. The farming members approached the credit union and a plan was conceived to develop a facility whereby money could be paid directly to their credit union accounts. The EU Payments were administered by the Department of Agriculture in Cavan and the Pensions from the Department in Wexford. Through negotiation and clear business sense, Rathmore and District Credit Union established a good relationship with the Department offices in Wexford and Cavan and was able to broker an arrangement that allowed the credit union to meet the needs of its members. Not content with this success, the Rathmore team then rolled out this new service to social welfare recipients, local employers and pensioners of the local Cadbury's factory. It is anticipated that this initiative will enable the continued development of the financial services offered by the credit union.

It is apparent that a people-based approach has been the cornerstone of the credit union's success. The needs of members are always paramount and it is the vision and determination of its staff and volunteers that enables the credit union to devise and implement creative solutions that can be adapted to serve the needs of many members. Of course, the implementation of many of these services has been enabled by new technologies. Rathmore and District Credit Union installed its first computer system in 1992 and this has enabled greater efficiency in dealing with the accounts of its growing membership.

The role of the credit union in community life

While the provision of financial services to members is the core activity of credit unions, their interest in promoting the social wellbeing of the community is also a key aspect of their ethos. This is evident from the level of sponsorship given to local community groups and events, as well as investment in, and development of, local heritage.

While Nora Herlihy may not have had a direct impact on the development of Rathmore and District Credit Union, her important role nationally is recognised by the credit union as a significant part of the area's heritage. Under the leadership of the late Dónal Casey (1940-1998), the Nora Herlihy Memorial Centre in Ballydesmond was established. While the credit union was the instigator of the project, it required the commitment and knowledge of John Stephen O'Sullivan to bring the project from concept to reality.

John Stephen, renowned local historian and retired Principal of Knocknagree National School, oversaw all aspects of the development of the centre. It is impossible to see how the centre would be of such a high standard if it were not for John Stephen's commitment. He researched all details contained in the exhibits, proof-read all content with the assistance of John McCarthy, Secretary of Rathmore and District Credit Union, and led the team charged with the centre's development. The centre was officially opened by John Hume in 2000. John Stephen is still the key figure behind the Centre and performs the role of tour guide, showing young students around and imparting valuable gems of local knowledge (Fig.3).

The credit union has a rich history of sponsoring local events. Because the common bond straddles the Cork Kerry Border, it is no surprise that Gaelic Football is high on the list of events sponsored. Its first venture into the sponsorship arena was in 1982 when Duhallow reached the Senior Cork County Final. While sponsorship of GAA teams continues to be a mainstay of the credit union's approach, the list of sponsored groups and activities extends to embrace all aspects of community life, including athletics, angling, soccer, pitch and putt, traditional music and cultural events and, of course, the schools. Sponsorship and development has ranged from the provision of funds and financial services to availability of facilities and voluntary input, depending on the needs of the organisation or group. Facilities and resources have been provided to organisations that address the specific needs of the community such as the Health Service Executive (HSE), Teagasc, and local historical society Cumann Luachra. There are now over 170 clubs and groups - including the Cullen Pipe Band, the Kerry Life Education Centre, IRD Duhallow, Rathmore Social Action Group and Kerry Community Awards - that hold a credit union account and/or have benefited from the sponsorship approach. Rathmore and District Credit Union has found that the sponsorship approach has raised the profile of the credit union and has contributed to the increase in membership. It has put the credit union at the forefront of members' minds when they are making financial decisions. Sponsorship, therefore, has mutual benefits for the community and its credit union.

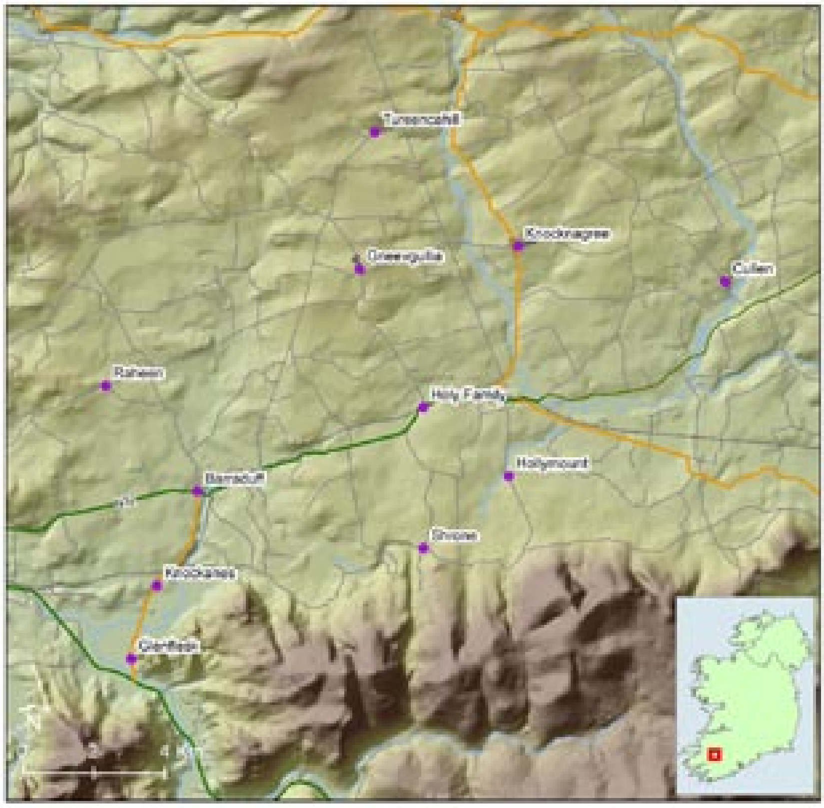
Schools

Throughout its history, Rathmore and District Credit Union has recognised the importance of its links with local schools, which have been a mainstay of the credit union's recruitment process. In the early days, one of the main recruiters in the schools was Fr. Kelly. Many current board members can trace their involvement back to schooldays and visits by Fr. Kelly to the Vocational School and Convent. (Neily Mahoney and Jerry Long of the Board, and Jerry O'Leary, supervisor, who were recruited from the vocational school, have never quite managed to leave the school behind them as the main office and board room is situated on the site of their old school.)

In recognising the importance of younger members of the community as potential future credit union members, a special focus on youth is regarded as essential to the long-term development of the credit union. Infant accounts are the first stage in welcoming the newborn into the community. Services tailored specifically to young members continue through to members' completion of full-time education.

National youth projects have always found support in the credit union. Programmes initiated by the Irish League of Credit Unions, such as the Poster Competition and the Schools Quiz, have been some of the cornerstones of the credit union's strategy to promote the credit union to young members. Rathmore and District Credit Union has been an enthusiastic supporter and facilitator of these initiatives. However, recognising that the needs of each local area differ, the volunteers and staff in Rathmore have also supported local projects, ranging from sponsorship of the secondary school student awards in Scoil Phobail Sliabh Luachra to the provision of low cost loans for students entering third-level education or undertaking apprenticeship schemes.

In the past two years, the credit union has initiated a project to promote the idea of saving by primary school students. A trial run was commenced in Holy Family National School, Rathmore, for the benefit of its 208 pupils. To make it easier for children to save, the savings stamps scheme was introduced with a few adjustments to make it more user-friendly. A specially designed stamp dispensing machine was purchased and installed in the school and cards were distributed to the pupils. These cards had space for 20 x €1 stamps which could then be redeemed at the local credit union. As expected the scheme was successful despite a few initial temporary technical problems. For example, stamps sometimes became stuck in the machine due to over-enthusiastic little hands pulling the stamps out too vigorously; some



• **Fig. 4a** *Rathmore and District Credit Union has rolled out its savings stamps scheme to 11 schools within the common bond (Photo: Patrick Casey).*

other children did not have the correct change for the machine.

The trial run proved that young members are enthusiastic savers but that technology cannot replace the personal approach. In this context, it was the efforts of particular individuals that enabled the scheme to grow and flourish. For example, Diarmuid McCarthy, head teacher in Holy Family National School, stands ready to assist those struggling to reach the stamp machine and with a ready supply of €1 coins which can be exchanged for the collection of 20, 10, 5, 2 and 1 cent pieces offered by diligent savers, while Nora Murphy of the credit union ensures that all the logistics are in place.

The scheme has grown from one school to its current eleven; this rollout has adapted successful practices from the past and made them relevant to the present. With echoes of Jerry Long using the back of his car to collect money in the early days of Knocknagree, now Dan V. O'Connor calls to schools to collect deposits from these young savers every couple of weeks. The skills of the past are enabling

• **Fig. 4b** *Saving stamps are a useful way to encourage children to save from an early age (Photo: Patrick Casey).*

the credit union to promote itself to the members of the future. The credit union has enjoyed considerable success in this venture, generating €10,000 of savings in the credit union during its first 12 months. The key ingredients for its successful implementation were to

- Have a member of the school staff as the contact point.
- Arrange a time and day for each school and stick to this schedule.
- Remember that no one method works for all, so be flexible.
- Have a credit union staff member available to co-ordinate the scheme.

The credit union has also built on the initiatives undertaken at national level and has worked to help young people in the common bond to become 'GR8 SAVERS' (discussed later in this volume). A major challenge for the credit union is to retain the links developed with national school students as they progress through secondary school and then into adult life. It is essential that this link remains strong as the credit union regards these members as its members and volunteers of the future. The need to foster the credit union ethos in future members is supported through the National School visits to the Nora Herlihy Memorial Centre where the history and philosophy is taught to the young members and hopefully future volunteers and leaders.

Looking to the future

While Rathmore and District Credit Union has enjoyed considerable success, there are challenges that need to be overcome in the present and in the future, including technological advances and changes in the regulatory environment.

• **Fig. 5** *An aerial view of Rathmore Credit Union. The credit union flag is flanked by the county flags of Cork and Kerry, reinforcing the cross-county nature of the common bond. (Photo: Air Take, Meelin, Newmarket, Co. Cork).*

Technology and automation are part and parcel of the financial services industry and have increased the credit union's ability to provide services. These developments have reduced the necessity for voluntary input in the operation of the credit union. As a result, the number of volunteers in Rathmore and District Credit Union has fallen from a high of 50 (1986-2005) to 33 in 2010. While automation and changing processes have relieved the credit union of the pressure of finding volunteers, negative implications include a diminished pool from which volunteers can be recruited to the board.

Risk management and regulation puts more emphasis on figures than on people. The default position of the board and staff of Rathmore has always been to put trust in people and this has been the rock on which the credit union has been built. This core belief is challenged increasingly by developments in risk management and regulation, which place increased pressure on the credit union to base its decisions on figures and processes rather than trust in its relationships with members. This is a challenge that will shape the future of the credit union but, based on past experience, there is every reason to believe that Rathmore and District Credit Union will rise to this challenge and will emerge stronger, continuing to meet the needs of its members. The volunteers and staff believe that the credit union is the financial heartbeat of the community and that means putting people before profit.

At the start of this essay, Canon O'Riordan was quoted as saying that "if we got control of our own money we would make Ireland one of the most prosperous countries in Europe". At community level, Rathmore and District Credit Union has given members control of their money and it has laid the foundations for the prosperity and security of this community in the Cork-Kerry border region. From its humble beginnings, the credit union has grown into a strong and vibrant financial institution serving its members with dignity and integrity. It is testament to the commitment and generosity of spirit of individuals working together for the betterment of their community – characteristics of which Nora Herlihy would surely be proud.

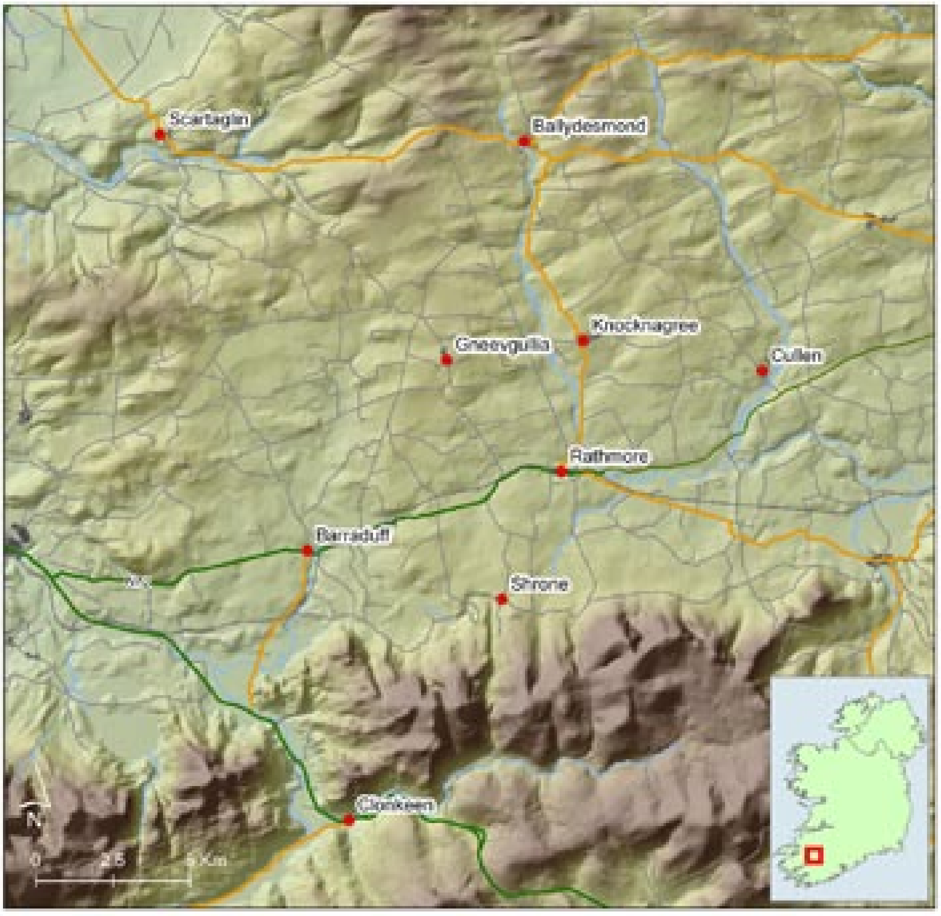
• **Fig. 6** *A Peruvian collage, which hangs in the main banking hall of Rathmore & District Credit Union. This work of art was purchased by the credit union in 1990 in support of a project run by Fr Sean O'Connell, a Columban Missioner in Peru. The project enables women to produce and sell their needlecraft to earn money, which helps them to provide a better standard of living for their families. (Photo: Patrick Casey).*

Muintir na Tíre, credit unions and the Rathmore District

Ray O'Connor

Muintir na Tíre (established 1937) performed an important role in rural community development in Ireland, particularly during the 1940s, 1950s, 1960s and 1970s.[1] The idea of credit unions was introduced to the wider Muintir na Tíre membership by P.J. Meghen at the Muintir na Tíre Roscrea Rural Week in 1946. However, the organisation encountered the idea of credit unions soon after its foundation. Because of its interest in enhancing the quality of life for rural communities, Muintir na Tíre became a strong advocate of credit unions.[2]

In the area covered by the Rathmore and District Credit Union common bond a total of nine Muintir na Tíre guilds (local branches) were established between 1946 and 1968. Seven of these were established during a period of rapid expansion by Muintir na Tíre into Counties Cork and Kerry between 1946 and 1949 (Table 1). Knocknagree was the first area to establish a Muintir na Tíre guild and was followed a year later by Barraduff in 1947. The wave of enthusiasm for Muintir na Tíre peaked in 1948 when Rathmore, Ballydesmond, Scartaglin and Gneeveguilla all established guilds. Cullen was the final area to embrace Muintir na Tíre and established a guild in 1949.



• **Fig. 1** *Muintir na Tíre guilds in the Rathmore District, 1946-1968*

Table 1: Hon. Secretaries of Muintir na Tíre Guilds in the Rathmore Area, 1949 - 1956

Guild (est.)	Name of Hon. Secretaries (Dates of Office)	Address
Ballydesmond (1948)	T. O'Connor N.T. (1950 – 1951)	Ballydesmond, Co. Cork
Barraduff (1947)	D. Healy (1949 – 1956)	Barraduff, Headford, Co. Kerry
Cullen (1949)	M. Murphy (1949 – 1951)	Post Office, Cullen, Millstreet, Co. Cork
Gneeveguilla (1948)	Jeremiah Daly (1949 – 1950)	Gneeveguilla, Rathmore, Co.Kerry
Knocknagree (1946)	Michael O'Keeffe P.C. (1949) John Sheehan (1950 – 1954)	Knocknagree, Co. Cork Knocknagree, Co. Cork
Rathmore (1948)	Michael O'Leary (1949 - 1950) Brendan Bolster (1951 – 1954)	Inchabeg, Rathmore, Co. Kerry Rathmore, Co. Kerry
Scartaglin (1948)	J. Tagney N.T. (1949 – 1950)	Scartaglin, Farranfore, Co. Kerry

Muintir na Tíre's annual publication, *Rural Ireland*, provides an insight into the types of activities in which these guilds were engaged. In a section entitled "Among the Parishes", guilds from all over the country were given an opportunity to report on their activities during the previous year. In 1949, Knocknagree guild reported among their activities:

> *representations to Local Authority concerning sewerage scheme; building of new road started; firefighting equipment acquired and brigade organised; concert.*

In the same year Rathmore guild reported:

> *lectures on agriculture and poultry production; dances, canvass for rural electrification; representations to Local Authority concerning sewerage scheme, public lighting; attention to local cemetery.*

In 1950, Rathmore guild again reported:

> *Secretary, Mr. O'Leary, tells of sewerage scheme which is to cost £5,500. Rural Electrification canvass practically completed; pig market recommenced; street lighting; footpath to church; dangerous bends removed. Agriculture films, lectures on poultry, woodwork and cookery. Socials held. Big housing drive to commence following meeting of parties concerned. Attention to be given to Parish Plan, local flooding, and building of hall.*

These reports in 1949 and 1950 were the only occasions that Rural Ireland published reports from these two guilds, which would suggest that they subsequently became less active. Furthermore, no reports on activities of any of the other five guilds in the area were included. The speed with which the guilds were established in the first wave of expansion indicates that this was not a bottom-up initiative; rather it is highly likely that the organisation in the greater Rathmore area was linked to the activities of one of many Area Organisers that Muintir na Tíre had in place to promote the organisation. All seven guilds were disbanded within a relatively short time. Gneeveguilla and Scartaglin ceased to operate after just two years in 1950, Ballydesmond and Cullen in 1951. Rathmore and Knocknagree guilds ceased to function in 1954, followed by Barraduff in 1956.

However, Muintir na Tire's involvement in the greater Rathmore area did not end in 1956. The organisation returned with renewed vigour in the 1960s with the establishment of new guilds in Clonkeen (1963) and Shrone (1968), and the re-establishment of the Barraduff guild (1965) (Table 2).

Table 2: Hon. Secretaries of Muintir na Tíre Guilds in the Rathmore Area, 1963 - 1972

Guild (est.)	Name of Hon. Secretaries (Dates of Office)	Address
Barraduff (1965)	P.J. O'Donoghue 1965 – 1972	Lisbaly, Headford, Co. Kerry
Clonkeen (1963)	Michael O'Donoghue (1963 – 1966) Padraig O Donnchadha (1967 – 1971) Michael O'Donoghue (1972)	Killeen, Clonkeen, Killarney, Co.Kerry Gortlice, Clonkeen, Killarney, Co. Kerry Clonkeen Hse., Killeen, Clonkeen, Killarney, Co.Kerry
Shrone (1968)	Dan J. Cronin	The Bungalow, Runaskirthane, Rathmore, Co. Kerry

On this occasion, a particularly vibrant branch was established in Clonkeen. The Clonkeen guild submitted reports of its activities to "Among the Parishes" in Rural Ireland in 1966, 1967, 1968 and 1971 (see Fig. 2). These reports highlight: the diversity of activities in which the guild was engaged; a capacity to innovate and to engage in entrepreneurial enterprises; that representations made by the local group in many cases resulted in successful outcomes.

Clonkeen Guild Reports 1966 – 1971

1966: "AGM 28th November. Tourism for the area was the main item in which the guild was involved during the year. Entered Question Time Competition. Reps. made to Government Departments re woodwork and domestic economy classes, and to ESB re special service charge and extension of supply. Church grounds cleaned. Lectures, debates, demonstration, concert, ceilithe and card drives"

1967: "Group water scheme and Credit Union under discussion. Development of tourism a main feature of the guild's activities. Repairs carried out on hall; ran raffle to raise funds. Participated in Question Time competition and reached Munster Final. Limited Liability Company formed; this project is for the erection of a roadside café and a display centre for cottage industries. Teilifís Feirme viewing group organised. Due to reps. to Local Authorities and the ESB current has been extended and road repaired."

1968: "Guild purchased hardboard and timber with which members carried out repairs in the school. Cut grass and cleaned grounds of Church. Farm House Holiday Scheme initiated. Group water scheme awaiting Government sanction for past three years. Maintains branch of County Library. Participated in Question Time competition. Took part in parish variety concert. Teilifís Feirme viewing group. Seven socials held."

1971: "Guild co-operated in the opening of a mountain road. 25,000 salmon purchased and deposited in the Flisk (sic.) river. Participated in Public Speaking and Talent Competition. Held Parish Question Time Competition. Ran 9 Socials"

• **Fig. 2** *Clonkeen Guild Reports, 1966-1971.*

Of all these activities one of the most enduring legacies of Clonkeen guild was that it initiated the process that led to the foundation of Rathmore Credit Union. It is interesting that the idea that ignited the passions of Nora Herlihy, and that she spent her life promoting, was exactly the same as that which inspired Muintir na Tíre members in her homeplace.

In Muintir na Tíre, three people in particular saw the potential benefits of credit unions and energetically promoted the idea within the organisation: the National President of Muintir na Tíre (1950 – 1969) and Bishop of Cork and Ross, the Most Rev. Dr. Corneilius Lucey[3]; the National Vice-Chairman of Muintir na Tíre (1946 – 1960) and Limerick County Manager, P. J. Meghen[4]; and Tomás Roseingrave, the National Director of Muintir na Tíre (1968 – 1979)[5]. The ideas that they advocated were embraced enthusiastically by the Clonkeen guild of Muintir na Tire. While Nora Herlihy worked in the national and international arenas to guide and influence national policy and legislation on credit unions in Ireland, near her homeplace of Ballydesmond, the Clonkeen guild of Muintir na Tíre worked to build the credit union organisation from the ground up.

Nora Herlihy, aware of Muintir na Tíre's longstanding interest in promoting credit unions, wrote an article outlining the ethos and modus operandi of credit unions in Rural Ireland, the organisation's annual publication, in 1967. In this article, Nora echoes the sentiments expressed in 1909 by Ballydesmond's Canon O'Riordan. She too argued that:

> *Self-help is the key to the permanent relief of need, and those who hold and control money are able to determine the allotment of credit, the very life-blood of production and all economic activity. How important it is, therefore, not to allow the small savings to be siphoned off from the community that generated them.....Credit unions radiate the Christian principle of human brotherhood and solidarity in the field of finance. Such a spirit is an asset to any community.*[6]

While the activities of the Clonkeen guild in the 1960s may now be (at best) a distant memory for many in Rathmore, those who were active back then have left a legacy in Rathmore and District Credit Union that arguably has done more than any other voluntary organisation in the region to benefit the social, economic and cultural life of the community.

SECTION 5

Issues and debates for the contemporary credit union movement in Ireland

Credit unions and community wellbeing

Carol Power, Ray O'Connor, Olive McCarthy and Michael Ward

Introduction

A key factor in the emergence and development of the credit union movement in Ireland was the desire to improve the quality of life for people who were excluded from mainstream financial services. The impact of early credit unions on the lives of many members and their wider communities was transformative. Their physical presence within local communities has facilitated widespread membership.[1] While they have retained their co-operative ethos and not-for-profit business model, in the public consciousness credit unions have become increasingly integrated into the mainstream financial services sector, catering for a wide socio-economic cross-section of members. In contrast to conventional financial institutions, however, credit unions are governed by members of the community – the people who use their services. By virtue of the services they provide, credit unions impact positively not only on individual members but also on the wider communities in which members live and work. Furthermore, most credit unions are also involved in initiatives to improve the civic, social and cultural wellbeing of the common bond.

This essay considers the positive social impact of credit unions at community level in Ireland. It outlines aspects of the co-operative ethos that underpin efforts by credit unions to promote and facilitate community wellbeing. It draws on quantitative and qualitative evidence (including surveys of 40 credit unions) collected by students of the Diploma in Credit Union Studies in the Centre for Co-operative Studies, University College Cork.[2]

• **Fig. 1** *A large montage, which hangs in the banking hall of Comhar Creidmheasa Chriost Ri Teoranta, Turners Cross, Cork. The work was commissioned by the Planning Committee of the Credit Union Board prior to the opening of the credit union's new, purpose built premises on the Curragh Road in the autumn of 2000. Created by artists Bernard Mortell and Jacques Vebrugge, the montage depicts key landmarks in the community, including the credit union, the local church, hospital and schools, as well as some local business premises. It highlights the history and architectural heritage of the local community. As a work of art, it can be interpreted as a representation of the embeddedness of credit unions in their communities (Artists: Bernard Mortell and Jacques Vebrugge. Photo: Mary Murphy).*

Credit unions and social responsibility

The notion of corporate social responsibility (CSR) has featured increasingly in the policy strategies of international companies. Essentially, CSR involves companies auditing their impact on staff, customers, suppliers and other stakeholders, assessing their environmental impact, implementing strategies to minimise the negative impacts of their business, and making efforts to contribute to community and environment in a positive way. In conventional, profit-oriented businesses, CSR policy is likely to be motivated primarily by consumer demand for ethical products and practices (e.g. Fair Trade products) and/or by public relations agendas which seek to portray companies in a positive light. For credit unions, however, social responsibility is inherent in the philosophy of the movement.

The cooperative principle of concern for community, as it applies to credit unions, is given formal expression in the World Council of Credit Unions' Statement of Credit Union Operating Principles, which has been adopted by the Irish League of Credit Unions (ILCU):

> *Continuing the ideals and beliefs of co-operative pioneers, credit unions seek to bring about human and social development. Their vision of social justice extends both to the individual members* ***and to the larger community in which they work and reside.*** *The credit union ideal is to extend service to all who need and can use it. Every person is either a member or a potential member and appropriately part of the credit union sphere of interest and concern.*[3]

While financial services are offered exclusively to members of the credit union, many of the benefits of credit unions are not confined to members. Firstly, there are the collective benefits that accrue to entire communities. By widening access to credit, they promote

Credit unions promoting civic engagement

Credit unions can play an important role in fostering the voluntary ethos within local communities. Some credit unions have introduced award schemes to recognise the contributions of individuals and groups within the community. One such example is Thurles Credit Union, which introduced its 'People of the Year' award scheme in 1993 to recognise the commitment of individuals and groups of volunteers within the common bond and to highlight their role in the community. Awards are made in a number of different categories, which vary from year to year, but in the past have included charity work, culture, sport, and community development.

• **Fig. 2** *Thurles 'People of the Year' Awards. Pictured are winners, nominees and local dignitaries (Photo: George Willoughby).*

social inclusion, leading to personal empowerment and more harmonious communities. Furthermore, credit union policy encourages aspects of financial capability – the knowledge and skills to budget and manage one's money – and, in contrast to conventional financial institutions, credit union decisions are based on the interests of members and their community rather than the need to generate profits (as discussed elsewhere in this volume). While the benefits of credit unions to individual members are apparent, the collective impact on entire communities – including members and non-members – is less obvious.

Secondly, credit unions – at least those that strongly uphold co-operative principles – are active and responsive institutions in relation to community enhancement and development. In fulfilment of the principles of concern for community and social responsibility, they engage with, and provide financial and other supports to, a range of community groups and initiatives. Credit unions, therefore, can enhance entire communities through the positive by-products resulting from the services they provide and the policies to which they adhere, and through their philanthropic efforts to enrich the social, civic and cultural dimensions of community life.

The collective community impact of credit unions

From the outset, social inclusion and financial empowerment have been key goals of the credit union movement. The first Irish credit unions were a response to the dire economic circumstances of the late 1950s when Ireland experienced high levels of unemployment and poverty. Access to credit for those on low incomes had been severely restricted. Banks were not interested in the market for small, short-term loans and were unwilling to lend to high-risk customers. This left many people with no option but to resort to money-lenders, many of whom charged extortionate interest rates; expensive hire-purchase schemes to purchase household appliances; and pawnbrokers. Credit unions emerged to address this problem by providing access to credit at fair interest rates. This gave members "dignity and a fair and equitable system of borrowing . . . [the credit union] took the shame out of credit".[4] Credit unions also encouraged people to manage their finances prudently by saving regularly and borrowing within their ability to repay. They provided a financial service in areas "where money-lenders were rife, where money management was unheard of . . . [The credit union] instilled prudence and thrift".[5]

The extension of credit on fair terms to lower-income groups was significant not only for the individuals concerned, but collectively and cumulatively for the wider communities in which they lived. Limited access to financial services within communities tends to perpetuate social exclusion.[6] In contrast, access to affordable credit empowers individuals, allowing them gradually to improve their standard of living. It can be argued that this in turn leads to increased self-esteem and generally enhances the social atmosphere within communities. As expressed by one volunteer, the credit union "encourages equality of opportunity, thereby increasing harmony within the community".[7]

Despite the success of credit unions in combating the proliferation of money-lenders, the problem has not been eradicated. This is due partly to lack of awareness of the costs of borrowing from money-lenders relative to mainstream credit providers, the perceived convenience of the 'doorstep' loan, and the assumption by many that there are no other credit options open to them.[8] One initiative that has targeted this problem is the annual Wolves from the Door campaign. Originally developed by Tralee Credit Union in 2005, the initiative has since been rolled out by many credit unions.[9] The campaign runs during the pre-Christmas period (October-December), when many people are particularly vulnerable to predatory money-lenders. It involves the distribution of leaflets that caution against overspending at Christmas and highlight the costs of borrowing from money-lenders. Some credit unions have gone as far as naming local money-lenders and highlighting the costs of borrowing from these loan providers.

• **Fig. 3** *Poster advertising the Ballinasloe L.E.T.S. currency (Courtesy: Ballinsloe Credit Union).*

Credit unions and the local economy

One of the most significant problems facing retailers in small towns is the leaching of business to nearby larger towns and cities. This has economic and social implications in terms of local employment and, ultimately, the maintenance of a retail and service infrastructure. Reflecting these concerns, a number of credit unions have been proactively involved in developing a form of local currency to ensure that as much retail business as possible remains within their town. One example is Ballinasloe, where the credit union, in association with Ballinasloe Chamber of Commerce, has developed the Ballinalsoe L.E.T.S. (Local Exchange Trading System). This L.E.T.S. is a local currency that is accepted in participating retail outlets within the town. The currency is printed in three denominations – €5, €20 and €50 – and includes a number of security features which are detectable under UV light. Participating retailers can redeem the value of the currency at the credit union. The main users of the scheme are individuals who purchase the currency from the credit union to give as gifts to family and friends, or by employers to award as staff bonuses.

The provision of affordable loans not only benefits individual members but also contributes to local economic development. Local businesses benefit from the increased purchasing power of individuals. Our research shows that many staff and volunteers believed credit unions were vital to local economies. One staff member stated that without the credit union: "members would be at a loss financially so the local economy would also suffer", while another believed closure of the credit union would be "as bad as the Wall Street Crash" for their community.[10] While a vibrant economy by no means guarantees a healthy community, economic circumstances are a key determinant of the overall wellbeing of a community.

One of the key advantages of credit unions for members is their local, autonomous structure. Recent years have witnessed a growing (physical and social) distance between banks and their customers.[11] Credit unions, on the other hand, maintain a strong physical presence within their communities. Particularly in rural areas, credit unions perform a valuable role in the context of rationalisation by banks, post offices and other service providers.[12] Facilities such as bill payments, foreign exchange services and purchase of train tickets provide a convenient means for members to access such services.

Several respondents to our survey stressed the social role of the credit union. The weekly visit to the credit union can form an important part of a person's routine. For example, one volunteer emphasised how credit unions "promote community spirit by people paying in on regular days".[13] This is especially important for social inclusion of groups such as the elderly: a staff member in one town observed that "older members . . . rely heavily on the credit union as a meeting place in the community [one that is characterised by] a sense of ownership and familiarity for members".[14] Furthermore, credit union staff and volunteers are generally held in high esteem by members. Comments that were made by study participants[15] include:

> *The staff are warm and friendly and they are really on your wavelength; they are not trying to sell you a loan.*
>
> *There is great community spirit amongst staff and management, their willingness to help [and] their entire attitude to members.*

For the greater good: Credit unions reaching out to the community

We have explored how credit unions enrich their communities by their very existence and purpose, and by the services they provide. However, credit unions also engage with wider aspects of the community development agenda. Through their sponsorship of, and donations to, a wide array of community and voluntary groups, they contribute to the enhancement of the social, civic and cultural fabric of the community. Section 44 of the Credit Union Act (1997) gives formal, legislative recognition to this role, allowing for the establishment of a special fund to be used by the credit union for "social, cultural or charitable purposes (including community development)".

Research undertaken by students of the Diploma in Credit Unions Studies in 2001 found that a combined total of €721,295 annually was contributed by a sample of 40 credit unions to community groups and projects.[16] Assuming a similar rate of support to the community from credit unions not included in our survey, this would suggest that community-based credit unions in Ireland invested over €8.7 million annually in supporting the voluntary sector or their local communities. Beneficiaries of funding include sports clubs, senior citizens' groups, youth projects, heritage projects, and civic awards (e.g. Volunteer of the Year, Tidy Towns). Credit unions also provide in-kind support to some of these groups by allowing them to use meeting rooms, photocopiers and other office facilities. Staff time is also an important support provided by credit unions. This ranges from making staff available to talk to community groups about personal finance issues to maintenance of websites for local community enterprise initiatives.

Credit unions recognise the importance of schools as a vehicle through which prudent attitudes to money can be cultivated in young people from an early age. Their work with schools includes projects that raise awareness of the credit union movement and initiatives that cultivate prudent financial habits. Credit unions affiliated to the ILCU participate in ILCU-sponsored initiatives, including an annual All Ireland Schools Quiz for primary schools and a poster competition

• **Fig. 4** *Ballyphehane Disability Accessible Community Transport Group provides a bus service to transport the elderly to day-care centres in Ballyphehane and neighbouring Cork suburbs. Funding from the credit union enabled the community to purchase the bus (Photo: Kieran O'Connor).*

Sport and Recreation

Credit unions sponsor a range of sporting events within their communities. This benefits members of the community right across the age spectrum, from school football teams to bowls clubs. While football and hurling probably represent the majority of sponsored activities, other sports activities also benefit.

• **Fig. 5** *A mural in Sive Rowing Club, Caherciveen, Co. Kerry, depicting rowing activities on the Valentia river, Caherciveen. Caherciveen Credit Union was the main sponsor of the Sive Triathlon in 2009 (Artist: Majella O'Sullivan. Photo: Mary Murphy).*

for children and teenagers. Credit union sponsorship creates an awareness of the movement and its objectives among young people. Our research indicates that 93 per cent of credit unions make some form of donation to schools, ranging from sponsorship of sports teams and talent competitions, to provision of grants for computers and other facilities, student bursaries and school book rental schemes.

School credit unions represent an important means of encouraging the habit of saving among young people. Furthermore, they provide useful experience to students involved in running the credit union and they promote the voluntary ethos among young people. The operation of school credit unions requires significant commitment on behalf of the school and its students, and the credit union.[17] In the survey of 40 credit unions undertaken in 2001, 45 per cent were involved in operating school credit unions.[18] More recently, some credit unions have entered into 'relationship agreements' with local schools, which aim to facilitate a close working relationship for the mutual benefit of partner schools and credit unions.

Optimising the contribution of credit unions to the community

This essay has highlighted the role of credit unions in promoting and facilitating community wellbeing. Credit unions are embedded in the social, economic and cultural fabric of their communities. They enhance their communities by promoting financial and social inclusion, and by providing financial services at local level under fair terms and conditions during a period when other services are rationalising their regional networks. However, the social role of credit unions in enabling community life to thrive – through financial and other supports – is also, in turn, a key strength of the movement.

The extent of engagement with community issues varies among credit unions in terms of the level of financial contributions made and the degree of enterprise and commitment shown. While most credit unions are willing to respond to requests from community groups, their approach to community development is not always planned or co-ordinated, tending to be more reactive than proactive. In our survey of 40 credit unions, only 16 indicated that they had a formal written policy to guide how they impacted on their communities. There is a case for the development of a more proactive, strategic approach in the deployment of resources, thereby optimising the community impact of the credit union. Because they are locally-based organisations run by people within the community, credit unions are well positioned to anticipate, identify and respond to local needs. In a proactive policy scenario, the credit union would play a key role in shaping the development of the community by strategically investing in aspects of community life that it perceives to be of particular importance.

In a period when 'progressive' credit unions are challenged to increase their range of services to members, they also need to remain cognisant of their social responsibilities. In order to optimise their role in the community, there is a need for individual credit unions to reflect on their performance in relation to fulfilling the principle of social responsibility. By engaging meaningfully with the community development agenda, credit unions can improve the wellbeing of their communities, while simultaneously raising awareness of their not-for-profit, community-oriented ethos and business practices. At a time when conventional financial institutions' lack of social responsibility has been highlighted, credit unions have a significant opportunity to highlight the contrast between their people-centred approach and the profit-maximising approach of mainstream financial service providers. By formally co-operating with other stakeholders, including other co-operatives (see Bridget Carroll's essay), credit unions can optimise their contribution to the economic, social, civic and cultural wellbeing of their communities

The role of credit unions in financial capability

Noreen Byrne, Carol Power, Olive McCarthy and Michael Ward

Introduction

The financial crisis experienced by Ireland in the 2008-2010 period reflects a lack of financial capability (i.e. the ability to make sound decisions in relation to financial matters) across Irish society – at an individual level, in the banking sector, among financial regulators and at state level – during the past ten years. However, at the same time, there has been increasing interest in the concept of *financial capability* both nationally and internationally. Large scale studies have been commissioned in Ireland, the UK, and many other European countries, as well as in the US and Canada, while the OECD has a dedicated staff unit researching and reporting on financial capability issues.

While there may now be fewer resources for large scale studies, the concept of financial capability is of more relevance than ever before. During the 'Celtic Tiger' period, many people enjoyed secure employment and surplus income. Individuals and households were often able to absorb the costs of financial mistakes made due to poor financial skills or lack of understanding. Now, however, in a time of limited resources at household, community and national level, the ability to absorb the consequences of financial mistakes is far more restricted; therefore, lack of financial capability has a far more serious impact at all levels.

Recent decades have witnessed developments within the financial services sector that have changed our relationship with money. The widespread adoption of 'plastic money' (credit cards and laser cards), electronic payments of salaries and bills, and automated service delivery channels have rendered money less tangible than it was in the relatively recent past, when most transactions, including salary payments, were made in cash. These developments represent an added dimension to the challenge of fostering financial capability, particularly in future generations whose experience of cash will be limited.

This essay examines the concept of financial capability and briefly outlines the key findings of previous studies. It explores the range of instruments that can be used to motivate financial capability and, in particular, reviews some of the initiatives introduced by credit unions to improve the financial capability of their members.

What do we mean by financial capability?

There are a number of formal definitions of financial capability. A popular one is from the UK Treasury which defines financial capability as:

> *broad concept, encompassing people's knowledge and skills to understand their own financial circumstances along with the motivation to take action.*[1]

The definition continues:

> *financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market.*

Another definition used in the literature is that those who are financially capable are more likely to:

> *want and make the best use of available products, cope with financial pressure and avoid financial trouble, know where to turn in a crisis, budget well making their income go as far as possible and use savings and insurance to plan for the future.*[2]

Both of these definitions tend to focus on the 'individual'. An American writer, Cohen, describes this as a 'blame the individual' approach.[3] This approach suits banks and other financial service providers because the focus is on the individual and hence the solution is required at individual rather than organisational/institutional level. It does not place any obligation on financial service providers to modify their practices to facilitate greater financial capability. Hence, there is a need to understand financial capability not just in terms of the decisions taken by individuals but also the responsibilities of the financial services industry.

What do studies say about levels of Financial Capability?

The Financial Services Authority (FSA) in the UK commissioned a study on financial capability in 2006.[4] The study estimated that two million UK households struggle constantly to keep up with their bills and financial commitments. Moreover, 3 per cent of the population had experienced serious financial problems and had fallen behind on many of their bills and credit commitments, while 9 per cent indicated that they always run out of money at the end of the week/ month. Less than one-third of respondents had made personal provision to allow for a drop in income.

A similar study of financial capability in Ireland, commissioned by Irish Financial Services Regulatory Authority (IFSRA), was carried out in late 2007/early 2008.[5] The study revealed that people are generally competent in managing their money on a day-to-day basis. However, almost half the population exhibited some weaknesses in relation to financial capability, particularly with regard to planning ahead, choosing financial products, and staying informed/keeping up-to-date. Among the most vulnerable groups were those on lower incomes and those with lower levels of education. They were more likely to be single, female, living in rented local authority housing, and with limited participation in the financial services market.

Both the UK and Irish reports conclude that much work needs to be done in terms of financial education to strengthen and increase levels of financial capability.

How can financial capability be motivated?

Although individuals express concern about financial matters, they often lack the motivation to build their personal financial capability. This is referred to by Dixon as 'the motivation gap', where there is a difference between "what people say is important and their actual behaviour".[6] Dixon identifies two main approaches in motivating financial capability. The first and most common approach is *financial education*, advice and guidance. The second relates to *infrastructure*, which involves "providing the best possible structures to make it easier for people to act in more financially capable ways, thereby [enabling them to become] more engaged and interested in improving their financially capability".[7]

1. Motivating Financial Capability: Financial Education

Much of the focus to date has been on building financial capability through the provision of financial education via formal courses and seminars. However, many writers are critical of the fact that there is little evaluation of the effectiveness of financial education, which makes it difficult to assess its impact.[8] As a result, there is considerable scepticism regarding the usefulness of financial education in enhancing financial capability.[9]

Another concern related to an exclusive focus on financial education is that it shifts the blame for financial incapability to the consumer and away from financial providers. Such a focus absolves service providers from the need to change their core business practices. One writer argues that:

> *to fend off calls for new controls on their lending activities, banks have sought to define the problem of insolvency in terms of inadequate financial literacy and the industry has launched a series of educational programs to improve public understanding of topical issues.* [10]

Questions have also been raised regarding the appropriateness of certain categories of individuals or organisations as educators. For example, financial services advisors may be motivated by profit and lack impartiality. Truly impartial advice would not promote particular financial products or services.

In the context of "financial questions [that] are too difficult and countervailing forces [that] are too strong for people's capability to be strengthened meaningfully . . . [critics of the financial education approach argue that] the answers lie more in changing the context in which people make decisions".[11] Therefore, any discussion of financial capability must also consider infrastructure.

2. Motivating Financial Capability: Service provision infrastructure/environment

'Service provision infrastructure' encompasses everything other than the individual consumer – how a service is delivered, the structure of the financial services sector, the number of providers, how regulation works and so on – all of which either help or hinder a person's level of financial capability. Hence, if we are to motivate financial capability, it is necessary to address 'the environment in which decisions are made'.[12] It is argued that publicly-funded financial education campaigns face significant challenges in terms of encouraging individuals to make sound financial decisions in a financial services market that is profit-driven and characterised by an increasingly complex array of products.

Researchers suggest a number of ways of improving the financial service infrastructure so as to facilitate financial capability. Some of these are outlined below:

• **Fig. 1** *A poster advertising Tipperary Credit Union's educational programme (Courtesy: Tipperary Credit Union).*

- **Regulation:** regulation could give consumers greater protection by helping them to use financial products more wisely. One report[13] on the behaviour patterns of financial services consumers indicates that the banking sector exploits people's tendency to postpone important financial decisions, such as moving surplus money from a current account to a savings account to earn a higher rate of interest. This particular problem could be overcome by making all current accounts saving accounts. Furthermore, the practice of offering short-term 'teaser rates' to new customers (for example, initially low interest rates on credit cards) is a form of discrimination between new and existing customers that could be tackled by better regulation. One of the reasons why people postpone financial decisions is the vast range and complexity of financial products on the market. Regulation could help to simplify the product range, thus minimising confusion and indecision among customers.

- **Basic bank accounts:** In a study of financial exclusion in Ireland[14], Corr recommends that consideration should be given to the provision of "basic bank accounts". These accounts would act as a gateway to other services, particularly for those currently marginalised by mainstream banks.

- **Challenging established wisdom in terms of savings:** For those who have debts, established wisdom maintains that it is better to focus on clearing debt before building up savings. However, there is an argument that, for many individuals, it may be more prudent, in the longer term, to pay off debts regularly, but more slowly, while simultaneously cultivating a savings habit.[15]

- **Empowerment through commitment:** Commitment to particular goals represents a key influence in changing behaviour. Supporting people in making and keeping commitments is of critical importance, in other words encouraging people to develop a savings habit, as happens in the credit union.

How do credit unions motivate financial capability?

Since their inception, credit unions in Ireland have been encouraging financial capability through their principles and practices, and indeed already fulfil many of the service infrastructure criteria outlined above. They offer a basic account which allows members to save and borrow and there is no distinction between current and savings accounts. They encourage members to save while repaying their loans, thereby cultivating in members a regular habit of saving. The credit union ethos, which places member welfare at the centre of its business practices, contrasts markedly with the profit-oriented ethos of conventional financial service providers. It is now clear that the 'bonus culture', which incentivised bank staff to increase sales of loans and other forms of credit, was a significant contributor to the reckless lending and aggressive marketing of financial products that led to the current financial services crisis. Money-lending services are run on a similar commission-based system. The problem with services designed in this way is that, for the financial services employee or the money-lending agent, there is a strong motivation to increase sales in order to maximise bonuses or commission, and this can work to the detriment of consumer welfare. Because credit union employees are not incentivised by bonuses or commission-based rewards, they have no interest in selling products to members unnecessarily. Instead, when members call to the credit union counter, staff members and volunteers regard individuals as members of their community, not as a potential sale.

While the enhancement of financial capability has always been central to the ethos of the credit union movement, more recently, many credit unions have been active in developing a number of initiatives geared towards empowering existing and prospective members to gain greater control of their finances. Educational campaigns aim to enhance financial capability of all members while specific targeted initiatives have been developed to address the needs of particularly vulnerable groups and to encourage financial prudence among children and youth.

Financial Education

Credit unions operate a range of education campaigns – both formal and informal. In terms of formal, structured programmes, the authors are aware of only one, which is run by Tipperary Credit Union. Developed by Kathleen Prendergast, former chairperson of the credit union, this was a six-week course that did not focus solely on financial management or budgeting but was more holistic in nature, including areas such as healthy eating and exercise (Fig.1).

• **Fig. 2** *Gym'll fix it – Tralee Credit Union's on-line money management programme (Courtesy: Tralee Credit Union).*

Online, interactive education programmes offer greater flexibility for those who have internet access. Tralee Credit Union has recently developed an on-line money management programme called 'Gym'll Fix It'. Linked to the credit union's website, this user-friendly programme helps members to profile how they are performing in terms of their financial management. It then helps them to work out how they can improve their situation (Fig.2).

In terms of written material, credit unions have developed financial budgeting leaflets, which help people to work out their weekly/monthly spending. Many credit unions (approximately 50%[16]) issue newsletters, which include a financial education element, while some credit unions regularly contribute a financial education column to local newspapers. All of these activities offer opportunities to reach potential new members and to contribute in some way to the enhancement of individual and collective financial capability.

Targeted initiatives: Overcoming money-lending and over-indebtedness

Ireland's 'Celtic Tiger' period was characterised by the rise of materialism and unprecedented levels of consumption. To finance this lifestyle and, indeed, for those marginalised by the economic boom, to meet fairly basic needs, many people resorted to money-lenders. First developed by Tralee Credit Union in 2004, and subsequently rolled out to other credit unions by the ILCU, the *Wolves from the Door* campaign aims to combat money-lending, especially in the run-up to the Christmas period when people become particularly vulnerable to such loan offers. The campaign involves the distribution of leaflets to homes and organisations within the community, highlighting the cost of these loans. While many credit unions issue generic leaflets warning against money-lending, Tralee Credit Union goes one step further and names local moneylenders, highlighting their high interest rates compared to those of the credit union. By including the names of the money-lenders, the message becomes less abstract and

• **Fig. 3** *The circulation of the Wolves from the Door pamphlet is an important element of Tralee Credit Union's efforts to combat money-lending (Courtesy: Tralee Credit Union).*

demonstrates the real cost difference of a loan from a money-lender versus the credit union.

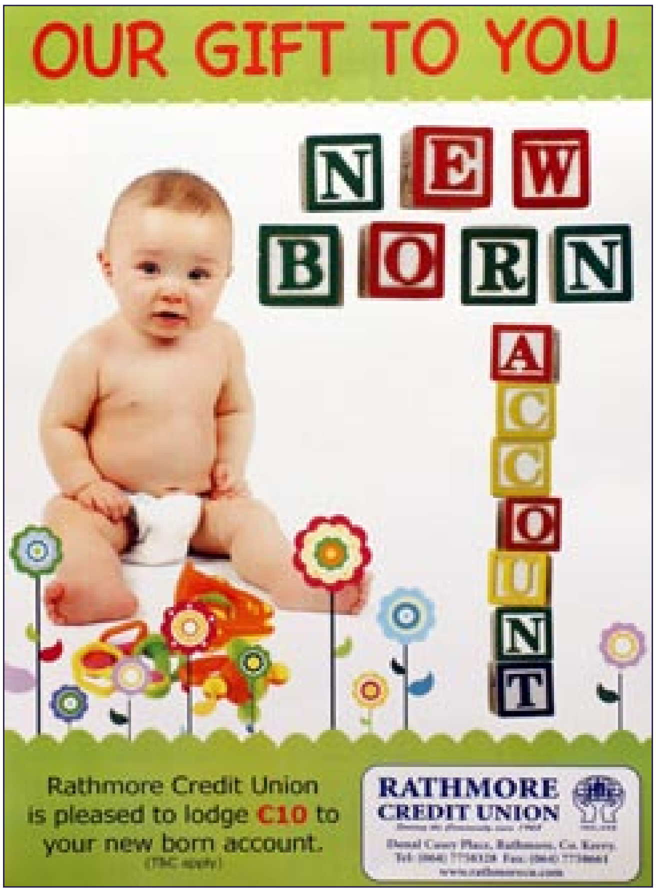
In a partnership-based initiative with the Money Advice and Budgeting Service (MABS), some credit unions operate a social fund to enable credit unions to respond quickly to members who face financial crisis.[17] The social fund scheme was devised to offer small, low-interest loans for emergency purposes to people who would otherwise approach a money-lender. This scheme is particularly important for MABS clients in terms of preventing them from re-forming their relationship with a money-lender during a time of crisis.

Many of those who use the services of money-lenders are particularly attracted by the apparent convenience of the 'doorstep' loan whereby money-lenders call to borrowers' homes to arrange loans and collect repayments. *Replacing the Moneylender* is an initiative developed by the *Credit Union Alliance*, a group of credit unions in west Cork. The group has hired a loans recovery officer who, while visiting housing estates to collect debts on behalf of the credit union, seeks to identify those currently using money-lending services with a view to encouraging these people to transfer their loans to their local credit union. In an attempt to motivate clients to make this change, the credit unions involved aim to replicate the money-lenders' mode of service delivery but at the fairer rates, terms and conditions of the credit union. This service is still at an early developmental stage. It could be useful as a transition process to encourage individuals who currently rely on doorstep loans to become more integrated into mainstream financial services, eventually with a view to visiting the credit union to conduct their business.

A number of credit unions have been active in developing and promoting alternatives to expensive hire-purchase schemes. One such initiative is Tralee Credit Union's *CU Easy Pay*, which is targeted at those who use hire-purchase schemes to buy white goods in electrical shops. Hire-purchase and similar finance arrangements can often be the first step in driving people into debt, because people don't expect it to be so expensive. *CU Easy Pay* offers much cheaper credit to credit union members. If a customer is not a member of the credit union, they can become a member and then apply for *CU Easy Pay* credit. Many electrical shops in Tralee have discontinued their hire-purchase schemes, preferring to offer *CU Easy Pay* arrangements instead. One nationwide retailer indicated that they would like to offer this service nationally if other credit unions would offer it.[18]

Targeted initiatives: Fostering financial capability in a new generation of members

Children who acquire good financial habits from an early age have a head-start in relation to their future financial capability.[19] In this context, several initiatives have been introduced to encourage young children and teenagers to save regularly and to utilise their credit union.



• **Fig. 4** *Recognising the importance of instilling good financial practice from an early age, many credit unions, including Rathmore & District, have introduced special accounts for newborn children (Photo: Patrick Casey).*

Many credit unions offer a 'newborn account', which can be opened for an infant under a specified age (Fig.4). The credit union lodges a sum of money – usually €10 or €20 – as a way of welcoming the newborn to the community and as a means to encourage parents to start a savings account for their child from an early age. This means that, as soon as they are ready to start saving pocket money or money received as gifts, they already have an account in the credit union. Credit unions are particularly child-friendly and are willing to take small deposits. Some also offer saving stamp schemes and/or credit union piggybanks. Money saved in this way is more tangible and useful for younger children who like to watch their savings accumulate before they choose to spend their money or lodge it to their credit union account.

The Irish credit union movement has recognised the potential of internet-based communication as a means to promote financial education and generate awareness

• **Fig. 5** *Children with a credit union-sponsored piggybank. Society's relationship with money has changed significantly in recent years. Credit cards and debit cards have become increasingly popular and we are increasingly moving towards a 'cashless' society. It is important to teach children the value of money from an early age. Children are better able to understand what is tangible. In this context, the piggybank has an important role to play (Photo: Mary Murphy).*

of credit unions among young people. The gr8savers website was created by the ILCU to introduce the idea of credit unions and how they operate to 7-12 year olds. It offers advice to children on saving and suggests ways that parents can encourage their children to save. It also provides information on credit union competitions for children (Fig.6). The cu4youth website caters for teenagers and, as well as providing information about competitions, includes a short film which seeks to promote the benefits of credit union membership and encourages teenagers to become involved in school credit unions.

Conclusion

In the 1950s, Ireland experienced widespread poverty, high unemployment and mass emigration. The effects of poverty witnessed by Nora Herlihy in the course of her teaching career in Dublin motivated her and others to seek out new ways of improving the quality of life for those struggling to make ends meet. By providing small loans at fair interest rates, the credit union model offered an escape route from interminable debt and the grip of money-lenders. Moreover, the credit union's emphasis on encouraging regular saving and prudent use of credit facilitated financial education through practice, thereby empowering people to gain greater control of their personal finances.

Having emerged from the most prosperous period in its modern history, Irish society once again finds itself in economic turmoil, witnessing the return of unemployment and emigration. What differentiates the recession of the 2000s from those of the 1950s and the 1980s is the high level of personal debt amassed by individuals during the 1990s to enable them to buy property at inflated prices and to participate in the consumption-oriented Celtic Tiger society. The need for financial capability – at individual, household, community and national level – has renewed relevance in the troubled economic climate of the 2000s. The ability to make sound financial decisions in relation to managing personal debt and making ends meet will be critically important for individuals and the wider society in which they live.

This essay has examined various means by which financial capability can be enhanced, focusing on financial education and the infrastructure/environment in which financial services are offered. In this context, it has highlighted some of the key initiatives developed within the Irish credit union movement: 1) to educate the public about financial matters and 2) to target individuals and communities who are particularly vulnerable to making poor financial decisions (e.g. those using money-lending services, hire purchase schemes etc.) and those who are particularly receptive to acquiring good financial habits (e.g. children and teenagers).

It has been demonstrated that the process of building basic financial capability is inherent in the policies and practices of the credit union movement. Initiatives such as those oriented towards combating money-lending and helping individuals to overcome over-indebtedness are likely to gain even more widespread relevance during the current recession. While credit unions should be applauded for their efforts in these areas, there is scope for them to become even more proactive in promoting financial capability. For example, credit unions could play a role in educating members on financial matters that extend beyond the range of services offered by the credit unions themselves, such as long-term financial planning. There is also scope for credit unions to become more involved in the promotion of financial capability among the next generation of financial decision-makers by co-operating more closely with schools.

Some credit unions are particularly proactive in developing new ways to build financial capability. While it is acknowledged that this agenda presents significant challenges for credit unions, these challenges are not insurmountable. Co-operation between networks of credit unions could provide a more feasible and co-ordinated approach to financial capability-building, particularly for smaller credit unions. In planning for the future development of their service infrastructure, credit union leaders must remain cognisant of their responsibility to remain true to the ethos of the movement in terms of promoting prudent financial practices among their members. However, they must also adapt their strategies in order to maintain relevance in contemporary society.

• **Fig. 6** *The ILCU's gr8savers campaign aims to encourage thrift and create awareness of credit unions among 7-12 year olds.*

This paper is based on research funded by the Combat Poverty Agency.

Co-operative credit in the developing world

Nick Chisholm

Introduction

Credit co-operatives have long been a feature of the developing world – as long as we include informal associations in our definition. We should not be surprised at this – just as low incomes, lack of collateral, and poor terms of trade vis-à-vis traders or moneylenders were factors in the development of the co-operative sector in Ireland (and elsewhere in the developed world), these conditions exist strongly in the developing world, and co-operation, whether formal or informal, provides a way of overcoming such problems.

This essay discusses informal and formal credit co-operatives in the developing world. It addresses some of the factors affecting the success or failure of such institutions. The essay also briefly discusses the recent rapid development of the micro-finance movement, inspired by the example of the Grameen Bank in Bangladesh. Finally, the essay addresses the particular impact of such co-operation on women and their role in promoting co-operation.

Informal and Formal Credit "Co-operatives"

One official definition of a co-operative is

> *…an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate.*[1]

In other words, people choose to come together to achieve something of mutual benefit on an equitable basis. People join together in credit groups to access money which, for various reasons, they could not access individually, or could only do so at high interest rates.

Seen this way, it is not surprising that informal credit associations have a long history in some parts of the world: for example, Rutherford notes that there are references in Japan to rotating savings and credit associations (ROSCAs) going back six hundred years, and that "ROSCAs are found in their tens of thousands on every continent".[2] More generally, such associations can be seen as an example of mutual aid practices well known in both rural and urban societies, not least the *meitheal* mutual labour tradition in Ireland.

What is the rationale behind these associations, generally referred to as ROSCAs? The basic explanation – which is in essence no different to that of credit unions – is to provide access to lump sums of money which the members would otherwise find it difficult to obtain, for example due to poverty or lack of access to other forms of credit. ROSCAs generally have a simple structure, where members pay a specific amount of money into a fund at fixed intervals, and receive their money back at one time on a rotational basis. There is no interest rate involved.

Why do people join ROSCAs rather than save individually, or in preference to other credit-giving institutions? In general, over a particular time period, joining a ROSCA gives members access to more capital, and in a lump-sum form, than if they saved alone. The "microeconomic" logic of this is explained by van den Brink and Chavas[3], based on their analysis of the njangeh form of ROSCA in the Cameroon. Further to this, however, the reality in many situations is that "you can't save alone".[4] Gugerty examines ROSCAs in Western Kenya and suggests that ROSCAs represent a means for "self-discipline" and encouragement to make savings, which it is difficult to do as an individual, especially if you are poor. There is nothing in principle different in such arrangements from Christmas Clubs, common throughout the developed world (colloquially known in Cork as "the manage").

ROSCAs are therefore a means of overcoming some of the traps of poverty – although it is not only poor people who form ROSCAs. Poor people need access to funds for a variety of reasons, as discussed by Rutherford (op cit), who puts them into three categories: life-cycle events (e.g. marriage, periodic festivals, funerals); emergencies; and opportunities - for business investments or purchase of a durable item to improve livelihoods and quality of life (e.g. a bicycle or a radio in a poor rural community). Being poor, individuals can otherwise only access funds, if at all, on unfavourable terms, for example from moneylenders at high rates of interest.

Why do ROSCAs continue to exist even where there are alternative sources of credit available? There are a number of reasons. First, ROSCAs are not purely economic institutions, but are part of the social fabric of communities. Indeed, certain characteristics of communities – known in academic literature as "social capital"[5] – are important for the successful operation of ROSCAs. These characteristics include relations of trust, values of mutual aid, and the negative stigma attached to non-payment.

Second, as with credit unions, ROSCAs exist to provide funds for a variety of purposes, including emergencies (e.g. health expenses) or the purchase of durable goods. Ardener[6] points out that wealthy people also form ROSCAs, citing Besley and Levenson (1993) who suggest 80 percent participation in ROSCAs in Taiwan.

Third, Ardener (op cit) also points to the social and information benefits of participation in ROSCAs – the networks created by membership of ROSCAs can be used for other purposes. Also, for a variety of reasons, many people belong to more than one ROSCA so that they can access funds at different times.

Kloos and Haile Mariam discuss the purpose and potential of the iqqub institution in Ethiopia, an indigenous form of savings association:

> *The driving force behind iqqubs is the desire to save money for a specific purpose (Daka 1978); for this reason, they are mainly meant for credit purposes and are most common among traders and merchants. Since iqqubs also create venues where people meet and discuss their problems and other social issues, there is potential to play an important role in the prevention and control of HIV/AIDS.*[7]

This essay has so far focused on a particular – but very widespread – type of informal credit association, the ROSCA. ROSCAs are "time-bound" in that the money paid in by members gets paid out again over a specific time period. However, if people want to save different amounts, over a longer period of time, or are not clear when they may want to get their money back, the ROSCA structure does not fit: in this case there is a need for what Rutherford (op cit) calls Accumulating Savings and Credit Associations (ASCAs), of which the more advanced form are credit unions. These are also referred to as SACCOs (Savings and Credit Co-operatives), a term which is generally reserved for formal, legally constituted user-owned groups.

Credit Unions or SACCOs provide – at least in principle, and often in practice – certain advantages over ROSCAs. Rutherford (op cit) discusses these benefits, but notes the importance of a "higher body" to realise them: supervision and regulation; provision of financial services for the constituent credit unions to deal with the problem of storing surplus savings; provision of insurance; and legal registration, protection and representation.

Credit unions have spread around the world and are widespread in the developing world, as discussed below; but it is interesting to note that, in many of the studies of ROSCAs (e.g. van den Brink and Chavas's study in the Cameroon, op cit), credit unions or other financial institutions do not appear to supplant the ROSCAs, but rather co-exist alongside them, sometimes at a smaller scale. This indicates that the ROSCAs are still trusted by large numbers of people and continue to fulfil a need. The importance of "trust" as a key component of successful financial intermediation has been amply demonstrated in the recent international financial crisis.

How widespread are credit unions in the developing world? Table 1 provides data for 2008 from the World Council of Credit Unions on the existence of credit unions and membership globally and by continent.

Table 1: Membership of Credit Unions by Continent

Region	Credit Unions	Members	Average members/CU
Africa	18,220	20,116,921	1,104
Asia	21,076	35,002,737	1,661
Caribbean	439	2,456,127	5,594
Europe	2,569	8,728,915	3,398
Latin America	1,994	12,111,533	6,074
North America	9,109	103,498,603	11,361
Oceania	282	3,885,401	13,778
World	53,689	185,800,237	3,461

Source: Statistical Report, World Council ofCredit Unions

It is clear that credit union membership is very widespread: over 185 million people globally belong to credit unions. Although over half of this membership, and a much higher proportion of total savings, is in North America, credit unions are of growing importance in the developing world: for example, the number of credit unions in Africa has increased from 3,267 in 2000 to 18,220 in 2008, and membership from 2.135 million to over 20 million in the same period.[8] Levels of savings are clearly related to average income levels in each region, with average savings levels in Africa noticeably smaller than in all other regions (Table 2).

Table 2: Savings and Loans in Credit Unions by Continent (US$)

Region	Savings	Loans	Average savings / member
Africa	4,387,563,973	3,748,738,397	218
Asia	71,625,359,590	55,338,734,374	2,046
Caribbean	2,970,420,886	2,396,231,292	1,209
Europe	21,404,287,146	14,207,961,538	2,452
Latin America	15,201,514,141	16,621,717,636	1,255
North America	852,849,155,922	729,967,354,784	8,240
Oceania	27,302,933,887	24,778,011,205	7,028
World	995,741,235,545	847,058,749,226	5,359

Source: Statistical Report, World Council of Credit Unions

It is clear that the formal development of the credit union movement in developing countries is relatively recent: for example, the first credit union in the Cameroon was established in 1963 by a Dutch Catholic priest, and the Savings and Credit Co-operative League of South Africa (SACCOL) was formed in 1993 (WOCCU 2010, op cit). To some extent credit unions in developing countries are focused more in urban areas than rural areas, perhaps more than the proportionate distribution of the population as a whole, although data do not allow a very clear picture to emerge in this regard. Credit unions emerge more easily in urban areas in the sense that (a) there is a larger pool of potential savings to draw on, and (b) there may be fewer alternative financial intermediaries – apart from conventional banks, which may not be a realistic or preferred option for low-income urban dwellers.

Of course, not all co-operative credit is provided through credit unions. For rural populations in particular, multi-purpose agricultural co-operatives play a role in providing seasonal credit in some countries, either in cash or kind: for example a co-operative union may bulk-buy fertiliser and provide it through primary agricultural co-operatives, recovering the costs at harvest time. Such arrangements tend to work better with commercial cash crops where such inputs are more likely to be used and where the majority of produce is actually marketed.

Micro-Finance Institutions

Although credit unions have been expanding in developing countries in recent years, a bigger expansion has taken place in Micro-Finance Institutions (MFIs), based on the now famous Grameen Bank model developed in Bangladesh from the late 1970s by Professor Mohammed Yunus. Yunus and the Bank were jointly awarded the Nobel Peace Prize in 2006 "for their efforts to create economic and social development from below".[9]

The Grameen Bank started as an action-research poverty-eradication project in one village in Bangladesh in 1976, and developed into an independent national bank in 1983.[10] Currently it has more than 8 million members, of whom 96% are women – the vast majority poor women.[11]

There have been many imitators of the Grameen Bank approach such that MFIs are now significant sources of credit for poor people. Estimates of exact numbers of people in MFIs are difficult to find: however the Microbanking Bulletin[12] benchmarked 1,100 MFIs from almost 100 countries, which in total served 74 million borrowers. The organisation CGAP quotes three different recent estimates of the number of borrowers in MFIs, which range from 133 million to 190 million. A relatively small number of MFIs account for the majority of borrowers, however, while many MFIs remain of small scale.[13]

There are many debates about the extent to which MFIs reach the poorest, and MFIs are not necessarily organised along co-operative lines. However, the Grameen Bank approach, which many MFIs have copied, is in a number of important respects built on co-operative principles. A key element of the approach is the use of peer group lending to overcome the lack of collateral amongst poor people. Members form groups of five and make savings, receiving loans in turn, but each is responsible for the loan repayment of the other members of the group. Failure by one member to repay means other members will be denied access to credit, thereby providing a strong incentive for members to mutually enforce loan repayment. This system of peer pressure could also be seen in operation in the ROSCAs discussed earlier.

The remarkable spread of MFI membership, particularly amongst poor women, indicates the high demand for credit amongst the poor. When poor people gain access to credit at reasonable rates, it can significantly improve their lives. Various studies of the impact of MFIs have been conducted, and are most recently reviewed in Odell.[14] Studies vary in terms of the impact of MFIs on incomes and other livelihood outcomes (e.g. improved health and nutrition) of poor borrowers, but there is little reason to doubt that properly run MFIs can and do help to improve the lives of the poor, although MFIs by themselves are rarely enough to lift poor people out of poverty completely.

There are reasons why the very poor may not benefit from MFIs however: the poorest lack assets and may not be able to repay, for example if there is crop failure. Taking credit then would result in debt and further impoverishment. Kidane observes this situation amongst some of the poor in the drought-prone Tigray Region of Ethiopia: one interviewee said

> *I am poor, how would I repay? Do you borrow if you do not have the means to repay? I will work and feed my family. Those who borrow use it for consumption and they get into trouble.* [15]

This response points to the importance of the uses of credit: many involved in MFIs support the focus of these organisations on micro-enterprise rather than funding consumption, but it is hard to insist that very poor people should not use credit for consumption when they lack basic needs. It needs to be remembered that poor developing countries do not have State-provided social safety nets which would help to meet basic needs, although such safety nets are being developed in Ethiopia and many other countries. This also illustrates the importance for development and poverty reduction of multi-faceted approaches, of which savings and credit provision through co-operatives or MFIs is an important, but not the sole, approach.

• **Fig. 1a** *Transactions at a sub-office of a microfinance institution in Ethiopia (Courtesy: Chekol Kidane)*

• **Fig. 1b** *Queue at a microfinance institution sub-office in Ethiopia (Courtesy: Chekol Kidane)*

Women and Credit Co-operatives

The majority of borrowers from MFIs are women. The Grameen Bank from the outset has been particularly strong on this issue, based on its research showing

> *...women's key contribution in household livelihood strategies among the poor and their greater tendency to devote their incomes to family, rather than personal, welfare. It was evident that self-employment was more important for women, given the paucity of waged-labour opportunities open to them.*[16]

Therefore women appear generally more willing to save and to spend income on family welfare than men; they also generally have better repayment rates. Beyond these issues, access to credit, which can generate a separate source of income which women control, can be a powerful means of empowerment for women within the household. Access to micro-credit can also enable women to overcome various cultural constraints on participation in the labour market.

Some observers are more cautionary about the extent of women's empowerment, particularly from micro-credit programmes where there is a requirement by funders that credit should be given to women. Kidane (op cit) cites Hulme and Mosley[17] and others who note that in some cases women take loans which are actually used by men for their own activities. The message is simply that claims of women's empowerment as a result of access to credit programmes need to be treated carefully. However, such claims should have a stronger foundation where women are clearly in control of the savings and credit arrangement – which brings us back to the importance of the principles of democratic ownership and control which lie at the heart of the co-operative idea.

Conclusions

This essay has discussed informal and formal credit co-operatives and the related MFIs. All of these organisations are of increasing importance in the developing world and are contributing significantly – although in a way that is hard to quantify – to poverty reduction, local economic development and women's empowerment. These organisations meet needs, particularly, but not only, amongst poorer people, which conventional financial institutions fail to meet. Indeed, the widespread "systemic" failures of large-scale financial institutions worldwide in recent times draw attention to the importance of developing more sustainable, democratically controlled alternatives, as represented by credit unions and similar co-operative organisations. We need to be careful, however, to ensure that such organisations do not forget the poorest, those who are particularly risk-averse and have least capacity to repay; or that other instruments are available to help such people out of poverty.

The inspiring example of Nora Herlihy, in pioneering a new form of organisation by and for those hitherto excluded from accessing financial services in Ireland, is indeed being followed in many parts of the developing world to the considerable benefit of millions of poor households. In that sense, she was part of a wider global movement which believes in global equity, social justice and people's well-being and empowerment.

Beyond the common bond: Supporting credit unions in developing countries

Alan Moore

For over thirty years, Irish credit unions have been contributing towards a development fund, administered by the ILCU (Irish League of Credit Unions) Foundation, in support of strengthening the credit union movement in developing countries. The mission of the ILCU Foundation is "to alleviate poverty in developing countries by supporting credit unions, their representative bodies and other co-operative type organisations as a means for socio-economic development through the provision of financial and technical assistance". Since its beginning, the Foundation has supported over 200 projects worldwide.

The ILCU Foundation was founded in 1980. A motion put forward and passed at the AGM that year invited credit unions to contribute towards a fund "to provide aid, financial or otherwise, to developing countries with particular emphasis on credit union and other co-operative projects".[1] The premise for establishing the Foundation was to share the success of credit unions in Ireland with those in the developing world. Through support for the development of credit unions in low-income countries, the Foundation is helping people to help themselves through the credit union model.

The credit union and cooperative sector in developing countries reaches the very poor and marginalised people in society, benefiting individuals, families and communities collectively. The Foundation supports credit unions in providing savings and credit facilities by encouraging empowerment and education, promoting opportunities for poor people and, in essence, helping people to help themselves. The main sources of funding comes from contributions made by credit unions in Ireland[2] and also from co-funding arrangements with international and national donors.

The Foundation provides support to develop and strengthen credit unions and savings and credit cooperatives in countries located in Africa and Eastern Europe. Core funding is provided to six selected programme countries over a long-term period.[3] The Foundation provides both financial and technical support to each programme country to achieve their objectives towards a strengthened credit union movement. The support provided is aimed towards:

- reducing rural poverty through increasing access to rural finance by supporting savings and credit cooperatives.
- training and upskilling credit union staff, board directors and volunteers.
- improving the level and quality of services that credit unions provide to their members.
- strengthening the partner country's national apex body.
- assisting credit union movements to become self-sustaining.

The Foundation's work enables credit union movements and their staff to engage with, and learn from, the credit union movement in Ireland. Irish credit unions and their staff engage with our partners to promote best practice and share their expertise and knowledge. Over the years, staff members from various credit unions have participated in the Ghana Coaching Programme, sharing their skills and knowledge with their counterparts in the Ghanaian credit union movement. In addition, credit unions throughout Ireland warmly welcome study tours on an annual basis which allow the visiting group to engage with staff and see the day-to-day operations of the credit union movement in Ireland.

To achieve its objectives, the Foundation works in partnership with an array of international, national and local development partners. Over the years, the Foundation has acquired a vast amount of experience and expertise from conducting its own projects and participating in others. This experience and knowledge has ensured that the Foundation promotes best practice and adheres to the principles of aid effectiveness.

On an annual basis, the Foundation also provides funding for a number of once-off small projects in the developing world. These supported projects in Brazil, India, Malawi, Nigeria and other developing countries are aimed at reducing poverty and improving the livelihoods of the poor and most vulnerable people in marginalised communities.

The work of the Foundation is crucial to the lives of over half a million credit union members in our six supported countries.[4] The valuable work of the Foundation in supporting credit union development in low income countries is made possible by the generous support of Irish credit unions.

• **Fig. 1** *A credit union training meeting in Ghana facilitated by the Irish League of Credit Unions. (Photo: Ted O'Sullivan)*

SECTION 6

The wider application of the co-operative ethos in Irish Society

An overview of co-operatives and the co-operative ethos in Ireland

Olive McCarthy, Robert Briscoe and Michael Ward

Introduction

When we start to think about co-operatives in Ireland, most of us immediately think of agriculture and milk processing. This is most likely because dairy co-operatives have always played a significant and particularly visible role in the Irish economy. However, the array of types of co-operative and the activities they engage in, both in Ireland and internationally, is more far-reaching, both within agriculture and much further beyond, across a wide range of business and community enterprise. This essay introduces the concept of the co-operative and presents a brief overview of the range and types of co-operative, in Ireland in particular, but with reference to the relevance and application of the co-operative ethos worldwide. It also explores the co-operative ethos, referring to the importance of both co-operative structure and co-operative process in the effective operation of a co-operative enterprise. It concludes by briefly examining some of the issues facing the co-operative movement in Ireland today.

What is a co-operative?

There are over 1,350 registered co-operatives in the Republic of Ireland, including credit unions (Table 1). More than half of the Irish population are members of a co-operative, many of whom may not realise they are members and part-owners of the business which serves them.

Table 1: Breakdown of co-operatives by type in the Republic of Ireland

Sector	Number
Agriculture and food	297
Credit Unions	328
Housing	49
Group Water Schemes	344
Promotion & Development	148
Others	189
Total	1,355

Source: *Report of the Registrar of Friendly Societies (2008) and Irish League of Credit Unions' Annual Report (2008)*

A co-operative can be defined as 'a self-help business owned and democratically controlled by the people who use its services and share in its benefits'.[1] While this is a simple definition, it does focus on a number of the key features of the co-operative approach. First of all, a co-operative is a self-help organisation, owned and controlled by the people who use its services. It is set up for the purpose of helping its members to address their own needs and problems. Secondly, it is a business enterprise and should not be viewed or treated as a charitable entity. It must function as any other business would, although it may be more socially conscious than a typical business. Thirdly, it is designed to serve its users. They are the people who use the co-operative's services on a day-to-day basis. Fourthly, co-operatives are democratically controlled, where each member has one vote. Things are done very differently in a typical business, where votes are allocated according to the number of shares owned.

Clearly, co-operatives are unusual businesses and they tend to arouse strong feelings, both positive and negative. For some, the word co-operative may have pleasant connotations, to do with people taking charge of their own lives and democratically controlling the organisations that meet their needs. For others, it may have negative images of inefficiency, conflict and radical left-wing or even right-wing thought. Many more will have heard of co-operatives, but cannot quite pinpoint what it is that makes them different to more conventional forms of business. For many, the word 'co-operative' summons up images of one particular kind of business. In Ireland, most people associate co-operatives with the dairy industry, even though Ireland has a wide range of co-operatives, including credit unions, housing co-operatives, fishing co-operatives, water co-operatives and community co-operatives, as we will see below. In Britain and continental Europe, many people associate co-operatives with food retailing. In Canada, co-operatives are most often associated with grain storage and marketing. In parts of Asia, co-operatives are associated with sustainably managing tourism.

Types of co-operative and range of co-operative activity, with particular reference to Ireland

Co-operatives are best categorised according to five main types of user/member.[2]

Producer Co-operatives

Producer co-operatives are owned and controlled by independent producers who use their co-operative to help improve their own individual businesses, such as, farmers, fishermen, and artisans, as well as other small business operators as varied as taxi drivers, pharmacists, hauliers and plumbers. The purpose of this kind of co-operative is to help producers improve the effectiveness and profitability of their own individual businesses. For example, a dairy co-operative can help its farmer-members get a better price for their milk by processing and marketing it for them and also through collective bargaining power. Agricultural producer co-operatives can also provide a range of other services, including the supply of farm inputs (such as fertilisers and seeds) and access to equipment and machinery.

• **Fig. 1** *Co-operative wind farms allow farmers to combine their resources to achieve economic efficiencies (Photo: Mary Murphy).*

Ocean Spray is a familiar brand in Ireland and few consumers here realise that this is a US co-operative comprised mainly of cranberry growers who pool their cranberries for processing into juices and sauces. Handicraft co-operatives help members get a better price for their artefacts by providing training to improve members' skills and productivity, as well as marketing services and the supply of raw materials. For example, Carrickmacross Lace in Co. Monaghan is a co-operative of lace makers. A new sector for producer-owned co-operatives in Ireland is the rapidly growing field of wind power. Here co-operatives are being established by farmers to help them combine their resources and give them a collective advantage that would not exist if they continued to operate as individuals.

Consumer Co-operatives

Consumer co-operatives are owned and controlled by consumers. The most successful example of this kind of co-operative in Ireland is the credit union. The credit union serves the consumers of financial services and is owned and democratically controlled by its borrowers and savers. Housing co-operatives (owned by their tenants) also fit into this category. Supporters' co-operatives (also known as supporters' trusts) present an interesting example of consumer co-operatives whereby supporters of various sporting teams, more usually football, own the sporting club. Examples include the newly formed Cork City Foras Co-operative and Barcelona FC in Spain. In the US, health care co-operatives (health care centres and hospitals owned by their patients), electricity supply co-operatives and telephone co-operatives (owned by the people who use the electricity and the phone services) are all commonplace. Consumer co-operatives give consumers access to services at terms and conditions that suit their needs and control over the way in which these services are delivered. For example, credit unions are extremely important players in promoting and enabling financial inclusion of those who may have been turned away by the conventional banking system.

Workers' Co-operatives

Workers' co-operatives are less common in Ireland than elsewhere, but this business model is attracting increasing interest as a useful means of job-creation and small business development. A worker co-operative is a business owned and democratically controlled by its workers (e.g., a furniture factory, owned and controlled by the cabinet-makers). A well-known example of a workers' co-operative is the Quay Co-operative in Cork, which runs a successful vegetarian restaurant, organic food store and in-house bakery. Workers' co-operatives are very popular in countries, such as Italy and Spain, which are more heavily industrialised.

Workers' co-operatives tend to succeed best in times of recession and high unemployment and, not surprisingly, the International Labour Organisation[3] expects considerable growth in this co-operative sector in the future. Workers' co-operatives often provide a vehicle for workers to take over an ailing business in order to preserve their jobs, even if this means wage cuts and longer hours while the new co-operative business recovers.

• **Fig. 2** *Cork City FC team captain, Cillian Lordan, leading the team out against Waterford United in the club's first game as a supporters' owned club, 12th March 2010 (Photo: Alan Mooney, courtesy Cork Foras Co-op).*

Community Co-operatives

Community co-operatives are owned and democratically controlled by the people living in a particular community. Often, these communities are in remote areas that have been neglected by the state. The purpose of such a co-operative is to improve the viability of a community, by creating jobs, marketing the community's assets and providing needed services. Many of Ireland's islands, particularly the Irish-speaking islands, have established community co-operatives. For example, on Tory island off the coast of Co. Donegal, the co-operative was established to encourage economic, cultural and social development on the island. Community co-operatives are also prolific in remote parts of Scotland bringing much needed supplies of food, hardware and other necessities.

Multi-Stakeholder Co-operatives

Finally, multi-stakeholder co-operatives are owned and controlled by two or more of the groups of users described above. It might be a business owned jointly by its customers and workers (like the Eroski supermarket chain in the Basque region of Spain; or like an American health care co-operative, some of which are owned jointly by medical staff and patients). In Ireland, the recent establishment of the Cork-Swansea Ferries Co-operative presents an example of a multi-stakeholder co-operative, owned by a variety of interests, including tourism promoters, local businesses and individuals. Another possibility would be a producer/consumer co-operative owned jointly by farmers and shoppers (like the multi-stakeholder consumer/farmer/fisherman co-operatives of Iceland). Co-operatives within the social economy often use the multi-user structure. For example, a child-care co-operative is often jointly owned and controlled democratically by both the parents of the children being cared for and the workers providing the care services. Social economy co-operatives are not clearly in evidence in Ireland to date. And of course, there are second tier co-operatives, which are co-operatives owned and controlled by a group of similar co-operatives. For example, the Irish Dairy Board (IDB) is a co-operative of agricultural co-operatives, which markets Irish dairy produce abroad. The Kerrygold label is one of the best known brands employed by the Irish Dairy Board and is used to market Irish butter in over 60 countries worldwide

Co-operative ethos

Co-operatives differ from more conventional business structures primarily in terms of ownership, control and profit distribution. They also emphasise social as well as economic goals, while most conventional businesses are more concerned with economic goals alone. Co-operatives are owned by their customers/users and are open for membership to anyone who wishes to use the services offered. Conventional firms tend to restrict ownership to a limited elite of wealthy owners. Member control in a co-operative is organised according to the democratic principle of one member, one vote. In conventional firms, voting rights are weighted according to the number of shares held and profits are distributed according to shareholding. In co-operatives,

• **Fig. 3** *The MV Julia was purchased by the newly formed Cork-Swansea Ferry Co-operative, a multi-stakeholder co-operative owned by tourism promoters, local businesses and individuals (Photo: Conor Murphy).*

profits are shared according to member usage of the co-operative, rather than shareholding. For example, the more a member buys from a consumer co-operative, the greater dividend the member receives at year end. The more a member saves with and borrows from a credit union, the greater the dividend earned on savings and in some credit unions, the greater the loan interest rebate received.

Earlier we used a general working definition of a co-operative as a self-help business, owned and democratically controlled by the people who use its services. This definition gives us a useful, general picture, but it is very incomplete. Co-operatives in most parts of the world are required by legislation to abide by a number of so-called ‘co-operative principles’. These principles were originally set out by the co-operative pioneers in Rochdale, but have been revised and updated a number of times since then to reflect experience and a changing society. Table 2 summarises the key features of each of the seven principles.

Table 2: The seven co-operative principles and their key features

Principle	Key features
Voluntary and open membership	Membership open to anyone
Democratic member control	One member, one vote
Member economic participation	Members contribute to and control capital
Autonomy and independence	Self-governing, democratic organisations
Education, training and information	Capacity building of members and public
Co-operation among co-operatives	Co-operating with like-minded organisations
Concern for community	Work towards sustainable development

Voluntary and open membership

Membership in a co-operative is open to anyone who can make use of its services. In Ireland, we probably take this for granted. In considering this principle, however, one must reflect on the experiences of people in non-democratic countries, where ‘co-operative membership’ and sharing of resources was forced, rather than voluntary. For example, in Romania under the Ceauçescu regime (1974-1989), farmers were forced to hand over their livestock, farm machinery and land to so-called ‘co-operatives’ set up by the government. They then had to work what was, in effect, their own land and assets on behalf of the government owned and controlled ‘co-operative’ for little pay or benefits. Farmers who did not comply suffered horrific consequences.

Democratic member control

Co-operatives should be democratically controlled and administered. All members have an equal say in the co-operative’s annual general meeting and in elections for the board of directors. The board, in turn, appoints the manager and oversees the running of the co-operative. Voting rights go with membership, not with the size of capital invested or number of shares owned (as would happen in a conventional company). The rule is one member one vote. In other words, you cannot buy more votes in a co-operative by investing more money. To become a member in a co-operative, you usually have to buy at least one share. Some co-operatives will let you buy more than one share, many will require that you buy more, but these additional shares will not provide you with more votes.

Member economic participation

Members should contribute equitably and control democratically the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. A number of approaches are used to ensure that capital is controlled democratically and equitably.

Limited return on share capital:- Typically, co-operatives are required to pay only a limited return on shares. In a conventional company, profits are distributed in proportion to the number of shares owned; not so in a co-operative. In co-operatives, members are paid no more than a fixed rate of interest on the money they have invested in shares.

Co-operatives distribute profits in proportion to members' use of the co-operative:- Instead of distributing profit according to shares owned, which is what happens in the conventional business, co-operatives typically distribute profits according to how much members have used the business. A credit union, for example, might pay a rebate of interest paid on loans, as well as a return on savings.

Issue bonus shares:- Some co-operatives, when distributing profits according to use, issue those payments in the form of bonus shares. Typically, these shares cannot be redeemed for cash immediately, but must be retained within the co-operative for an agreed period. This enables the co-operative to reward members for their use of the co-operative, while continuing to have the use of the allocated capital.

Reinvest profits in the co-operative:- Of course, co-operatives are not obliged to distribute any profits at all. It all depends on the wishes of the members and the financial state of the business. Members may choose to reinvest all of the profits in their co-operative to help build the business and expand its range of services.

Autonomy and independence

Co-operatives are autonomous, self-help organisations controlled by their members. When they deal with other organisations, they should do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, training and information

Co-operatives should invest in building the abilities and capacities of their members and employees. Because co-operatives exist to encourage the development of people, they should spend some of their profits on developing their members (to improve their ability to run their own affairs). For example, many credit unions now try to educate their members on the costs and other dangers of moneylending. Co-operatives should also try to inform the general public to show them how the techniques of co-operation can be applied to the solution of societal problems.

Co-operation among co-operatives

Co-operatives should co-operate with other co-operatives and are much more likely to prosper if they do. This is why you find credit unions working together to set up a central body to provide affordable services to them, and small retail co-operatives co-operating to run a wholesaling organisation so they can enjoy the cost advantages of bulk buying.

Concern for community

While focusing on members' needs and wishes, co-operatives also work for the sustainable development of their communities through policies approved by their members.

The first three of the Co-operative Principles (open membership; democratic control; member economic participation) are typically used by governments to define the legal structure within which a co-operative must operate. In Ireland, co-operatives are primarily legislated for under the Industrial and Provident Society Acts (1893 to 1978). Uniquely among Irish co-operatives, credit unions operate under their own distinctive legislation, the Credit Union Act (1997) and enjoy differentiated regulation under the Irish Financial Services Regulatory Authority's (IFSRA) Credit Union Regulator.

Our discussion of the co-operative ethos so far has emphasised the structural characteristics of co-operatives, rather than the quality of the process carried out within that structure. While the principles and the legislation define aspects of the structure of a co-operative, they give us little help in understanding the process of how to operate an effective co-operative within that structure. This has led to the peculiar tendency to regard organisations as fully-functioning co-operatives 'simply because they abide by minimal structural requirements, without ever considering the quality of the relationship between members, their co-operative and the community at large'.[4] Process guidelines (such as, participation in decision-making, openness in operations and communications and social responsibility to the wider community) are just as important as structural guidelines (such as, open membership and democratic control).[5]

Also, the principles cannot be treated in isolation from one another. They work together. Leave one or more of them out and the whole structure does not work properly. For example, it is not much use having a democratic voting structure, if no effort is put into the education needed to build the skills and capacity of members to evaluate the opinions and assess the performance of their managers and officials.

The co-operative process is likely to be most effective when three key practices are put into place[6] (Table 3).

Table 3: Key practices and features of the co-operative process

Practice	Key features
Activation of users	People encouraged and assisted to do things for themselves
Mutual Aid	They pool their effort for even better results
Design for use	Services and products are self-consciously designed for use

Activation of Users

The people experiencing problems and needs are actively involved in the process of designing services, activities and structures to address those problems; they are treated as origins of action, not passive objects to be serviced and manipulated. In other words, people are encouraged to do things for themselves, and to acquire the skills needed to run their own affairs. Instead of being passive objects, they become origins of action. The assumption behind this is that things get done more effectively when the people using the organisation are knowledgeable, conscious of the nature of their needs and problems, and actively involved in seeking effective solutions.

Mutual Aid

Those experiencing the problems and needs pool their efforts and resources to help one another develop collective solutions to their mutual problems. In other words, things are likely to work more efficiently if we work together to develop collective solutions. The underlying assumption is that co-operation and mutual support produce better solutions than the attempts of isolated people. For example, we can solve our housing problems individually by buying or renting our own house. Collectively, we could set up a housing co-operative, combine our skills and resources to do the work more cheaply and even design our own neighbourhood to meet our needs.

Design for Use

The organisation itself, its products, services and activities are self-consciously designed for use, i.e., to be helpful to the people who use its products and services (instead of being designed around the goals of a limited elite). The people with the needs and the problems are actively involved in this design process. If the prime purpose of a co-operative organisation is to promote the well-being of its users, it would seem logical for every aspect of the organisation to be tailored self-consciously to people's needs. Everything about it -

its structure and management styles, its products and services, its facilities and location, its member education programmes - should be designed to address the key problems experienced by the organisation's users.

Conclusion

Today, one hundred years since the birth of Nora Herlihy, the significance of the co-operative model she so clearly espoused continues to be widely recognised, both in Ireland and internationally. The co-operative ethos is a clearly differentiated business model and one which has survived many generations, despite significant pressures and challenges. Interestingly, it has proven to be resilient in the face of economic recession and is often turned to in times of economic need. The co-operative model, as we have seen, is clearly applicable across a range of business activities. Key challenges for the co-operative movement in Ireland today are to promote the renewed relevance of the model in traditional sectors, such as agriculture and finance, and to extend the co-operative vision to meet society's needs in a far wider range of sectors.

Survival strategies and rural-based social enterprises

Mary O'Shaughnessy

Introduction

During the early to mid-1990s, when the Irish economy experienced a period of exceptional growth performance, clear urban-rural and regional disparities were apparent in terms of population distribution, employment trends and the location of economic activity in general. Many rural locations have maintained a strong reliance on agriculture or other production based employment, which is often part-time and low-paid. Poorly developed and inefficient physical infrastructure and the lack of social amenities needed for a better quality of life are considered characteristic of many Irish rural locations.[1] Coupled with the ongoing centralisation of government services, driven by economies of scale and efficiency-based models of provision (including health, transport and other public services), many rural communities have experienced a decline both in essential services and local employment opportunities. Rural based social enterprises have emerged within this context to provide community based services and jobs for disadvantaged groups. These are typically not for profit, community owned social enterprises.

The role of social enterprise in promoting social inclusion is significant. Many provide services, such as childcare and elder care, that would be unviable in a profit-oriented enterprise. Furthermore, they make important contributions at local level in terms of the employment they provide. While job announcements by multinational companies attract considerable media attention, the local significance of jobs created by social enterprises tends to go unreported and unnoticed.

Social enterprises, therefore, make a valuable contribution to rural life. A recent report by the Social Enterprise Task Force suggests that, if social enterprise in Ireland were to fulfill its potential, it could represent 5% of GDP and generate at least 65,000 jobs.[2] However, little is known about how these social enterprises actually sustain themselves. Based on a sample of 13 social enterprises in the Republic of Ireland, this essay seeks to address that deficit.

What is a social enterprise?

Social enterprises are a European wide phenomenon, the most common of which can be termed a WISE or work integration social enterprise. Social Enterprises in this context are understood as value based organisations that operate for social as well as financial profit. They utilise a variety of different resources, from income generating activities (trading), resources from civil society, such as volunteers, donations etc. and resources from the statutory sector in the form of public subsidies, subsidised employment grants and contracts. They are participatory by nature, typically not for profit with a democratic governance structure and they actively engage in the provision of training and employment opportunities for those at risk of social exclusion.

In Ireland there are three main types of WISE: sheltered workshops, local development WISEs and social economy WISEs:

1. Sheltered employment or 'workshops' provide training and employment opportunities to persons with a physical disability and/or learning difficulty and are run by voluntary, non-profit organisations.
2. Community and area based WISEs began to emerge in the mid to late 1990s. These emerged within a national policy framework which

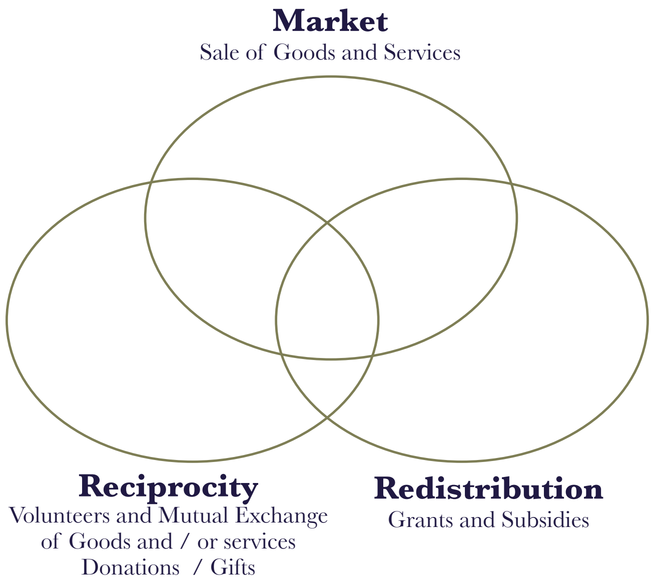
encouraged social partnership and an area based approach to local development against a backdrop of high unemployment levels. Local Development WISEs (LDWs) evolved to tackle local problems of social exclusion and essentially incorporate two sets of goals: the provision of community based services and the creation of training and labour market re-integration opportunities for the long term unemployed and other disadvantaged groups such as lone parents, travellers and persons with a disability.

3. The third type of WISE, which can be referred to as 'Social Economy WISEs' (SEWs), had a direct link to the national Social Economy Programme which originated in the late 1990s and has more recently been replaced by the Community Service Programme.

WISEs evolved to provide services to disadvantaged communities with the help and expertise of voluntary and paid workers. They deliver a range of goods and services and, in the process, create training and employment opportunities for the long-term unemployed and other marginalised groups. In essence rural based WISEs deliver a range of essential community based social services and thus contribute to the sustainability of rural communities.

Polanyi's Modes of Economic Integration

Karl Polanyi[3] is associated with exploring the myriad of ways in which societies provide for themselves through his theory of modes of economic integration.[4] He described three primary alternative institutions of economic integration, namely reciprocity (obligatory gift giving between kin and friends), redistribution (obligatory payments to central political or religious authority, which uses the receipts for its own maintenance to provide community services, and as an emergency stock in case of individual or community disaster), and market exchange (Figure 1). This analytical framework is applied to the study of a sample of 13 peripheral rural WISEs (specifically LDWs and SEWs) drawn from across the Republic to provide a clearer understanding of the survival strategies adopted by these WISEs.



• **Fig. 1** *Polanyi's Modes of Economic Integration*

Local Development WISEs

Eight of the thirteen WISEs included in the study sample are Local Development WISEs (LDWs). These were drawn from a variety of peripheral rural locations across the Republic and provided elder care, respite, child care services and enterprise development services. Table 1 sets out the distribution of the resource base for the LDWs in the sample.

Table 1: Synthesis of Average Resource Mix - LDWs.

Synthesis of Average Resource Mix - LDWs	%
Sales of Goods and Services to Private Sector & Individuals	34.65%
Resources from Public Sector	
• Sales of Goods and Services	2.59%
• Subsidies	53.04%
• Allowances	0.56%
Resources from Reciprocity	
• Donations / Gifts / Indirect Benefits	1.86%
• Voluntary Work	7.30%

Market based revenue in the form of direct sales to the private sector and private individuals represented, on average, 34.65% of the total monetary resources of the LDWs. WISEs within commuting distances of urban centres were more likely to generate this form of resource, especially in the field of childcare services. Direct sale of goods and services to the public sector accounted for an average of only 2.59% of total monetary resources.

Reciprocity-based resources were another important resource for these LDWs, representing on average 9.16% of total monetary resources. This reciprocation was evident in a number of ways, including volunteers' commitment of time and energy to the planning, production and delivery of community based services and their exploitation of personal relationships to leverage donations, gifts and subsidies for the WISE.[5]

The LDWs in this study demonstrate a predominantly redistribution based survival strategy. This can be explained by their extensive reliance on state supports, accounting for 53.04% of the total monetary resources. State supports were in the form of subsidies which were chiefly linked to work integration activities and, essentially, provided a workforce for the delivery of community based services. However, the *ad hoc* and often uncertain nature of these subsidies was a clear threat to the survival of these LDWs. This uncertainty had a significant effect on their choice of survival strategy for the future. The fact that market based revenue (through the sale of goods and services to the private sector) accounts on average for 34.65% of total monetary resources of these LDWs demonstrates a latent capacity to pursue market based survival strategies. However such a survival strategy is more likely an option for LDWs that provide much needed services to people who can afford to pay a real market value (as in the instance of childcare to families where both parents are working) and which operate within commuting distances of nearby urban centres. Unlike some European countries that have both a tradition of, and legislative provision for, public sector contracting, these LDWs are only beginning to develop a purchasing relationship with the state. However, this is only likely to benefit LDWs that provide public goods. Now let's turn our attention to the second type of WISE examined in this study, namely the Social Economy WISE (SEW)

Social Economy WISEs

Social Economy WISEs (SEWs) (representing five of the 13 rural based WISEs investigated) deliver a variety of community based services including community theatre, rural house refurbishment, training and education for traveller women, rural transport and waste management services. SEWs demonstrate a commitment to the pursuit of market-based resources, in part forced by the nature of the subsidies upon which they rely. The rural location of these SEWs is not likely to militate too strongly against such a strategy, as these SEWs are essentially addressing the deficit of public service delivery to these rural communities. Thus, although a market exists, this market may not have the capacity to pay a market rate for the services. Direct sales to public authorities is likely to address this and there is evidence of this kind of strategy already in place as an average of 6.55% of total monetary resources is currently derived in this way.

Market based revenue sourced from the private sector including private households is also a less significant part of the resource mix for SEWs. This represents on average 26.52% of total monetary resources compared with 34.65% in LDWs. This can again be explained by the maturity of the LDWs. They have become well established and known as local service providers. The more innovative WISEs, within commuting proximity to urban centres, have diversified their product and service portfolio to accommodate the new market opportunities in child and elder care created by an enlarged commuter based rural population and increased female participation in the labour market.[6]

Reciprocity based resources accounted for an average of 11.57% of the total monetary resources of this sample of SEWs. These resources were more likely to be derived in the form of free professional services provided by certain voluntary board members rather than any physical efforts by volunteers to develop and/or deliver services. Statutory and professional members of these boards used their own personal networks to good effect for the benefit of these SEWs.

The SEWs in this study demonstrated a level of dependency on redistribution-based resources similar to that experienced by LDWs. Subsidies accounted for an average of 52.49% of the resource-base of SEWs and, therefore, they are characterised by a predominantly redistribution based survival strategy.

Table 2: Synthesis of Average Resource Mix - SEWs

Synthesis of Average Resource Mix - SEWs	%
Sales of Goods and Services to Private Sector & Individuals	26.52%
Resources from Public Sector	
• Sales of Goods and Services	6.55%
• Subsidies	52.49%
• Allowances	2.87%
Resources from Reciprocity	
• Donations / Gifts / Indirect Benefits	2.49%
• Voluntary Work	9.08%

Comparing survival strategies of LDWs and SEWs

As stated previously, both LDWs and SEWs exhibit a predominantly redistribution based survival strategy, evident from their reliance on statutory subsidies for over half of their revenue. However, there are subtle differences in their resource mix and the ways in which they mobilise these resources to ensure their survival. These differences are influenced by a number of factors, including the age of the WISE, its location, and the type of service it provides.

LDWs on average have a slightly greater proportion of their total monetary resources accounted for by subsidies. This can be explained by two key factors: firstly, the specific types of services offered by this sample of LDWs - mainly child and elder care services - are more likely to attract a number of social services-related subsidies other than just work integration measures. Secondly, the LDWs in the sample were more mature than the SEWs and, therefore, were likely to have established more subsidy streams over time. In contrast, the SEWs studied were younger organisations and therefore demonstrated an almost exclusive reliance on one form of government subsidy. However these WISEs exhibit a greater likelihood to derive other public sector allowances and once off grants. This can be partially explained by fact that many of these SEWs have been stimulated by government incentives and are typically providing services in peripheral rural locations, which the state had failed to address.

Resources obtained from the direct sale of goods and services to the public sector account for an average of 2.59% in LDWs compared with an average of 6.55% in SEWs. This difference can be accounted for by the type of services provided by the SEWs. Four of the five SEWs chosen for this study provide what could be described as essential public goods; transport, rural house refurbishment for elderly people on local authority waiting lists, waste management facilities for a remote island community and training and education opportunities for traveller women. The purchasing relationship (although only developing) between SEWs and public authorities can be further explained by the pivotal role of the state in stimulating SEWs. In line with other European member states, the Irish government recognised the potential of the social economy as a means both of providing essential community services and of tackling the problem of long term unemployment. Therefore public bodies are more likely to purchase the services of SEWs than those of LDWs, primarily because SEWs are more likely to provide what can typically be labelled public goods.

The more peripheral the location of the WISE the fewer opportunities it has to develop new markets for its services. As Cuddy notes, the more peripheral rural regions are characterised by "out-migration and declining but increasingly costly social services as a result of low scale economies", presenting the state with a "range of specific problems of depopulation, inadequate social amenity provisions, transport, housing, disadvantage, unemployment and exclusion".[7] SEWs and the social economy in general are acknowledged as having the potential to address these problems, as echoed by Commins et al., when they argue for a well-functioning social economy at local community level.[8] Therefore, it is more likely that the most peripheral SEWs would seek to pursue a survival strategy based on formal contractual arrangement with public authorities, thus guaranteeing the SEW a constant stream of revenue. SEWs exhibit greater potential to do this compared to LDWs. This is because SEWs essentially deliver public goods and, in effect, relieve the state of some of its responsibilities for service provision in rural communities.

Direct sales to the private sector represent a greater proportion of the resources for LDWs (34.65% compared with 26.52% for SEWs). This can be explained in two possible ways. Firstly, because the SEWs were much younger organisations than the LDWs, (some had been in operation for only one year at the time of the study), they were unlikely to have developed their services to the same levels as LDWs. A second explanation is related to the type of services provided by these WISEs. LDWs are more likely to be engaged in services that have a broad market demand i.e. childcare and eldercare being the most obvious. This presents LDWs with a greater opportunity to diversify their activities and pursue market revenue. The more innovative LDWs have effectively stratified their market (in terms of those who can and cannot afford to pay a real market value for goods and services) and introduced a sliding scale system of service costs (related to the particular means of the individual). In turn, they use market revenue from those who can afford to pay to subsidise the cost of service delivery to those who cannot. Consequently, these LDWs could be described as sites of redistribution. Proximity to urban centres is likely to determine the success of such a strategy. Rural areas within commuting distances of urban centres are more likely to generate local demand for services typically provided by LDWs. Reciprocation is an important resource for both types of WISEs. They account for an average of 9.16% in LDWs and 11.57% in SEWs. This represents a higher value than that of sales of services to the public sector in the case of both types. Reciprocation based resources therefore represent a very important resource to both WISE types.

Conclusion

It is clear that Irish WISEs successfully mobilise and integrate three distinct sets of resources in order to survive. Based on an analysis of these resources in two types of Irish WISE, it can be argued that both represent a pre-dominantly redistribution based survival strategy. However subtle differences in the survival strategies of both have been noted. While both types benefit from reciprocity-based resources, there are differences in the forms that this reciprocation takes and the way in which it is mobilised. SEWs are more likely to sell their services directly to the public sector, however LDWs are marginally more successful at generating market based resources through the sale of goods and services to the private sector. LDWs are more likely to pursue market-based strategies through diversification and the development of services with real market demand.

In contrast, SEWs are more likely to continue with a predominantly redistribution strategy but with a greater emphasis on the direct sale of services to public authorities. Unlike some European countries that have both a tradition of and legislative provision for public sector contracting, SEWs are only beginning to develop a purchasing relationship with the state. The relationship could be further strengthened by the introduction of specific social clauses, as has already happened in some European states. This would give a greater competitive advantage to SEWs in competing for public sector contracts against for-profit businesses. The degree of rurality of the WISE has been highlighted as a likely factor to determine the success of this strategy.

However there are others, including the workforce of the WISE and the wider policy environment. There is an obvious need for both types of WISEs to develop a greater purchasing/ contractual relationship with public authorities. To move towards a formal contractual relationship with the state would potentially enable these WISEs to reduce their dependency on a mixture of ad hoc, uncertain state subsidies and enter into a more negotiated relationship with the state.

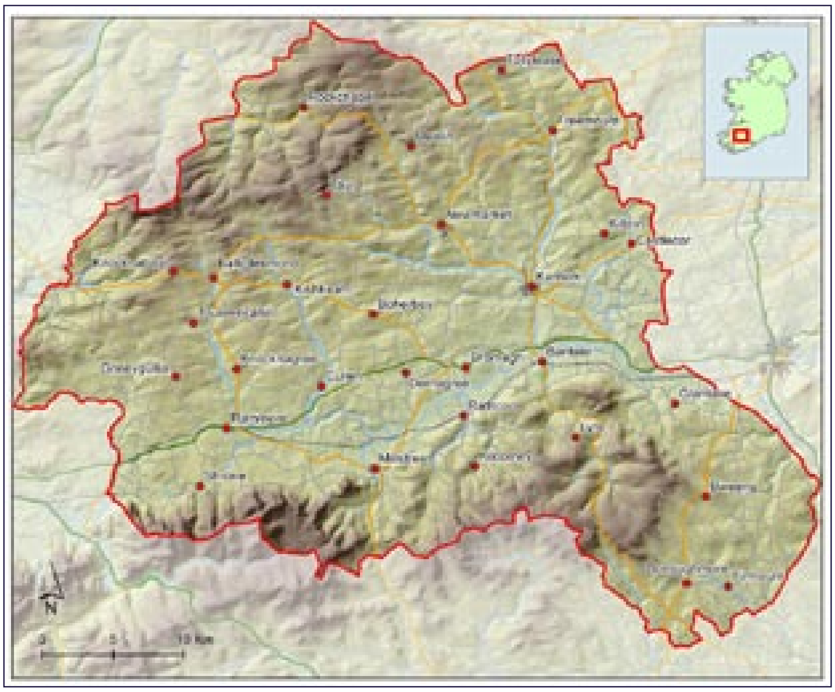
Just as credit unions in Ireland evolved to fulfill a need that existed among sections of the community who were excluded from mainstream financial services, more recently, other forms of social enterprise have evolved to serve the needs of communities, particularly those marginalised by their peripheral location. These social enterprises perform an important role in enhancing the economic and social wellbeing of rural areas.

Creative solutions to local problems: A case study of IRD Duhallow

Maura Walsh

IRD Duhallow is a community based rural development company founded in 1989 by local businessmen in response to the region's continued depopulation. Most of Duhallow has seen its population more than halved since the foundation of the state; thus the area was designated a CLÁR region in 2002.[1] This depopulation can be attributed to the out-migration of its younger people due to lack of employment opportunities and a low level of services. Furthermore, in the 1980s agriculture and agri-related businesses, which were long established and underpinned Duhallow's economy started to come under increasing pressure.

Duhallow represents the rural peripheral region of North West Cork and the Sliabh Luachra region on the Cork/Kerry Border. It has a population of over 30,000 people and contains just three main towns – Kanturk, Millstreet and Newmarket, none of whose populations exceed 2,000. In European terms, it is "a natural area of development" small enough to be cohesive, yet large enough to allow development to occur. Rural areas such as Duhallow, which are distanced from urban centres, experience a wide range of challenges. The declining population, a loss of basic public services and the out-migration of our young educated workforce continue to make the viability of rural towns and villages very challenging, giving way to isolation of our ever increasing elderly population.



• **Fig. 1** *The Duhallow region is approximately 1800 sq. km., spanning North West Cork and South East Kerry.*

IRD Duhallow's founders, led by Jerry Sheehan and the late John Ronan, realised that the solution to the region's problems would not come from outside and that the local population would need to be mobilised if the spiral of decline was to be halted and redressed. We developed an approach to identifying local needs and responding to them through applying to a number of European and national programmes and resources. The company's overall aim was to stem the flow of emigration from the region which was depopulating Duhallow and leading to the withdrawal of services and a downturn in business activity.

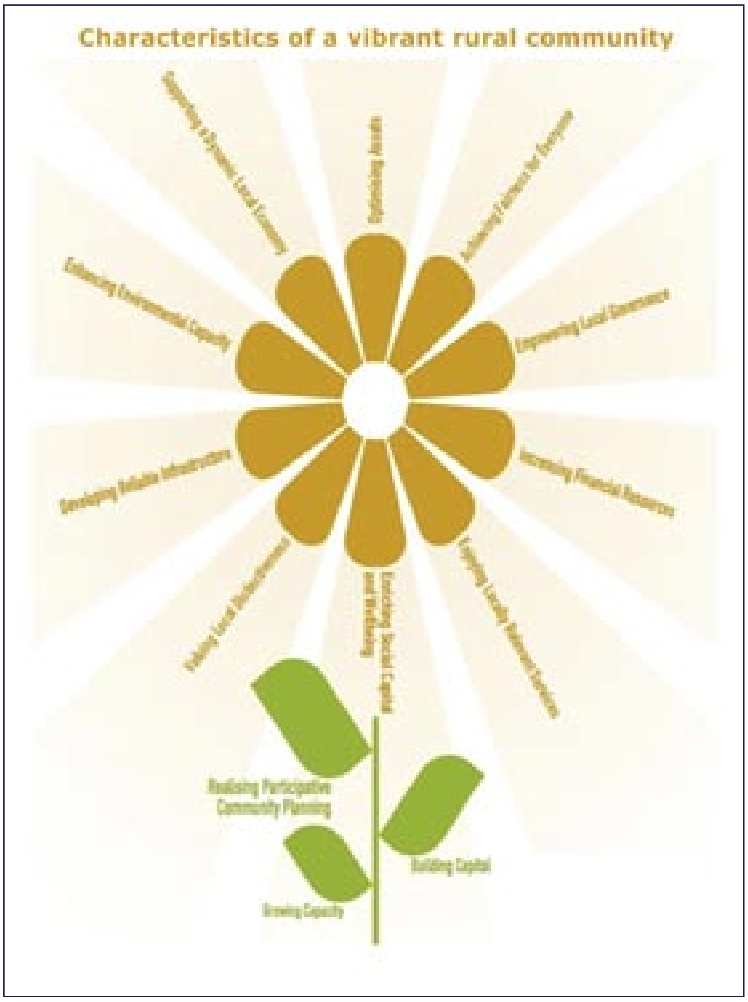
The first board of IRD Duhallow consisted of local business people and community leaders. Local co-ops, led by the late Andy O'Connor of Boherbue and Bernie O'Connor of Newmarket, played a pivotal role. The manager of the company was employed through funds raised locally. In 1989 a total of £30,000 (euro equivalent - €38,000) was raised. IRD Duhallow celebrated its twentieth anniversary in 2009. At the inaugural meeting 20 years earlier, plans and ideas were put forward which, at the time, were ambitious but 20 years later seem modest indeed. In its appeal for local funding, the board pledged that for every £1 raised locally IRD Duhallow would bring in £3 from Europe. To date a total of €45 million has been secured through various programmes, so this target has been well surpassed. It has resulted in more than 1,000 new jobs being created and a further 1,500 jobs sustained. In addition, it has ensured the creation of a strong community based structure capable of addressing the wide and varied needs of the Duhallow people.

From the outset, IRD Duhallow placed a strong emphasis on animation and capacity building with communities, individuals and enterprises. The first LEADER programme[2] laid down the foundations for local rural development as being a natural area of development served by a Local Action Group drawn mainly from civil society with the state sector and local authorities making up less than 50%. The second LEADER programme took on innovation along with animation and capacity building, thus getting the Local Action Groups to further develop their community structures and to take on new roles and complementary programmes. It also challenged the member states to deliver "old" services through the relatively new structures – the Local Action Group. At this time, IRD Duhallow, looked for and won the brief of delivering social inclusion alongside the LEADER rural development programme. The company recognised the importance of empowering and supporting people and identifying the different levels of capacity at which communities operate. The company has an integrated approach whereby all programmes are developed and delivered in conjunction with each other for the benefit of the community it serves. This cross-programme approach, which IRD Duhallow has pursued since the early 1990s, optimises the efficient use of programme resources while successfully responding

• **Fig. 2** *The structure of the company.*

to multiple local needs. Thus IRD Duhallow has effectively become a one-stop shop for the region.

A survey of Duhallow households in 1999 asked respondents to identify the single biggest contribution which IRD Duhallow had made to the area. The most frequently cited response was that the organisation 'was a voice for the area'. This sense of local identity at sub-county and regional level is paramount if local development is to occur. IRD Duhallow, as the local development agency, plays a vital role in meeting the needs of local people. The organisation applies an inclusive bottom-up and integrated approach to addressing disadvantage and the broader needs of the area as well as building on local assets. IRD Duhallow has earned an excellent reputation nationally and internationally due to the high calibre of leadership it has enjoyed from its voluntary board, sub-committees and Chairpersons. In its first 20 years, more than 100 men and women have served on the Board of IRD Duhallow and it has been privileged to have been steered by the leadership of seven Chairmen.



• **Fig. 3** *Characteristics of a vibrant rural economy from the Carnegie Commission for Rural Community Development, 2007.*[3]

The structure of the company, which has evolved over time, also helped to enhance local participation and programme integration, as it gave the company direct access to the enterprise, local knowledge, resources, volunteerism and time of a wide range of individuals, helping to give the region a very strong base from which to enhance its social and territorial competitiveness. Community development work has seen the number of active community groups grow from 3 to over 60 and they are represented on the board and various working groups. It has founded and operates ten issue-based, Duhallow-wide groups dealing with issues such as under-achievement at school, bereavement, domestic violence, craft workers, farmers, disabilities and entrepreneurs as well as forums representing women, youth, culture and the elderly. Together, these groups point to the significant social capital that IRD Duhallow has built up in the region. Over 1,000 volunteers drive these groups, providing support, information, resources and expertise to the company. IRD Duhallow has evolved from being a company that focused initially on tackling the disadvantages in the community to now working through an Asset Based Community Development model. Under this model the company identifies the resources in the environment, culture, communities and enterprise, as valuable local assets to be developed. The Carnegie Commission for Rural Community Development developed a Charter for Rural Communities in 2007. IRD Duhallow was invited to participate on the Commission and has endorsed the Charter. It focuses on the role that enterprising rural communities can play when they receive support from public, private and third sectors. IRD Duhallow has recognised that unless the assets and resources in communities are developed and harnessed, rural communities will become over-dependent on

• **Fig. 4** *IRD Duhallow LEADER 2007-2013 Strategic Overview.*

large urban centres. The potential of rural areas for culture, food, leisure, recreation, social enterprise and the environment as a means for economic regeneration, has been prioritised, but paramount in the company's Strategic Plan is Human Resource Development.

IRD Duhallow in 2007 developed a strategic plan for the implementation of the LEADER Programme 2007-2013 in the region. This strategic plan incorporates the three European Agendas: the Lisbon Agenda with a focus on competitiveness, the Gothenburg Agenda which focuses on sustainability, and the Cork Declaration - A Living Countryside. This model demonstrates how, through human resource development, an improved quality of life in Duhallow can be delivered, strengthening the region's identity. Cultural development helps to foster creativity, while feeding into economic developments, which in turn will deliver sustainable growth, which will encourage entrepreneurship and facilitate a number of key environmental measures, creating a Living Countryside. These four elements – Human, Cultural, Economic and Environmental – are all equally important and interdependent in a drive for sustainable rural development in Duhallow.

Community Enterprise and Job Creation

IRD Duhallow has implemented a successful Community Enterprise Strategy, which has provided employment in the region for those distant from the labour market, while delivering local services to meet local needs. These enterprises are operated on a regional basis by IRD Duhallow, or on a local basis through IRD Duhallow supporting local communities in capacity building and grant aid to establish services locally.

Child care facilities are a prime example where six communities strategically positioned across the region were supported to establish third sector companies and to access capital funding of over €8 million. This has resulted in six high quality community crèches being established. IRD Duhallow facilitated the running of

• **Fig. 5** *Former Minister John O'Donoghue turns the sod in Rathmore and the final product of a community childcare facility was open to the public in 2007 (Photo: IRD Duhallow).*

FETAC[4] Level 5 child care courses so that over 100 women were trained and available to take up the 90 new jobs created when the crèches opened in Ballydesmond, Banteer, Boherbue, Ballyhass, Rathmore and Donoughmore. This initiative has resulted in parents from the entire region having access to high quality childcare for their children from 6 weeks to 14 year of age. It has played a significant role in making the region more attractive for young couples to set up home and has helped stem the flow of out-migration.

Using the Asset Based Community Development Model, IRD Duhallow has identified and targeted our large elderly population as an asset to which many services can be delivered, creating a further 100 jobs in Duhallow. The demographic profile of the Duhallow region indicates that 16% of the population is 65 years of age and over compared with a national average of 11%.

Duhallow Community Food Service

Duhallow Community Food Service (DCFS) is managed by its own board. It is with their voluntary commitment, coupled with the professionalism of the staff, that this project is providing top quality products to meet local demands, and a flourishing community enterprise is now in place.

Duhallow Community Food Services was IRD Duhallow's first community enterprise. It was established in 1996 to address an unmet need of the increasing ageing population in Duhallow. This community enterprise provides a subsidised meal service primarily to the elderly, those who are not in a position to cook for themselves, or are isolated because of age, illness, or other disadvantages that result from living in a rural area. This service sees a dinner and dessert delivered anywhere in Duhallow – to the person's home or in a community setting – for just €6. The service delivers over 23,000 meals per annum and demand is increasing annually.

DCFS provides multiple benefits at individual and community level. Socially, the elderly enjoy the visit from DCFS or attending a community setting for their meal

• **Fig. 6** *John O'Connell DCFS delivers a meal to Sean Dunne in Duhallow (Photo: IRD Duhallow).*

and entertainment. To complement the 'meals on wheels' service and to generate income to offset costs, the company provides a home bakery and a catering service. The bakery supplies 12 local retail outlets on a daily basis and the local Farmers' Market in Kanturk with a selection of artisan bakery products. The service has also expanded into providing lunch to over 350 students and staff in a local secondary school in Boherbue on a daily basis. The service caters for a range of events, including christening parties, conferences, and other private functions. This was a strategic response by the company to bridge the funding gaps and increase revenue from alternative sources as the meal service is a demand deficient social enterprise in essence.

• **Fig. 7** *Staff of DCFS cater for formal dinner events in the locality (Photo: IRD Duhallow).*

A secondary aim of the DCFS is to provide supported employment, work placements and training to individuals who are distanced from the labour market such as those that are long term unemployed and people with varying degrees of ability, putting the focus on 'ability' and not disability. The Community Services Programme operates under the Department of Social Protection, which provides funding to DCFS to support 12 jobs. This core staff is further supplemented by eight Rural Social Scheme participants and willing volunteers, who are engaged in driving, deliveries, production and administration. Currently, DCFS employs 23 individuals and the ingredients used in DCFS are sourced locally, thereby supporting Duhallow businesses.

• **Fig. 8** *Locals availing of the DART in Duhallow to gain access to training in Cork City which they otherwise would not have been able to access (Photo: IRD Duhallow).*

Duhallow Area Rural Transport

IRD Duhallow's second community enterprise is the Duhallow Area Rural Transport Service (DART), which enables older people to live independently and get out to the local post office for their pension, go shopping or travel to the local town for business, or perhaps visit family or friends who may be in hospital in Cork or Tralee. It is specifically focused on improving accessibility for the elderly and communities within the area.

From the outset, older people were the dominant users of the service but the target profile of the DART has since expanded and now it is used by a number of target groups within the wider Duhallow community including the youth, women, lone parents, unemployed, foreign-nationals and people with disabilities. Children are currently the fastest-growing user group of the service. DART carried over 60,000 passengers last year. The service is free of charge for those who hold the state free travel pass, while others pay a modest fare. DART provides employment for five people in administration and passenger assistance. The service is sub-contracted to local hackneys and bus companies and through this support DART has ensured the continuation of twenty local transport businesses, creating 30 jobs in DART services, which generates wealth in local towns and villages and inspires confidence in local volunteers.

Warmer Homes Scheme

The Warmer Homes Scheme established in 2006 is the most recent community enterprise to be successfully developed by IRD Duhallow. Initially the potential for this service was identified from the organisation's close contact with older people through the 'meals on wheels' and rural transport service. Staff in these community enterprises reported back to the company that many people were living in houses that were not insulated or comfortable to reside in and as a result their standard of living was compromised. IRD Duhallow's Social Economy Working Group undertook further research into the issue and found that the percentage of houses in the area built prior to 1960 was extremely high (more than 50% of the houses pre-date 1960),which suggested that there were significant challenges for these households in keeping their homes warm and dry on declining incomes.

The scheme itself is funded by the Department of Communications, Energy and Natural Resources through the Sustainable Energy Authority of Ireland (SEAI). It aims to alleviate fuel poverty by ensuring that homes are energy efficient. This is achieved through measures to reduce heat loss, such as insulation of attics and cavity walls, draught-proofing of external door and windows and installation of lagging jackets, and also the use of low energy light bulbs. By combating fuel poverty, the Warmer Homes Scheme has helped people to save money, improve their health, and stay longer in their warm, comfortable home, rather than seeking places in a nursing home.

• **Fig. 9** *CSP participant Michael Enright fitting walk boards in an attic as part of the Warmer Homes Initiative. RSS participant Tim Enright insulating a cold water tank (Photos: IRD Duhallow).*

• **Fig. 10** *Eileen Lenihan & Catherine Crowley IRD Duhallow with Jack & Tim McCarthy at the celebration of the Gold Medal Winning Black pudding by McCarthy's of Kanturk Cork (Photo: IRD Duhallow).*

More recently a care and repair service was initiated, with 12 volunteers trained to carry out small repairs. The service involves the elderly person receiving a friendly phone call on a regular basis from local volunteers to make sure that they are okay. This helps to ensure that older people can live in their own homes for longer and it promotes independent living. It complements the existing services: DCFS provides a warm nutritious meal in an insulated house; the DART caters for their transport and social needs, while Duhallow Care and Repair looks after small maintenance jobs.

Rural Economy and Enterprise

The Rural Social Scheme has sixty participants in the Duhallow area. These are all small farmers who work for 19.5 hours per week, providing essential services, such as staffing for the Warmer Homes Scheme and the rural meal service. They also support community

• **Fig. 11** *RSS participants give Rockchapel Community Centre a protective coat of paint before the winter (Photo: IRD Duhallow).*

• **Fig. 12** *Members of the Ceoilteoiri Sliabh Luachra Group who have completed Master Classes Training in Bruach na Carraige, Rockchapel (Photo: IRD Duhallow).*

volunteers in the maintenance of local halls where shows, performances and bingo are organised, the development of walks, child care facilities, village enhancement and general maintenance of parks and open areas. The case for maintaining the maximum number of small family farmers in rural areas has been well made. Indeed talks in Brussels are centering on rewarding farmers in environmentally sensitive areas to maintain traditional methods of farming to enhance the environment and habitats. IRD Duhallow supports this initiative as it will benefit most of Duhallow's farming families with an obvious impact on the local economy as family farmers tend to shop locally and support local services. It is also the presence of the extended farm families that has given us the rich culture of the Sliabh Luachra region of Duhallow. IRD Duhallow has been pro-active in supporting the performance and passing on of these traditions to the next generation. We have developed cultural centres in Laharn cross, Freemount and Rockchapel, which provide a range of classes and performances throughout the year. The spin-off in terms of jobs in the hospitality sector cannot be underestimated.

IRD Duhallow's track record in supporting rural enterprise is impressive. Over 20% of the Duhallow workforce is employed in enterprises which have received support and grant aid from IRD Duhallow through LEADER. A wide range of training programmes are run throughout the year, for parents and toddlers right through to our most recent training programme 'Memory through the Media' which has 16 senior citizens training in production, filming and editing. These members of our SAOI network[5] are being linked with the "University of the Third Age" in Finland, Poland and London.

• **Fig. 13** *Members of the Duhallow SAOI Network participating in the LEADER Funded Memory Through Media Training Programme in Production, Filming and Editing (Photo: IRD Duhallow).*

• **Fig. 14** *Minister Phil Hogan, raises the LIFE Flag at the official launch of the Programme at the IRD Duhallow Offices Newmarket Cork (Photo: IRD Duhallow).*

The Environment

Environmental measures in LEADER have seen the Glen, Curragraigue, Dallow and Allow river banks cleaned and made accessible for angling and walking. The river habitats of Duhallow are extremely important for a number of endangered species such as fresh water pearl mussels, as well as providing spawning grounds for wild Atlantic salmon and trout. We have two of the five protected Hen Harrier sites in the country and our recently formed Environmental Forum has ambitious plans for the area to benefit and capitalise on these rare assets.

The LIFE + programme[6] supported by the Rural Social Scheme will see the Allow river catchment enhanced, providing work for 20 farmers for the next two years. Our strategic plan has earmarked Kanturk to become an angling centre of excellence. This plan complements the magnificent Millstreet Country Park, our LEADER I flagship project, Ballyhass Lakes and our long distance and loop walks. Duhallow has ambitious plans to make a strong entry to the activity and eco-tourism market.

Conclusion

Looking to the future of European funding in the years ahead, the European Commission has established a number of thematic working groups to inform future policy. IRD Duhallow's manager sits on one of these groups, which has made recommendations on the area-based approach of LEADER. The group concluded that natural areas of development that are small and cohesive, like the Duhallow area, are indeed the way forward.

Given the economic climate in which we find ourselves in 2011, with austerity measures falling on rural as well as urban centres, the need for creative solutions to local problems has never been so stark. Given the European Commission's view of the important and critical role that Local Action Groups must play, IRD Duhallow is well positioned to continue the initiatives already in place and draw up new solutions for the next decade of rural development.

The Duhallow Women's Forum

Helen O'Sullivan

Introduction

The Duhallow Women's Forum was established by IRD Duhallow in 1997 and is now today a network consisting of sixteen women's groups from throughout the Duhallow Region of North County Cork and East County Kerry. The Forum comes together "to share information, exchange ideas and undertake joint projects with an overall goal of achieving greater equality for women. The Forum is committed to enhancing honest non-tokenistic representation of women in Duhallow. IRD Duhallow has always demonstrated a strong commitment to combating disadvantage and social exclusion while promoting and supporting female representation on various committees and company structures. Since its establishment the Forum has held a seat on the main board of IRD Duhallow ensuring that the voice of local women is represented at a regional level and that the issues discussed at regional level are taken back to the groups on the ground. The Duhallow Women's Forum brings together existing organisations such as the Irish Country Women's Association Groups (ICA) along with newer groups such as Parent and Toddler Groups, Childcare Groups, Carer's Groups, and Focal Farmers Representatives. The Forum is open to all interest groups to participate in and newly established groups in the community are always encouraged to join. As a representative the role of the individual is to channel information from their group and community to the Forum and vice versa. The Forum's first fourteen years has seen it develop from strength to strength with the Forum having established a well earned place for itself in the community and voluntary sector in Cork and Kerry.

• **Fig. 1** *Original Members of the Duhallow Womens Forum at the early stages of development (Photo: IRD Duhallow).*

• **Fig. 2** *14 Years Later some of the current members of the Duhallow Womens Forum attend a monthly meeting representing their individual womens group (Photo: IRD Duhallow).*

Mission Statement:

Duhallow Women's Forum aims to identify, acknowledge and celebrate the role of Women in Duhallow. We are committed to enhancing the capacity of locally based community groups to promote female participation and address issues that affect rural Women by coming together to share information, ideas and undertake joint projects.

Background to the Forum

IRD Duhallow established the Forum in 1997 in a direct response to the identified needs of women from the region. At that time it was recognised that many women remained hidden and disempowered within rural areas. This was due to various interacting factors including inadequate childcare facilities, shortage of public or private transport services, few training opportunities, isolation within the home and absence of adequate support facilities. Responding to these needs the Forum aimed to provide support to women's groups by acting as an umbrella organisation which allowed for the opportunity to network and share information, ideas and experiences.

The Duhallow Women's Forum is one of a number of initiatives developed initially by IRD Duhallow under the Local Development Social Inclusion Programme and more recently under the Local Community Development Programme. Under this programme the Forum focused on enhancing the participation of women in community development and local decision making.

Nationally IRD Duhallow and the Duhallow Women's Forum are recognised for playing a significant role in promoting the role of women in society. Our affiliation to the National Women's Council of Ireland has given us a voice at national level to promote rural women's rights and equality while also playing a significant role in local and national policy and decision making. Our Manager Maura Walsh has for the last 3 years chaired the National Women in Agriculture Conference where women from around the country have an opportunity to come together to share information and network.

Impact of the Duhallow Women's Forum in Duhallow

The Duhallow Women's Forum has played a substantial role in the lives of local women for over 14 years. The opportunity for women's groups from Duhallow to collaborate and network with each other has allowed for the sharing of information and ideas and has succeeded in building the confidence levels of women in the region, through encouraging their participation in a wide range of training courses, workshops, seminars and conferences. The bottom up approach to rural development that IRD Duhallow and the Duhallow Women's Forum advocate has helped to ensure that women's groups feel less isolated and less vulnerable. The Forum played a significant role in raising awareness of the inadequate provision of childcare in Duhallow and supported 6 communities to successfully gain funding to establish community childcare facilities which also created employment for women locally. In 2007 the Forum was successfully awarded the Equality for Women Programme which was a 1 year training programme. Sixty two women from the region participated in this programme. Following a successful bid to secure funding from the Equality for Women Measure for both 2010-2011 and 2011-2012, IRD Duhallow is in a position to play a proactive role in supporting vulnerable women and those most distant from the labour market. Over 80 women have participated in this programme to date.

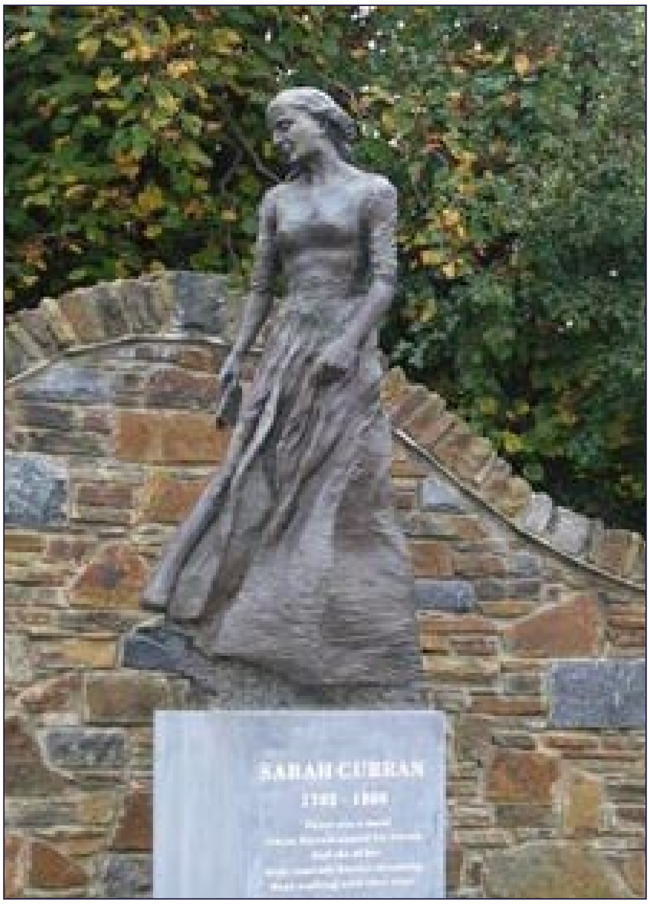
Among the projects that the Forum pioneered, their most ambitious to date is most certainly the acknowledgment

• **Fig. 3** *Maura Walsh CEO IRD Duhallow and Mairead Lavery of The Irish Farmers Journal actively plan the format of the 2011 Women in Agriculture conference.*

that the Forum has given to some notable women from Duhallow. In 2000 under the LEADER + Strategic Plan 2000-2006 and Local Development Social Inclusion Programme 2000-2006 IRD Duhallow established a strategic framework of objectives to be met over the course of seven years. The LEADER + Strategic Plan promoted the model of asset based community development through the theme "Making the best use of Natural & Cultural Resources". It was consistently recognised that Duhallow's most significant resource is its 'people'. The people of Duhallow have preserved traditional and uniquely regional styles of artistic expression in music, song, poetry and dance. People are at the centre of preserving, fostering and further developing the culture of Duhallow and local social networks. Building on this the Local Development Social Inclusion Programme focused on preparing and supporting the most disadvantaged in the community e.g. disadvantaged women to participate in community and enterprise development projects. The Duhallow Women's forum therefore designed a method to reach both the objective designed under the LEADER + Strategic plan as well as the Local Development Social Inclusion Programme. This innovative project is known as the Mná Dhuthalla Calendar.

• **Fig. 4** *Edel Quinn Monument erected in the grounds of Castlemagner Church (Photo: IRD Duhallow).*

• **Fig. 5** *From left to right: Maura Walsh Manager of IRD Duhallow, Micheline Sheehy – Skeffington (grand-daughter of Hanna Sheehy – Skeffington), Jeanette O'Connell vice chairperson of the forum, Jack Roche former chairperson of IRD Duhallow and Hannah's great grand-daughter (Photo: IRD Duhallow).*



• **Fig. 6** *Sarah Curran Monument erected in Newmarket Town (Photo: IRD Duhallow).*

• **Fig. 7** *Alice Talyor Monument erected in her hometown of Newmarket (Photo: IRD Duhallow).*

Mná Dhuthalla

The initial aim of this project was to try and capture the strong sense of local identity that characterises Duhallow and to project this image positively both within and outside of the region. Through LEADER supported animation and capacity building actions, this project has created new social networks for women in the area and enabled the forum to become very much involved in a project that was their own.

The Forum believes that awareness raising and advocacy is central to the development and continuation of the Forum's success. Therefore a number of meetings were held to try and look at and approach ways of engaging greater participation of women. These ideas led to the core project; the publication of a calendar for 2004, with each month celebrating the life of a notable Duhallow woman. Once agreed on the initiative, the Duhallow Women's Forum commenced the research that eventually led to the publication of a calendar that celebrated the lives and achievements of twelve notable Duhallow women. A key objective was to create a better understanding and awareness of these women's lives and their work while also enhancing the profile of Duhallow women in general.

In nominating women to put forward for selection, extensive advertising was undertaken through the IRD Duhallow Community Newsletter, advertisements on local radio and newspapers and in all local women's groups. The Forum trawled through several women's names from all ages and spheres of life that were suggested by every parish and women's group in Duhallow. The most difficult job was to choose twelve — in the end we compromised and managed to include thirteen, as two were sisters in life and religion. Those selected depict every possible role model a woman could wish to emulate from goddess to hopeless romantic and from care givers to social leaders. The objective of the project was to recognise and highlight the magnificent

• **Fig. 8** *Danu Goddess of Fertility Monument erected in Rathmore (Photo: IRD Duhallow).*

contribution women have made to Duhallow but in most cases still remain unsung heroes with just one notable exception—Nora Herlihy, none of the others had a park or building called after them or a plaque erected to them. The women selected were:

Hanna Sheehy Skeffington – Women And The Right To Vote
Alice Taylor – Contribution to Literature
Edel Quinn – The Legion of Mary
Nora Herlihy – Women's Contribution To Social Finance
Lisa Aherne – Women And Music And Song
Nora Burton – The Irish Country Women's Association
Nora Herlihy (Nee O'Leary) – Survivor Of The HMS Titanic
Julia Clifford – Women And The Music Of Sliabh Luachra
St Laitiaran – Women And Folklore
Danu – The Goddess
Sarah Curran – Romantic Figure
Sr Consilio And Sr Agnes Fitzgerald – Women And Social Change

In order to enhance local ownership, members of the Forum apportioned the tasks among themselves, including research, compiling bibliographies, design, financial planning, fundraising and promotion. LEADER + supported this process through the supports of a Community Development Officer, and by providing funding to cover part of the printing costs. The Local Development Social Inclusion Programme enabled its realisation also through the resource of meetings, training promotions and publications to engage disadvantaged groups.

The Mná Dhuthalla Calendar promoted social inclusion and encouraged female participation in local, community and their own personal development. As a result of all of this there was an increased participation of women's groups on the forum. This innovative project captured the strong sense of local identity that characterises Duhallow. Its initial aim of projecting a positive image both within and outside of the region has been achieved. The calendar was very well received not only in the Duhallow region but also as far afield as New Zealand, USA, Canada, Australia, South Africa, England and Scotland. Through LEADER and Local Development Social Inclusion Programme, this project has created new social networks for the Women's Forum and has enabled a group of female initiators to become successful project promoters and contribute to a collective learning process.

Honouring Nora Herlihy and Her Role in Social Finance

Each year one of these women's lives has inspired a conference or event marking their lives and achievements and its relevance to women and society today. The Duhallow Women's Forum has received huge enthusiasm from all over Duhallow, and attendances at open information meetings have been boosted. Women such as Edel Quinn, Sarah Curran, Hanna Sheehy Skeffington, Alice Taylor, Danu and Sr Consilio and Sr Agnes Fitzgerald have all been honoured to date by the Forum with monuments erected to 5 of these women to date through grant aid received under the LEADER and CLÁR Programmes. In 2009 the Forum recognised the importance of honouring Nora Herlihy's in a befitting manner that represented the significant role she played in the co-operative movement in Ireland. This was aptly timed to coincide to commence work during her centenary year. Consultation began with representatives from Rathmore Credit Union, The Centre for Co-operative Studies in UCC and members of the community coming together to discuss the best way to honour Nora Herlihy. This resulted in the Duhallow Women's Forum making an application for LEADER funding to publish a book on Nora Herlihy and the co-operative credit movement in Ireland. This application was successful and allowed for the Duhallow Women's Forum to commence the process of producing this magnificent book along with a conference being held in honour of Nora Herlihy and her Role in Social Finance.

The overall process involved in this book helped to engage women's groups and communities in the networking process and looking to the future will help to empower these groups to reach their own decisions and achieve the targets they set for themselves. This book will undoubtedly empower women locally, nationally and internationally by recognising that the ambition of one Duhallow woman such as Nora Herlihy pioneered a movement that changed the lives of many in Ireland.

Going forward the Duhallow Women's Forum will continue to promote women's involvement in the planning, organising and sharing of responsibility in society locally and nationally. It will be required to continue the process of lobbying local issues of relevance to the Forum and ensuring that the voice of rural women is heard. Following the production of this book and conference we hope to erect a monument in Duhallow in honour of Nora Herlihy and we will continue to honour the remaining Mna Dhuthalla Women in the future.

Linkages between credit unions and other co-operative sectors in Ireland

Bridget Carroll

Introduction

While the history of the co-operative movement is rich and complex, credit unions, by and large, share a common ideological background with other co-operatives. What then is the nature of the relationship between credit unions and other co-operative sectors in Ireland? What is the rationale for credit unions developing linkages with other co-operatives? What are the existing linkages between individual credit unions and other co-operatives as well as between the credit union movement and the broader co-operative movement? Is there potential to develop these linkages to mutual advantage? In this essay we will examine these questions.

As discussed elsewhere in this volume (see McCarthy, Briscoe and Ward), the values shared by credit unions and other co-operatives have been captured in the Co-operative Principles adopted by the International Co-operative Alliance, the body representing co-operatives worldwide. The sixth principle, "Co-operation among Co-operatives", asserts that "co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures." This mirrors Operating Principle number nine of the Irish credit union movement which sees credit unions actively co-operating with other associations "in order to best serve the interests of their members" and to foster "the development of the co-operative sector in society".

The rationale then for developing linkages between co-op sectors is based on a belief that co-operatives can play a role in serving their members' needs beyond the provision of services in any one sector. Many social philosophers and co-operative pioneers – Robert Owen, William Thompson, Moses Coady, Horace Plunkett and, for some time at least, Nora Herlihy – shared this vision of the potential of co-operatives beyond that of solving immediate needs and operating in one sector of the economy. They argued for a thriving co-operative movement as a means of social improvement through self-help, mutual aid and self-sufficiency.[1]

While Nora Herlihy and her associates ultimately focused on the development of financial co-operatives, they had originally developed a broader vision of the role of co-operatives in society, as evidenced by their establishment of the Dublin Central Co-operative Society to create work for the unemployed, and their involvement in the National Co-operative Council.[2] This belief in the role of co-operatives is reflected in the credit union Operating Principle number ten "social responsibility" which encourages credit unions to "continue the ideals and beliefs of co-operative pioneers" to seek "to bring about human and social development".

The principle of co-operation among co-operatives is most often practised among co-operatives within a common sector – agriculture co-operatives working with other agriculture co-operatives or housing co-operatives collaborating on areas of interest. There are also, of course, many examples of credit unions co-operating with each other within the chapter structure (a regional territorial network devised by the credit union movement in Ireland), and nationally and internationally. And there are fine cases of credit unions supporting and initiating community development initiatives such as the Ballybane Neighbourhood Village Project spear-headed by St. Columba's Credit Union in Galway city. This essay focuses primarily on the linkages between credit unions and co-operatives in other sectors.

• **Fig. 1** *The Ballybane Enterprise Centre is part of the wider Ballybane Neighbourhood Village Project, a public-private partnership involving St Columba's Credit Union Limited (SCCUL), SCCUL Enterprises Ltd., Galway City Council, Enterprise Ireland and the HSE. The Village includes retail, residential, medical and enterprise facilities. The enterprise centre (pictured) is designed to encourage start-up and small enterprises. Facilities include office space and meeting rooms, as well as the provision of business support and advice for new and developing enterprises. (Photo: Olive McCarthy).*

Cross-sectoral linkages

An example of a fledgling credit union leveraging against that of another co-operative is to be found in Mitchelstown Credit Union, which was established in 1966. All but two of the credit union's founding members (a teacher and the local priest) were employees of the local Mitchelstown Co-operative and Agriculture Society.[3] A key strategy to strengthen the new credit union was to attract more employees of the agriculture society as members. This was achieved by including a leaflet in the creamery workers' pay packets. Another milestone for the credit union was the introduction of payroll deduction amongst the same workers. However, it was the creamery workers rather than the co-operative directors who were involved in this initiative and it is doubtful whether there was a great sense among the workers of developing the co-operative movement. Rather, those who sought the successful establishment and running of the credit union utilised the agricultural co-operative as a way of promoting the credit union.[4] Nevertheless this is an example of members working

• **Fig. 2** *Pictured is the courtyard of Skiddy's Almshouse (with visitor), an example of a listed building restored and converted to co-operative housing (Courtesy: Cork Community Housing Co-op).*

across co-operative sectors. Further study is needed to determine the extent to which collaboration between emerging credit unions and elements within agriculture co-operatives was widespread.

• **Fig. 3** *Sustainable Ireland, trading under Cultivate.ie (Courtesy: Sustainable Ireland).*

While Mitchelstown provides an example of a credit union receiving support from another co-operative, there is also evidence of support being extended by credit unions to other co-operative sectors. One example is the role of the Lough Credit Union in supporting the Cork Community Housing Co-operative in Cork city, and later the Social Housing Development Ltd.[5], a related housing co-operative. Cork Community Housing Co-op, which was established in 1983, has purchased a number of derelict but listed historic buildings in Wellington Square on Magazine Road in Cork City and restored and converted them into award-winning social housing units housing twenty-one people. As well as providing an initial loan to the co-operative, a staff member of the credit union has spent time on the board of both co-operatives lending vital skills as well as advice and encouragement to the board. Other examples of linkages between credit unions and the housing co-operative movement include credit unions facilitating payment of rent by housing co-operative members.[6]

Tentative linkages have also been forged between credit unions and the worker co-operative sector. As we saw in the essay by McCarthy et al. on the co-operative movement in Ireland, the workers' co-operative sector is not strong in Ireland and has no trade body or dedicated support services of its own. The Workers' Co-operative Fund established by the Irish League of Credit Unions (ILCU) in the late 1980s has been one source of help for workers' co-operatives. Between 1996 and 2010 over €200,000 has been distributed from the Fund to fledgling worker co-operatives or projects related to co-operative development through provision of a grant to individual credit union members or through individual credit unions. There has been a dwindling number of applications to the Fund but, then, it is not a well advertised or well known initiative.

One recipient of the Fund is the Sustainable Ireland Co-operative (which trades as Cultivate), a worker co-operative which supports a number of projects with particular emphasis on environmental sustainability and the supporting and building of community resilience. Members are involved in the Cultivate information and education project which hosts regular Convergence "sustainable living festivals", the eco village in Cloughjordan, the Transition Towns movement and the Powerdown movement – initiatives aimed at preparing for reduced reliance on fossil fuels.[7]

The credit union movement has also provided support to a number of other broader initiatives in co-operative development through the years. Examples include financial support to the Co-operative Development Society which included support for the publication of the newsletter Co-op Contact. The Society provides approved Model Rules to groups wishing to establish a co-operative. This is a valuable service as not all emerging co-operatives fit within the remit of the other representative bodies providing this service.

• **Fig. 4** *The first class of University College Cork's MBS in Co-operative & Social Enterprise, pictured at their graduation in 2007 (Photo: Barry's Photographic).*

A significant example of support for the broader co-operative sector has been that provided by the ILCU to the Centre for Co-operative Studies, University College Cork to develop third-level programmes targeted at directors and staff of credit unions but which have been accessible to and of benefit to the wider movement. These include the Diploma in Credit Union Studies, the BSc in Mutual & Credit Union Business, which was the first full distance learning degree offered by UCC, and the MBS in Co-operative & Social Enterprise, which is the first full on-line masters offered by UCC.

Barriers to co-operation among co-operatives

Despite some of the fine examples discussed above, there have been some criticisms of the limited contact between the credit union movement in Ireland and the co-operative movement generally. Collaborating with other co-operatives requires a belief in a thriving co-operative sector. Co-operatives have clearly been very successful in some sectors of Irish society, providing members and, by extension, individuals and communities with a mechanism for meeting a range of needs. However, there is a low recognition factor of co-operatives in Ireland and the general public has a perception of a co-operative as an old-fashioned notion.[8] Connections with other co-operatives may not then be immediately obvious to credit union members and connections are unlikely to develop if credit union members, directors and staff as well as policy makers are unaware of credit unions as co-operatives with a clearly articulated value system[9] and if their role in the community is not debated. This is an opportunity for joint work across sectors.

It seems a pity that co-operatives are often perceived as outmoded given that the ethos underpinning them resonates with a number of concepts of importance in both public and academic discourse such as sustainability, active citizenship and social responsibility. A recent Forfás report on the co-operative sector in

Ireland[10], which regrettably did not include the credit union movement, cited "the need to recognise the value of the social contribution that co-operatives make" and suggests that co-operatives in Ireland could play a greater role, particularly in a social context, citing healthcare, housing and environmental protection as areas where this greater role could occur. There is a real need to discuss this role and to disseminate information on the performance of co-operatives amongst the public and policy makers but also to members of credit unions and other co-operatives. Again, this is work that the Irish co-operative movement can do together.

While the visions and actions of founding members of organisations such as credit unions can be radical (e.g. in addressing social injustice) the resultant organisation tends to become conservative.[11] This can occur as the organisation concentrates its efforts on its "core business", particularly as operations and administration of services tend to become more complex over time. The character of the credit union as a social entity is thus weakened and this can ultimately lead to what MacPherson calls "the needs of institutions weakening the intellectual rigour of the movement".[12]

There are also ideological and political reasons which may lead co-operators in any one sector to have an "uneasiness or disinterest in being pulled into other causes"[13]. Political and economic conservatism in Ireland may be a factor influencing a lack of engagement in the more radical tradition of social change that some co-operators espouse. Arguably, however, the co-operative movement in Ireland has not been captured by any one ideological camp.

Legislative restrictions on credit unions in terms of what they can engage and invest in can also play a role in limiting collaboration. The ILCU adopted a policy in 1987 to encourage community development and employment initiatives including worker co-operatives and this is reflected in Section 44.1 of the Credit Union Act (1997) where, by a resolution of the majority of the members, a credit union may establish a Special Funds Provision for social, cultural or charitable purposes (including community development).[14] However the Credit Union Act also grants considerable power to the relevant regulator and anecdotal evidence is that, in recent years, little leeway has been given by the regulator to credit unions wishing to engage in supporting local initiatives.

Optimising the potential of linkages between credit unions and other co-operatives

The gap between credit unions and other co-operatives has probably widened since the introduction of specific credit union legislation and regulation of credit unions was removed from the Registrar of Friendly Societies, the office regulating other co-operatives. An attempt was made to bridge this gap in 2005 when the movement launched the Forum for the Co-operative Movement in Ireland (Fig.4). The Forum is made up of the representative and promotional bodies for co-operatives in Ireland including the ILCU, the Irish Co-operative Organisation Society (ICOS) and the National Association of Building Co-operatives (NABCo), as well as the Centre for Co-operative Studies, UCC, the Society for Co-operative Studies in Ireland, the Co-operative Development Society and a number of other groups and individuals.

The establishment of the Forum was a response to perceived challenges facing the movement and to anticipated reform of the legislative and regulatory framework for co-operatives. The Forum was conceived to provide a platform for dealing with matters of common interest and concern between the co-operative sectors, including legislative and related matters at national and European levels and as such has the potential to raise the profile of the movement. The Forum has been inactive for some time, which is particularly regrettable given that the regulatory environment and legislation governing co-operatives in Ireland is currently under review and consultation with and collaboration between the various co-operative sectors is important at this time.

Ultimately, credit unions are powerful community resources and demonstrate the ability of communities to build and control considerable local assets through the co-operative model and thereby build community resilience. They are well placed to engage in stimulating co-operative and other forms of development through the use of surplus funds or by providing leadership, vision, support and advice. Perhaps it is "the social energy needed" to organise the mobilisation of resources and self-help within a community, as MacPherson puts it, that is far more important than any funding. Some encouragement can be taken from a recent survey on credit unions which found that the highest scoring attribute for credit unions in the survey was that the credit union is "an organisation that supports the community". Some 59% of adults agreed with this, more than twice the proportion for the two main banks.[15]

Conclusion

The broad concerns of credit union members have been thrown into sharp focus in Ireland over the 2008-2010 period since the onset of the financial and economic crisis. The relatively good performance of credit unions since the crisis should encourage a greater sense of their own identity and of their potential and strengths. Credit unions have reached the happy stage where their membership density is such that there is no need for establishment of additional credit unions but arguably there is a role for co-operative development in other spheres of society.

Society will always need organisational models that distribute goods and services and resources in an equitable and efficient way. Some will seek transformative models perhaps in the "solidarity economy"; others will seek task oriented or pragmatic solutions to shared problems. The scope of activities being undertaken by co-operatives demonstrates the versatility of the model but there are many sectors in which the model does not appear in Ireland. There is scope therefore for further development of the co-operative sector and this could be enhanced with greater co-operation among existing co-operators.

This essay alluded to the long tradition of thinkers who have seen co-operatives as a practical means of putting into operation visions of social and economic improvement. Co-operation among co-operatives as practised by the credit union movement in Ireland has not been entirely confined to the credit union sector. Valuable linkages have been fostered with other co-operative sectors but there are a number of reasons why these are not more developed. A starting point for further collaboration is the designation by the United Nations of the year 2012 as International Year of Co-operatives. This presents an ideal opportunity for credit unions to engage and re-engage with their co-operative siblings. It provides a forum to reawaken interest in co-operative solutions to shared problems during a period when Ireland – economically and socially – faces challenges as significant as those faced by society when Nora Herlihy and her cohort began to explore the co-operative model in the 1950s.

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conclusion

Credit unions in Irish society - retrospect and prospect

Carol Power

This volume has outlined how it took several attempts to establish and embed a successful, functioning co-operative credit system in Ireland. Nora Herlihy and her peers developed Ireland's modern credit union movement through a combination of scholarship, pragmatism and perseverance. The challenge was taken up by credit union activists throughout the island of Ireland who fostered the movement from community grassroots. In contrast to the centrally planned co-operative credit societies of the late 19th and early 20th centuries, communities were encouraged to take ownership of the credit union project – to bring about positive change based on a philosophy of self-help.

During her teaching career in Dublin, Nora witnessed the consequences of poverty and financial exclusion. It was this experience that motivated her to join together with like-minded people in a quest to overcome what, to many, must have seemed insurmountable obstacles to improving the quality of life in impoverished communities. Nora shared with her peers a vision for a society that would improve people's living standards by helping them to secure access to credit under fair terms and conditions. Their vision was not one of idealism; rather it was pragmatic, founded on a solid basis of many hours of research and learning about co-operatives in general and, more particularly, credit unions.

The credit union story: a lesson for contemporary Irish society

In many ways, Ireland's current problems are similar to those experienced during the 1950s – high unemployment leading to large-scale, involuntary emigration, and families struggling to make ends meet. Of course, the circumstances are very different. Since the 1950s, Ireland has proactively engaged in a process of economic integration into the wider global economy. By coincidence, 1958 was not only the year in which the first credit union was registered in Ireland; it was also the year of publication of Ireland's First Programme for Economic Expansion – a policy that signalled the economy's reorientation from self-sufficiency (which was only ever an aspiration) towards a more open economy. This policy shift brought about many economic benefits for Ireland. Accession to the European Union in 1973 (then the European Economic Community) further integrated Ireland into the European economy and many benefits have accrued to the country as a result. However, the enthusiasm with which this project was embraced – in particular, the entry into the Euro currency zone in 2002 – set Ireland on a trajectory that has compromised national fiscal sovereignty. With the adoption of the common currency, Ireland relinquished rights to devalue its currency or set interest rates and, now, the state's prerogative to determine corporate and other tax regimes is under threat. In this context, Canon O'Riordan's statement of 1909 (quoted elsewhere in this volume) that "if we got control of our own money we would make Ireland one of the most prosperous countries in Europe" perhaps has renewed significance now.

Since the collapse of the Celtic Tiger economy, Ireland has once again begun to experience levels of involuntary emigration on a par with those of the 1950s. A key difference, however, is that most young people in Ireland today have the benefit of a good education and/or skills base. Combined with the distance-shrinking effect of modern transport and communication technologies, this has, to an extent, changed the experience of emigration. Yet, despite these significant differences, the effect of emigration on families and on the socio-cultural fabric of communities should not be underestimated.

During the 1950s, large sections of working class communities were excluded from mainstream financial services; they relied on money-lenders and pawnbrokers to access the cash they needed to make ends meet. Credit unions were developed to improve access to credit for such people. Over time, general improvements in Ireland's economy led to greater employment opportunities and access to mainstream financial services became more widely available. Those previously regarded by banks as unreliable borrowers now became a target market.

During the 1990s, mainstream credit providers engaged in reckless lending, aggressively marketing their products in the context of an economic boom that was fuelled by an inflated property market and a desire to amass material wealth. While segments of the population remained excluded from mainstream financial services, for many, it was the widespread availability of credit that ultimately resulted in levels of mortgage and personal debt that became unsustainable in the economic downturn. In some respects, we have come full-circle: inability to access credit has become a significant issue once again. Moreover, despite a willingness to lend to members, credit unions are facing increasing restrictions on lending imposed by regulatory authorities. In the context of rising unemployment and the need to service debts accumulated during the economic boom, we are witnessing a resurgence of the money-lender, where finance companies are offering short-term loans at exorbitant interest rates. Furthermore, banks are demonstrating a reluctance to lend to business, thereby stymieing the ability of entrepreneurs to create and sustain enterprise and employment.

At a general level, what is common to the 1950s and the 2010s is the despair that arises from limited opportunities. For many, it is difficult to envisage a route that can deliver Ireland from its current difficulties. Despair is fuelled by a perceived lack of self-determination. This is experienced by many individuals who have been seriously affected by the economic downturn; however, it is also experienced in a collective context, where national sovereignty has been compromised as a result of our economic dependency on supranational institutions, such as the International Monetary Fund (IMF), European Central Bank (ECB), and the European Union (EU). Nevertheless, as was shown by Nora Herlihy and her colleagues, the Irish are a resilient nation and are inventive and resourceful in the face of adversity.

What is the relevance of the credit union story to Ireland's current circumstances?

The essays in this volume – both those which reflect upon the history of credit unions in Ireland and those which examine contemporary developments in the movement – raise a number of issues that are relevant to the future development of credit unions in Ireland and, indeed, more generally, to the challenges facing Irish society.

The story of the credit union movement in Ireland illustrates the power of a few individuals to bring about positive change in society – to develop and implement innovative solutions to deeply ingrained and longstanding problems. In recent years, the concept of active citizenship has come to the fore in academic and policy discourse. However, it is not a new concept; rather it is a formal definition and recognition of the enormous voluntary efforts of people who, individually or through organisations, make a real difference in society. Nora Herlihy and her fellow co-operators exemplified active citizenship at its best long before the concept was formalised. They were key visionaries who were not content to critique the performance of government and state; by actively implementing solutions within local communities, they generated sufficient momentum to help people throughout the country to help themselves. In the words of a proverb often quoted by Canon Hayes, founder of Muintir na Tire, they believed it was better "to light a candle than to curse the darkness". In the context of economic austerity measures and the consequently limited capacity of the state to finance social and community projects, the story of the credit union movement in Ireland offers hope and inspiration to those who aim to improve society through grassroots initiatives.

The future of credit unions in Ireland: Retaining relevance in the 21st century

Fifty years on from the emergence of the first credit unions in Ireland, the movement faces significant challenges in a highly unstable, volatile financial services environment. Given the role of the financial services sector in precipitating Ireland's economic difficulties, among the general public there is widespread antipathy towards mainstream banks. However, in contrast to conventional financial institutions, which are oriented towards generating profits for shareholders, credit unions are designed to meet the needs of those who use their services, i.e. their members. This is a key feature that distinguishes them from conventional financial institutions and, as such, represents a key source of competitive advantage in an environment where the public are increasingly receptive to the 'people before profit' ethos – not in the sense of the political movement that has emerged, rather in the general acceptance that ensuring a decent quality of life for citizens (through the delivery of education, health and other services) is just as important as 'balancing the books'.

As the credit union movement in Ireland embarks on its second half-century, it faces major strategic and structural challenges. The identity of the movement and how this will be reinterpreted will be key factors influencing the critical decisions ahead. An organisation's identity is formed through negotiation between its internal values and those external factors – such as legal and regulatory frameworks, social and economic circumstances, and market conditions – which impact on its interests. If credit unions are to remain relevant, they must adapt to these ever-changing external factors; their identity must be renegotiated and redefined over time. This does not mean that they must abandon their core beliefs and principles, for these are central to their identity – their *raison d'être*. However, just as the successful establishment of credit unions required a pragmatic approach, so too will efforts to sustain the future relevance of the movement.

Inevitably, the renegotiation of identity involves a tension between conservatism and the desire for progress. The challenge is to achieve an appropriate balance: to retain that which has merit and relevance in 21st century Ireland and to adapt to the evolving needs of members in a constantly changing environment. Indeed, member-orientation must be a key grounding force in this debate. Elsewhere in this volume, McCarthy *et al.* have emphasised that conformity to co-operative structural principles in itself is an inadequate measurement of the co-operative ethos; rather it is the quality of the processes through which adherence to these principles is fulfilled (e.g. member participation, education, and social responsibility) that determines an organisation's success as a co-operative.

The cost-effective provision of financial services through appropriate and convenient delivery channels is an important aspect of the member-oriented nature of credit unions. However, if they are to be truly member-oriented, credit unions must also encourage members to become more active in the organisation. In the past there were ample opportunities for 'ordinary members' to be introduced to credit union volunteering through counter and back-office work before asking them to assume more onerous roles related to governance and supervision. Computerisation and professionalisation of services gradually eroded the reliance on volunteers for operational roles; hence credit unions now face the challenge of recruiting volunteers directly to Board level roles.

In his essay on Nora Herlihy as a pioneer in the international credit union movement, MacPherson argued that the charismatic leadership style of credit union pioneers such as Nora Herlihy – so important during the formative stages of the credit union movement – does not easily adapt as the movement builds and consolidates. In the context of evolving legal and regulatory frameworks and a changing financial services sector, the knowledge and skill sets required of directors in the 2010s is, in many respects, quite different to those demanded of those in the 1950s/1960s. To ensure that credit unions adapt well to their changing environment, they need to support existing volunteers through training and education; moreover, they will need to recruit new volunteers who can bring with them appropriate expertise.

In this volume, the centrality of the co-operative principles of concern for community and social responsibility was highlighted. In order to uphold these principles, and to optimise the competitive advantage derived from them, individual credit unions and the wider credit union movement need to reflect on their social/community role beyond that of providing a financial service. In this book, we have seen just a few of the many examples of innovative initiatives by credit unions. It is appropriate that credit unions continue to react to the needs of their communities through their sponsorship of and provision of in-kind supports to a range of groups and activities. However, it is also important that they explore innovative ways of contributing to the social and economic wellbeing of their communities through, for example, initiatives to stimulate employment creation and social enterprise. It is through co-operation with other co-operatives, including other credit unions, as well as other local organisations, that credit unions are most likely to optimise their impact in these areas. It has been suggested, for instance, that credit unions could play an important role in stimulating economic development and employment creation through facilitating the provision of micro-finance. This, however, would demand particular skills sets (assessments of business plans etc.) that many credit unions currently do not possess. One observer has suggested, as a means to overcoming this skills deficit, that professional associations and chambers of commerce should encourage their members to become more active in the governance and management of their local credit unions.[1]

Since the 1950s and 1960s, when the first credit unions in Ireland were founded, the wider financial services sector has been revolutionised in terms of its globalisation, the range of services offered and the modes of delivery. In order to meet the expectations of service users, many credit unions have expanded their range of services and increasingly are making use of technology, such as ATM and debit cards, telephone banking and online banking. Facilities such as ATM cards rely on the networking of groups of credit unions and the adoption of common technologies. These technologically-driven market forces have given rise to a drive towards rationalisation within the movement so that individual credit unions can combine to achieve efficiencies and economies of scale. While the economic arguments for rationalisation are convincing, at this critical juncture it would be inadvisable for the movement to pursue a strategy of mergers and amalgamations without some considered reflection and debate. The essay in this volume by Byrne et al. provides a useful springboard for such as debate. Credit unions can learn valuable lessons from the experiences of other co-operative sectors, such as the agricultural co-ops. The principle of co-operation among co-operatives, rather than the crude need to achieve efficiencies, should be a central focus of this debate.

The issue of rationalisation is just one of the tensions experienced by the credit union movement in Ireland in the 2010s. Credit unions need to adopt modern technologies to maintain relevance for their members but, in doing so, they must also remain cognisant of their original core values – the provision of credit for provident purposes and the encouragement of thrift. This is not to suggest that credit unions should adopt a paternalistic role in their treatment of members; indeed, if they did so, they would lose members in a financial services market that is radically different from the one into which credit unions were launched. However, one of the ways in which the original core values can be upheld and adapted to the 21st century is through measures to enhance the financial capability of members. In this volume, we have seen some examples of the work done by credit unions, individually and through the ILCU, in relation to school- and youth-oriented initiatives, and through campaigns such as Wolves from the Door, which represent a critical means of promoting financial education. Within policy circles, there has been some scepticism about the involvement of financial institutions in financial education. Credit unions are particularly well-positioned to become more involved in delivering financial education, because of their not-for-profit ethos.

Conclusion

In the period since Nora's death in 1988, the economic fortunes of Ireland have soared and plummeted. The positive effects of the Celtic Tiger economy bypassed those on the margins of society. The needs of this segment of society – which for a while decreased in numbers but now, once again, expands – provided the stimulus for Nora Herlihy to create the enduring legacy that is the credit union movement. This book is a celebration of that legacy. It is hoped that it will provide an opportunity for readers to reflect on Nora's achievements and those of her fellow credit union pioneers and, perhaps more importantly, to learn from and be inspired by the success of an initiative that was born out of adversity.

Credit unions have transformed the lives of many people in Ireland, but there is much more for them to achieve. While co-operativism is not advocated as a panacea for Ireland's economic difficulties, by becoming more active in social enterprise development and promoting the co-operative ethos beyond the credit union itself, credit unions can continue to contribute to the development of Irish society in a way that distinguishes them from mainstream financial service providers, thereby securing the distinctive legacy of Nora Herlihy into the future.

Endnote references

Section 1: Financial services in Ireland: a historical perspective

A Brief History of Saving and Accessing Credit in Ireland

1. The Bank of Ireland's paid up capital of £600,000 was lent to the Treasury at 4% and would be repaid in the event of a dissolution of the bank.

2. Barrow, G.L. (1975). *The Emergence of the Irish Banking System 1820-1845*. Dublin: Gill and Macmillan. p.11.

3. Hickson, C. and J. Turner (2005). "The Genesis of Corporate Governance: Nineteenth Century Irish Joint Stock Banks", *Business History,* p.175.

4. Hall, F.G. (1949). *The Bank of Ireland 1783-1946.* Dublin: Hodges Figgis. p.127.

5. *Ibid.,* p.133.

6. A Joint Stock bank is set up with capital invested by shareholders who receive shares in the bank. It is managed by a group of directors.

7. The seven banks were: the Northern (1824), the Hibernian (1824), the Provincial (1824), the Belfast (1827), the National (1834), the Ulster (1836) and the Royal (1836). The Agricultural and Commercial Bank of Ireland (1834), the Southern Bank of Ireland (1837), the Provident Bank of Ireland (1837), the Tipperary Bank (1839) and the London & Dublin Bank (1842), all failed. The Munster and Leinster was not established until 1864. The Belfast gave up its branches in the south to the Royal in 1923. The numbers in brackets denotes the year when the bank was founded.

8. Barrow, G.L., *op. cit.*, p.78.

9. Gilbart, J.W. (1892). *The History, Principles and Practice of Banking Vol. 1.* London: George Bell & Sons, p.119.

10. *Ibid.*, p.119.

11. Munn, C. (1983). "The Coming of Joint Stock Banking in Scotland and Ireland, c. 1820-1845", in T.M. Devine and David Dickson (eds.), *Ireland and Scotland 1600-1850*. Edinburgh: John Donald Publishers Ltd., p.207.

12. Bills of Exchange were extensively used as payment in trade and avoided the need for merchants to carry around large amounts of gold and cash for payment. They were an order, in writing, requiring the person to whom they were addressed to pay a certain sum of money either on demand or in the future, for goods received. Spalding (1928) provides an example. Jones of Ulster wants Smith of Liverpool to send to him certain goods, costing £100. Jones writes to Smith informing him that he may draw a bill on him for £100. Smith agrees and draws a bill of exchange which will be payable by Jones on demand. Now if Smith wants the money straight away, he can go to his Bank in Liverpool, who will be willing to discount the bill of exchange (if they are sure of Jones' honesty). This means that the Bank buys the Bill from Smith for an agreed amount of money. The Bank can then present the Bill to Jones for payment on demand. See W. Spalding (1928), *Foreign Exchange and Foreign Bills in Theory and Practice*, London: Pitman & Sons, p.8.

13. Whitaker, T.K. (1983). "Origins and Consolidation, 1783-1826", in F.S. Lyons (ed.), *Bank of Ireland 1783-1983*, Dublin: Gill and Macmillan, p.17.

14. Gilbart, J.W. *op. cit.*, p. 185; Munn, C. *op. cit.*, p.213.

15. O'Gráda, C. (1994). *Ireland: A New Economic History,* Oxford: Clarendon Press, p. 141.

16. Barrow, G.L., *op. cit.*, p.80.

17. Report of the Departmental Committee on Agricultural Credit in Ireland, 1914, p. 34, 35.

18. Shares in the other joint stock banks were in amounts of £100.

19. Hickson, C. and J. Turner, *op. cit.*, p.183.

20. Barrow, G.L., *op. cit.*, p.113.

21. Hickson, C. and J. Turner, *op. cit.*, p.185

22. O'Gráda, C., *op. cit.*, p.141.

23. O'Gráda, C. (2002). "Savings Banks as an Institutional Import: The Case of Nineteenth-Century Ireland", *UCD Centre for Economic Research Working Paper Series, 02/03* (2002), p.1.

24. Minutes of Evidence given to the Select Committee appointed to inquire into the Acts relating to Savings Banks and the Operation Thereof, 1858.

25. Although O'Gráda (2002) has shown that there was widespread abuse.

26. In later acts, both the interest payment to the banks from the National Debt Commissioners and the maximum interest payable by the banks to their depositors was also stipulated.

27. Eason, C. (1929). *The Trustee Savings Banks of Great Britain and Ireland from 1817 to 1928.* Dublin: Eason & Son Ltd., p.2.

28. O'Gráda, C., 2002, *op. cit.*, p.1.

29. *Ibid.*, p.2.

30. Reports of the Committee on the Circumstances connected with the Failure of St. Peter's Parish Savings Bank, Cuffe Street, Dublin and on the cases of the Savings Banks at Tralee, Killarney and Auchterarder, Evidence Appendices and Index, 1849-1850.

31. However there was a caveat to this. "Provided always that the trustee and manager of such an institution shall be and is hereby declared to be personally responsible and liable for all monies actually received by him on account of or to and for the use of such an institution, and not paid over or disposed of in the manner directed by the rules of the said institution and an abstract of the above provisions shall be enrolled as one of the rules of the institution".

32. Report of the Departmental Committee on Agricultural Credit in Ireland, 1914, p.152.

33. Hollis, A. and A. Sweetman (1998), "Microcredit in Prefamine Ireland", *Explorations in Economic History*, 35, p.349.

34. *Ibid.*, p.351.

35. *Ibid.* p.353.

36. Bonus, H. (1986). "The Co-operative Association as a Business Enterprise: A Study in the Economics of Transactions", *Journal of Institutional and Theoretical Economics*, 142, p.319.

37. Some societies were successful at mobilising savings. In 1908 43% of deposits were concentrated in the top 10 societies.

38. Commission of Inquiry into Banking, Currency and Credit (1938). Dublin: The Stationery Office, p.257.

The Post Office Savings Bank, 1862-1911

1. Perry, C. R. (1992). *The Victorian Post Office: the growth of a bureaucracy.* Suffolk: Boydell Press.

2. For discussion on the history of Savings Banks in Ireland see Ó Gráda, C. (2003). "Savings banks as an institutional import: the case of nineteenth century Ireland". *Financial History Review,* x, pp. 31-55; Ó Gráda, C. (2008). "The early history of Irish savings banks" in *UCD Centre for Economic Research Working Paper Series*, WP08/04, February 2008; Ó Gráda, C. (1999). "Savings banks, famine, and financial contagion: Ireland in the 1840s and 1850s", in *Irish Economic and Social History,* xxxvi, No. 1, December, pp. 21-36.

3. Horne, O.H. (1947). *A history of savings banks.* London: Oxford University Press.

4. Equivalent values relate to the year 2010.

5. Report of the Departmental Committee on Agricultural Credit in Ireland, [Cd. 7375], H.C. 1914, xiii.1.

6. O'Shea, J. (1999). *Prince of swindlers: John Sadlier M.P. 1813-1856.* Dublin: Geography Publications; and Barrow, G. L. (1973). *The emergence of the Irish banking system 1820-1845.* Dublin: Gill & MacMillan.

Credit Unions avant la lettre?
Loan fund societies in Irish history

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2. Sheridan, T. (1787). *The life of the Rev. Dr. Jonathan Swift, Dean of St. Patrick's*. 2nd ed, London.

3. Piesse, C. (1841). *Sketch of loan fund system in Ireland*. Dublin: A. Thom.

4. *Report of the committee for the relief of the distressed districts in Ireland, appointed at a general meeting held at the City of London tavern, on 7th of May, 1822; with an appendix* (London, 1823).

5. Cullen, L. M. (1972). *An economic history of Ireland since 1660.* London: B.T. Batsford, pp. 105-109.

6. Ó Gráda, C. (1994). *Ireland: a new economic history 1780-1939.* Oxford: Oxford University Press, pp. 55-59 and 138-139.

7. Nicholls, G. (1856). *A history of the Irish poor law in connexion with the condition of the people*. London: Murray.

8. E.g. Ryan, P. B. (1838). *Provision for the poor of Ireland, without any additional taxation, on the principles of the musical charitable loan society, the 17th & 18th Geo 3rd , cap 12 (Irish statutes 1778)*. 2nd ed., Dublin.

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10. *Second report of the commissioners appointed to inquire into friendly and benefit building societies. Part I. Report of the Commissioners on Benefit Building Societies. With reports of assistant commissioners*. [C.514][c.514 - I][C.514-II], H.C. 1872, xxvi, 1,101, 745. Evidence was taken from Dublin, Cork and Belfast during the inquiry.

11. See annual reports of the Registrar of Friendly Societies.

12. *Eighth annual report of the Commissioners of the Loan Fund Board of Ireland* (218) H.C. 1846, xxii.

13. "Report and account of the Cashel loan fund 1848", 1848, National Library of Ireland, Manuscript 41,872.

14. Hollis, A., and A. Sweetman (2004). "Microfinance and Famine: The Irish Loan Funds during the Great Famine" in *World Development*, xxxii, no. 9, p. 1510.

15. *Report from the Select Committee on Loan Fund Societies (Ireland); with the proceedings of the committee, and minutes of evidence*, paragraph 297-303, pp 15-16, H.C. 1854-55, (259), vii, 321.

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Section 2: The advent of co-operative credit in Ireland: From co-operative credit societies to modern credit unions

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4. Quoted P. Bolger *The Irish Co-operative Movement: Its History and Development* Ch. IV pps.33-34.

5. I.A.O.S. *Annual Report 1912* Appendix E. Quoted P. Bolger *The Irish Co-operative Movement* Ch. XIV. p.243.

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2. *Ibid.*, p.164.

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4. Culloty, A.T. *op.cit.*, pp. 41-42, pp. 58-59, and pp. 115-116.

5. See *ibid*. This was, for a long time, a contentious issue within the international credit union and co-operative movements. Within the English-Canadian movement, many of the "pioneers" viewed credit unions as the "financial arm" of the co-operative movement: i.e., that it would prudently invest in co-operatives and create the financial capacity for their growth, assuming effective management. One finds similar perspectives in some Asian and African countries. Because of some bad experiences and historic differences between the credit union movement and the consumer movement in particular in the United States, the American credit union movement came generally to the conclusion that it was best to not invest in co-operatives.

6. Early unsuccessful experiences with rural credit unions in the United States meant that the movement emerged largely within urban areas, which also suited the main interests of some of its early leaders, especially Edward A. Filene. See Roy F. Bergengren (1923). *Cooperative Banking: A Credit Union Book*. New York: The Macmillan Company, pp. 171-223; also Carroll Moody, J. and G.C. Fite (1984) *The Credit Union Movement: Origins and Development, 1850-1980*. Dubuque, Iowa: Kendall Hunt; also Mac Pherson, I. op.cit., p.17.

7. That same kind of association also helped the many Irish credit unionists who undertook development work later in Africa and elsewhere to understand the challenges that confronted the farming families they encountered there.

8. The increased engagement of women in credit unions became more obvious and important following the United Nation's International Year of Women in 1975. It helped develop a wide range of women's organisations through various "Women in Development" programmes throughout the global South and it encouraged northern credit unions to pay more attention to the roles of women in governance and management. For examples of the ways in which the roles of women can be better understood and of some examples of where the have played significant roles, see www.gdrc.org/icm/cult-thai.html (Thailand), Annette Reimer, "Power and dignity: women, poverty, and Credit Unions", *Gender and Development*, November 1997, pp.26-34, and the work of the World Council of Credit Union's "Global Women's Leadership Network" (www.woccu.org/involved/womensleadership). An example of the special initiatives undertaken in the wake of the "Women in Development" initiative of the United Nations is Women in Development Savings and Credit Union in Zimbabwe www.hivos.nl/english/community/partner/10002357.

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2. Ó Ríordáin, J.J. (1983). "A Bog and a Dream", *Sliabh Luachra*, 1 (2), pp.77-78.

3. Brosnan, J.J. (1983). The Corkman, 9 September, pp.1, 3. See

also Ó Ríordáin, J.J. (1989). *Where Araglen So Gently Flows*, pp.78-81.

4. Culloty, A.T. (1986). *Ballydesmond*, p.78.

5. *Ibid.*, pp.60-66

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11. Hyland, C. (1985). *The Corkman*, 16 August.

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15. Advertisement appeared in *Tralee Chronicle and Killarney Echo*, 2 July, 1858.

16. *Cork Examiner* , 15 April, 1987, p.8.

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19. *Ibid.*, p.72.

20. Ibid., p.105.

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Section 4: Credit unions in Ireland: Meeting the demands of changing economy and society

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3. Brunt, B. (1988). *The Republic of Ireland.* London: Paul Chapman Publishing Limited, p.7.

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9. Culloty, A. T. (1990). *Nora Herlihy: Irish Credit Union Pioneer.* Dublin: Irish League of Credit Unions, p.33.

10. MacPherson, I. (1999). *Hands Around the Globe: A History of the International Credit Union Movement and the Role and Development of World Council of Credit Unions, Inc.,* Horsdal and Schubart Publishers Limited and World Council of Credit Unions, Victoria, Canada, p.xi.

11. In Northern Ireland credit unions were perceived as having a strong Catholic ethos and therefore of being Catholic organisations.

12. Dukes, A. "A pervasive influence", in *The Irish Farmers' Monthly*, December, pp. 17 –19.

13. O'Hagan, J.W. (1984). *op.cit.*, p.5.

14. Johnson, J. (1994). *The human geography of Ireland.* New York: J. Wiley, p.107.

15. Brunt, B. (1988). *op.cit.*, p. 140.

16. Brown, T. (1985). *op.cit.*, p.258.

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22. *Ibid.*, p.1.

23. Byrne, N., O. McCarthy and R. O'Connor (2004). "The development of new rural credit unions in Ireland within a context of service rationalisation in rural areas". *Community Development Journal*, 39(4), pp.401-412.

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Amalgamation and Federated Co-operative Models: A place for both in the development of the Irish Credit Union Movement

1. Goth, P., D. McKillop, and C. Ferguson (2006). *Building Better Credit Unions*, Joseph Rowntree Foundation, York.

2. Talk given by the Regulator of Credit Unions at the Diploma in Credit Unions Studies Summer School, University College, Cork, June 2006.

3. PEARLS is a monitoring system for credit unions. The acronym stands for Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity, and Signs of growth. For further information, see www.woccu.org.

4. Rick, S.W. (1998). *Credit Union Restructuring: A response to the developments in the international finance industry.* World Council of Credit Unions, Research Monograph Series, No. 11.

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6. CUNA Statistics (2005). www.cuna.org

7. Rick (1998). *op.cit.*

8. Meyer, M. *The Future of Finance Conference,* Dublin, June 2010.

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12. Ralston, D., A. Wright and K. Garden (2001). "Can Mergers Ensure the Survival of Credit Unions in the Third Millennium?" *Journal of Banking & Finance*, No. 25, pp. 2277-2304.

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17. Desrochers, M. and K.P. Fischer (2003). *Theory and Test on Corporate Governance of Financial Co-operative Systems: Merger vs. Networks*. Cahier de Recherche, Working Paper 03-34, CIRPEE. – p.2.

18. Goth (2005). *op.cit.*

19. Ward, M., R. Briscoe, and M. Linehan (1982). *Co-operation between Co-operatives: A case study of agricultural co-operatives in the north east of the Republic of Ireland.* Centre for Co-operative Studies, University College Cork.

20. *Ibid*.

21. Ward, M. (2005). "Feeding Ourselves 11: Farmers' Co-ops and Food.", in Briscoe. R. and M. Ward (eds.) *Helping Ourselves: Success Stories in Co-operative Business and Social Enterprise*. Cork: Oak Tree Press.
Ward, M. (2000). "Ireland's Multipurpose Dairy Co-ops", in Briscoe R. and M. Ward (eds.), *The Co-operatives of Ireland*. Cork: Centre for Co-operative Studies, University College Cork.

22. Fischer K. P. (2002). *Governance, regulation and mutual financial intermediaries' performance*. CREFA Working Paper No. 01-11, Laval University.

23. National Credit Union Administration (NCUA), www.ncua.gov.

24. Meyer, 2010, *op.cit.*

Rathmore and District Credit Union: Past, Present and Future

1. Canon Denis O'Riordan became the first parish priest of the new parish of Ballydesmond in 1888. He was appointed Canon of Cahirciveen in 1899 but eventually returned to the Duhallow area to Boherbue parish. His sermon of 26th December 1909 was published as a letter in *The Kerry Sentinel* on 1st January 1910.

2. Fr Brian Kelly was a curate in the parish of Rathmore from 1967 to 1976.

Muintir na Tíre, Credit Unions and the Rathmore District

1. O'Connor, R. (2003). "Retaining Relevance Through Reaction: Muintir na Tíre 1931 – 1971", *Tipperary Historical Journal*.

2. Tierney, M. (2004). *The Story of Muintir na Tíre 1931 – 2001 – the First Seventy Years.* Tipperary: Muintir na Tíre Publications.

3. Lucey, C. (1942). "Co-operation and Christian Principles", in *Muintir na Tire's Official Handbook 1942*.

4. Meghen, P.J. (1947). "Parish Credit Societies", in *Muintir na Tíre Official Handbook 1947*, and "A Parish Credit Union, What it is and How it Operates", *The Landmark*, June 1947.

5. Roseingrave, T. (1960). "What's this about Credit Unions?", *The Landmark,* July 1960.

6. Herlihy, N. (1967). "Credit Unions and the Community", *Rural Ireland,* Muintir na Tire Publications.

Section 5: Issues and debates for the contemporary credit union movement in Ireland

Credit Unions and Community Wellbeing

1. The majority of credit unions in Ireland are community-based. The remainder are classified as industrial or vocational (e.g. teachers, musicians, healthcare providers). Credit unions affiliated to the Irish League of Credit Unions have a total membership of 2.98 million, equivalent to 50 per cent of the combined population of the Republic of Ireland and Northern Ireland.

2. Centre for Co-operative Studies, UCC, unpublished research by students of the Diploma in Credit Union Studies, 2000-2009. Evidence is drawn from data collected by students as part of projects undertaken in partial fulfilment of the requirements for the Diploma in Credit Union Studies examination. Of particular relevance is a project on social auditing of credit unions, undertaken in 2001.

3. Credit Union Operating Principles, www.ilcu.ie.

4. Centre for Co-operative Studies, UCC, *op.cit.*

5. *ibid*.

6. Kempson, E. and C. Whyley (1999). *Kept out or opted out?*

Understanding and combating financial exclusion. A report funded by the Joseph Rowntree Commission. London: The Policy Press, p.22.

7. Centre for Co-operative Studies, UCC, *op.cit*.

8. Byrne, N., O. McCarthy, and M. Ward (2005). *Meeting the Credit Needs of Low-Income Groups: Credit Unions-v-Moneylenders.* Report for Combat Poverty Research Working Paper Series, Dublin.

9. In a survey conducted by the Centre for Co-operate Studies in 2009, 35 out of 74 credit unions indicated that they were participating in the *Wolves from the Door* campaign.

10. Centre for Co-operative Studies, UCC, *op.cit*.

11. Sokol, M. (2007). "Space of Flows, Uneven Regional Development, and the Geography of Financial Services in Ireland". *Growth and Change*, 38(2), pp.224-259.

12. Byrne, N., O. McCarthy, and R. O'Connor (2004). "The development of new rural credit unions in Ireland within a context of service rationalization in rural areas". *Community Development Journal*, 39(4), pp. 401-412.

13. Centre for Co-operative Studies, UCC, *op.cit*.

14. *ibid*.

15. *ibid*.

16. *ibid*. This data set includes credit unions in the Republic of Ireland and Northern Ireland.

17. *CU Focus*, Spring 2007, p.23.

18. Centre for Co-operative Studies, UCC, *op.cit*.

The Role of Credit Unions in Financial Capability

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Beyond the common bond:
Supporting credit unions in developing countries

1. In 1989 the ILCU International Development Foundation Limited was formally established and registered as a non-governmental organisation (NGO). The Foundation also has charitable status (registered charity number CHY 9704).

2. The contribution from the credit unions is at the discretion of each individual credit union.

3. The six countries supported are: Albania, Ethiopia, The Gambia, Ghana, Russia and Sierra Leone.

4. In 2010, the support from the Foundation reached over 770 credit unions comprising over 500,000 members and the funding provided to six small projects benefited over 5,000 people.

Section 6: The wider application of the co-operative ethos in Irish Society

An overview of co-operatives and the co-operative ethos in Ireland

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7. Cuddy (2005), *op.cit*., p.30.

8. Commins *et al. op.cit.*

Creative solutions to local problems:
A case study of IRD Duhallow

1. The CLÁR (Ceantair Laga Ard Riachtanais) Programme supports physical, economic and social infrastructure in rural areas that are particularly disadvantaged.

2. LEADER (Liaisons entre actions de developpement de l'économie rurale) is a European Union initiative which was introduced in 1991 to support the development of rural communities by granting funding to approved local action groups.

3. The Carnegie Commission for Rural Community Development (2007). A Charter for Rural Communities: The final report of the Carnegie Commission for Rural Community Development. Carnegie UK Trust, p.16.

4. FETAC is the Further Education and Training Awards Council.

5. 'Saoi' is the old Irish word for a wise person, implying an older person from whom members of the community seek advice.

6. LIFE + is the European Union's financial instrument supporting environmental and nature conservation projects throughout the EU.

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