

 As representatives of the social economy, credit unions can contribute to rural revitalization



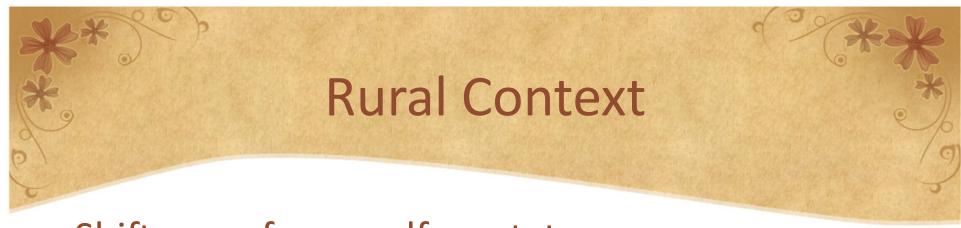


Credit Unions:

 History of supporting marginalized and poor communities

Mandate to lend to members

Local investment



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



Rural Revitalization: CED Approach

Local solutions to economic problems

Adapt local assets for economic gain

 Social economy can meet local needs neglected by the private and public sectors



Credit Unions in Rural Areas

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

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



Three Phases:

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

Case Credit Unions

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

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



Findings

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







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

Informant Quotes:

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

-Credit union representative

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

-Credit union representative

Community (Re)Investment

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

BUT...

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

Barriers to Social Economy Investment

 Lack of awareness about the social economy and how to contribute

Perception of risk

Lack of measurement tools



Lack of Awareness

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

Informant Quotes:

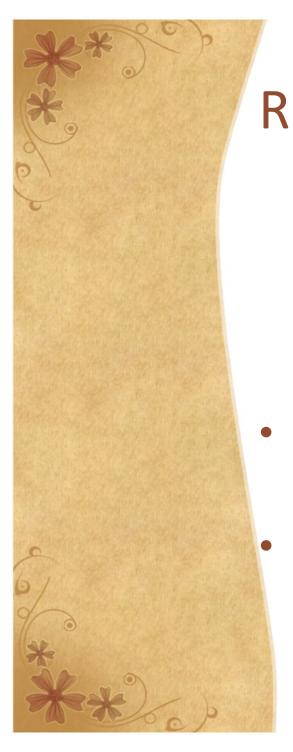
"There is a business capacity issue in the cooperative sector.

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

-Cooperative sector representative

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

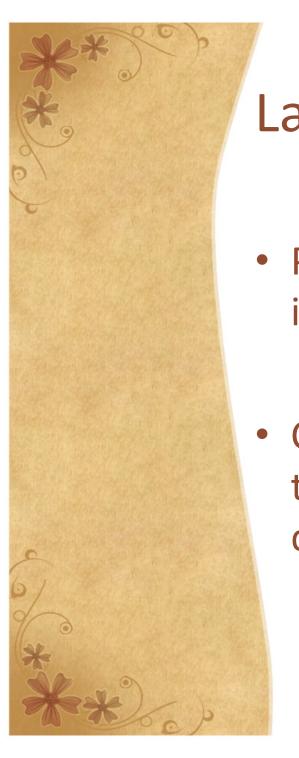
-Cooperative sector representative



Risk

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

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



Lack of Measurement

Performance metrics do not incorporate social economy criteria

 CUs not tracking the impacts of their community investments, donations, scholarships, etc.

Conclusions

 CUs struggling to find a niche for themselves between profit-making and their cooperative roots

 CUs have not taken advantage of their understanding of community in order to make strategic investments that would build the foundations of a social economy and more directly align with credit union principles

Acknowledgements

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References

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