Over the past few decades, the shift away from the traditional welfare state toward neoliberal policies has had a profound impact on rural communities in Canada. As they grapple with this restructuring, rural communities suffer government withdrawal, weakened linkages with traditional resource industries, and a loss of local services. When those difficulties are combined with the added effects of economic restructuring, labour shedding due to advanced production techniques, and industrial flexibility, it becomes clear that rural communities must find ways to buttress their economies if they are to flourish. Looking beyond traditional private and public sector solutions, we suggest that the social economy may offer viable solutions to address gaps in rural areas affected by political and economic restructuring. Social economy solutions take a place-based approach to building a resilient local economy from within. This involves reorienting a community’s focus inwards, finding value and strength in local attributes and resources, and creating local capacity-building and reinvestment opportunities in order to decrease dependency on external resources.

The purpose of this chapter is to explore the role that social economy organizations (SEOs) may play in revitalizing rural communities. Specifically, we are interested in the activities of credit unions, since credit unions, as both SEOs and local financial institutions, have a unique role to play in financing the very sector in which they operate. As part of their mandate, credit unions have a commitment to provide financial and other related services to their members; however, their work serves their members not only directly but also indirectly, insofar as depository funds are reinvested locally. This is in contrast to conventional banks, which often invest at a distance in order to maximize profits. In rural settings, access to
financial services is more limited, and thus credit unions have an even greater significance, particularly with respect to the small enterprises and non-profit organizations typical of the rural context. Given their mandate of member and community service and their commitment to a set of co-operative principles (outlined below), we propose that credit unions are a natural source of financial assistance for social enterprises and other organizations operating within the social economy that may provide valuable services to many individuals and communities not adequately served by the for-profit or public sectors. We explore this proposition in the context of several case study rural communities in British Columbia and Alberta. Although the social economy is by no means an understudied concept, to date there is very little research on the social economy in a rural context in general and, more specifically, in rural Canada (Wittman, Beckie, and Hergesheimer 2012; Teitelbaum and Reimer 2002; Reimer 2005; Neamtan and Downing 2005). We hope that this chapter contributes to a more thorough understanding of how the social economy operates in rural areas in Canada and of the particular roles of credit unions within the sector.

THE SOCIAL ECONOMY IN THE RURAL CONTEXT

The earlier chapters of this volume provide a comprehensive overview of the definitions and debates surrounding the social economy. We will not reiterate this material other than to state that for the purposes of our research, we view the social economy as being a limited part of the third sector of the economy. We exclude such non-profits as hospitals, universities, charities, and recreational societies and include only those bodies that seek a different economic process of ownership, work, production, and surplus distribution—a process focused on equity for all stakeholders. It is these companion initiatives and organizations that credit unions might assist through their financial and granting services.

Rural Restructuring and Community Economic Development

Globalization and the changing economy, driven by neoliberal values, have had profound effects on rural communities in Canada (Young and Matthews 2007). With the values and traditional redistributive practices of the welfare state under increasing scrutiny, many governments have repositioned themselves as partners in the provision of community services rather than primary deliverers or funders of those services. As a result, there have been dramatic shifts in the responsibilities of the voluntary sector (Gray, Healy, and Crofts 2003). This societal shift away from
the traditional welfare state and toward an emphasis on market-driven mecha-
isms and business-based approaches for addressing social problems is one reason
for the emergence of the social economy (Dart 2004).

Rural restructuring in Canada can be characterized by the growth in the ser-
vice sector and the subsequent decline in primary industries, upon which many
rural communities rely. This restructuring has resulted in high rates of unemploy-
ment and emigration of young people (Markey, Halseth, and Manson 2008). Lower
populations in rural areas makes providing services in these areas more expen-
sive and a lack of services may discourage businesses or people from moving
to the community (Green 2003; Halseth and Ryser 2006). Indeed, the closure of
businesses that provided services to the community can have significant social
and economic consequences. A seven-year study of the availability of services
in rural and small-town places across Canada found a reduction over time of the
local availability of all services tracked, including education services, health care,
police and fire services, and government services (Halseth and Ryser 2006).

Rural restructuring is also fundamentally linked with the degradation of nat-
ural resources and the decline of ecosystem services associated with resource
exploitation and, increasingly, with climate change (Wall and Marzall 2006).
These issues elevate the importance of sustainable development to rural places—
and highlight specific contradictions and tensions associated with the conceptual
and practical dimensions of rural sustainability. For example, Katherine Scott and
colleagues (2000, 433) summarize the contradictions of defining sustainability in
the rural setting by stating that “on the one hand it might imply stasis, but it might
also suggest an ability to respond positively to change.” This tension is evident in
the perceptual barriers to recognizing the relevance of sustainable development to
the rural setting. The first barrier concerns the common rural economic practice
of attracting large resource-intensive industries. In colloquial terms, this “smoke-
stack chasing” is a stubbornly consistent development strategy, despite research
that points to its relative impotence in terms of net gain for community econ-
omies or long-term gain related to capturing sustainable benefits for the future
in rapid-growth settings (Markey et al. 2005; Markey, Halseth, and Manson 2012).
Sustainability principles within this context may be seen as a threat to traditional
rural economies. At best, sustainability is ignored as irrelevant; at worst, it is tar-
geted as a distinct threat to community viability and a rural “way of life,” reflect-
ing the tendency to prioritize economic capital at the expense of the other forms of
community capital. This situation is particularly evident in resource boom regions
of the country. At a deeper conceptual level, combinations of the rural idyll and
frontierism may hinder the connection between rural lifestyle and the need to adopt more sustainable living practices, such as increased density (Markey et al. 2010). While many rural communities are beginning to explore sustainable planning principles, the pressures of finite space and resources that impact their more densely populated urban neighbours do not confront rural people in Canada to the same degree. As a result, rural populations are, for example, less likely to embrace sustainable planning practices like Smartgrowth (Wells 2002). It is also important to note that sustainable community development research has done little to apply a rural lens or to engage seriously with robust case research in the rural setting. Too often, sustainable community planning principles and strategies are urban concepts with little cultural or contextual adaptation to the rural setting.

Faced with these challenges, many rural communities are searching for ways to revitalize their economies in situations of decline or to protect and localize economic activities in situations of resource booms. Community economic development (CED) is an approach being adopted by rural and urban communities alike (Perry 1987). CED emphasizes the need for communities to develop their own local solutions to economic problems and the importance of building long-term community self-reliance and incorporating environmental and social considerations into economic plans and decision-making (Markey et al. 2005). The CED approach recommends that rural communities reorient away from a space-based economy context and toward a place-based economy as a way to become more resilient. A place-based approach encourages communities to look beyond natural resource exploitation and instead to consider the unique attributes of their particular place in order to generate sustainable development opportunities (Markey, Halseth, and Manson 2012).

Credit Unions and the Rural Social Economy

Many researchers see encouraging the growth of the social economy and social economy organizations (SEOs) as a viable strategy for revitalizing local communities (Berkes and Davidson-Hunt 2007; Greffe 2007; Gertler 2004). Because SEOs are not profit oriented, they are able to look at both long-term and short-term prospects and thus to “distil and disseminate values and processes that are intrinsic to local development” (Greffe 2007, 96). Credit unions are important social economy organizations that operate in rural areas, providing crucial financial services. Credit unions, also known as co-operative banks, emerged from the co-operative movement that began in Europe in the nineteenth century, in an era characterized by rapid industrialization and urbanization across Europe and North America.
British Columbia, the provincial government has been encouraging the development of co-operatives since the 1890s in the agricultural sector, in order to enhance the quality of produce and reduce the price of farm supplies for farmers. In the 1930s, BC farmers, who were well informed about co-operative movements in Europe and other parts of Canada, established the first co-operative marketing organizations in the Okanagan Valley and the Fraser Valley. Consumer co-operatives were also organized in the Kootenays and Vancouver Island, generally as a way to compete with chain stores and reduce the cost of goods. These consumer and marketing co-operatives provided great support for the establishment of the BC credit union movement (MacPherson 1995).

When credit unions finally emerged in British Columbia in the 1940s and 1950s, they were very successful, since there was a real need for banking services for those who were poorly paid or underemployed and who were not being served by existing banking systems. Co-operative banks in British Columbia in the mid-1900s focused on the character and the reputation of each member rather than on individual wealth (MacPherson 1995).

In Alberta, farmers who were frustrated by the terms and conditions under which they were forced to sell their grain formed co-operatives in the early 1900s. First, farmers formed co-operatively owned country elevators and then started to pool their crops for sale through marketing co-operatives. Through this system, farmers received higher prices for their products than if they had sold through the regular grain exchange. Aside from a few short-lived examples, there was no single pioneer that pushed forward the credit union movement in Alberta; rather, the credit union idea “dribbled into the province a little bit at a time, taking root among tiny isolated groups gathered in kitchens, living rooms, and small meeting rooms” in the 1930s (Turner 1984, 40). Alberta passed its Credit Union Act in 1938.

Today, credit unions still have a mandate to lend to members, and they have become heavily involved with community economic development. Since CED “draws on the community’s needs and resources, the same way a credit union does” (Fairbairn, Ketilson, and Krebs 1997, 11), credit unions are ideally suited to this role. Credit unions have a unique advantage when it comes to CED: working to build community skills, capacity, and leadership, and even create jobs, they are able to operate beyond the traditional economic development role of financing (Fairbairn, Ketilson, and Krebs 1997; Heenan and McLaughlin 2002).

Credit unions are particularly valuable to rural areas. Since it is part of their mandate to provide loans to those who have less access to credit and because investment decisions are based on the idea of strengthening community, credit...
unions are able to fill the credit gap experienced in many rural areas (Green 2003). Furthermore, the success of the credit union is dependent upon the vitality of the community in which it is rooted, so economic surpluses are reinvested or redistributed back to the community (Fairbairn, Ketilson, and Krebs 1997). In documenting how four small towns in Australia were affected by the loss of a local bank branch, Deborah Ralston and Diana Beal (1999) found that the number of business and home loans dropped and that the local economy of the town was affected as people stopped shopping locally and instead shopped where they banked. When a credit union opened up in each of these towns, there was a dramatic improvement in community confidence, and the majority of people in these towns felt that the credit union had improved employment opportunities, encouraged new business, and reduced the potential for crime in the community.

Brown (2001) remarks that the size of the community in which the credit union is situated will have a bearing on the kind of impact the credit union will have. In large urban areas, for example, large credit unions are in competition with other banks, so formal community relationships are likely to be more important. Small credit unions in urban areas will be more likely to have an impact on “very particular aspects of community involvement and to mobilize particular segments of the community” (50). Finally, credit unions located in small communities will likely have “high penetration and strong member loyalty” and will therefore be able to address broad-based community concerns (50).

Brett Fairbairn and colleagues (1997), in an extensive article on the roles of credit unions in CED, show that one of their most critical roles is in helping to start up and expand local businesses. Because credit unions redistribute and reinvest surpluses and because they are committed to education and community vitality, they “embody community economic development and can act as powerful bulwarks of their host communities. Co-operatives and credit unions have a greater capacity to influence their community environment than do most businesses” (15). Kimberly Zeuli (2001) finds that co-operatives build human capital through leadership development in rural communities, a prerequisite for local development efforts—for example, through providing skills development like business management, communications, or group problem-solving to those who serve on a co-operative board. These roles for credit unions in smaller communities are also supported by evidence which indicates that credit unions are ranked first in meeting the business needs of small- and medium-sized companies (CFIB 2013).

One area where credit unions can make a positive contribution to strengthening and supporting local economies falls under the broad concept of “community
Strong Institutions, Weak Strategies 253

Community investment (CI) refers to “capital used to finance deep-seated needs of local communities that cannot ordinarily be addressed by traditional investment models” (RIA 2007, 16). CI usually supports low-income communities, both in Canada and in developing countries, and is sometimes known as “cause-based, socially directed, social impact, or alternative investing” (Strandberg 2004, 6). The importance of CI is noted by Coro Strandberg (2004, 14), who writes, “Community investing can help turn around communities, create opportunities for the disenfranchised, support environmental regeneration and underwrite affordable housing for the poor.” It is this particular role of credit unions that we sought to investigate through our case research.

RESEARCH DESIGN AND CONTEXT

We implemented our research design in three phases. First, we began our exploration with a literature review on the social economy and, specifically, credit unions. Second, we conducted semi-structured interviews with twelve key-informant leaders in the social economy and credit union sectors in order to gain a better understanding of credit union roles and social economy related programs. The perspectives of the informants helped us significantly in moving to our third phase in terms of identifying appropriate case studies. Finally, using the information provided in the interviews and combined with a scan of credit union websites in British Columbia and Alberta (collecting a set of comparative indicators), we completed case studies of eight credit unions. The research emphasized the role of rural credit unions in supporting and promoting the social economy and in facilitating economic development more generally across the rural region. Research with each credit union consisted of a review of annual reports, semi-structured interviews with the CEO and manager(s) of community programs/loans, and an interview with the manager of the Community Futures Network of Canada office in the region in order to gain an external perspective and overview of the rural regional economy.

Our selection of case sites was based upon several criteria, including an assessment of the rural character of each credit union community as indicated by its population and its non-adjacent distance from larger metropolitan centres. Descriptions and rationales for various definitions of rural exist elsewhere in the literature (see, for example, Berkes and Davidson-Hunt 2007; Markey et al. 2005). Our approach fits well with the concept of “degrees of rurality,” according to which territorial units can be assigned several measures of rurality (Du Plessis, Beshiri,
and Bollman 2004). Other selection criteria included the presence of community-oriented programs identified on the host website and an invitation by the credit union’s CEO to conduct research on the organization.

Given these factors, the populations of our case communities ranged from 6,000 to 17,000. (See table 10.1 for a breakdown of town population and credit union characteristics.) Overall, the credit union sector in both British Columbia and Alberta is significant. In Alberta, there are approximately forty-six credit unions with over 640,000 members and $17 billion in assets.¹ British Columbia also has about forty-six credit unions, but, with more than 1.6 million members and assets of $48 billion, they are significantly larger (CUCC 2010).

Table 10.1 Characteristics of credit unions studied

<table>
<thead>
<tr>
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<th>Branches</th>
<th>Assets</th>
<th>Members</th>
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<td>20,000</td>
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<td>3</td>
<td>$169 M</td>
<td>11,000</td>
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<td>17,000</td>
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<td>$221 M</td>
<td>10,000</td>
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<tr>
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<td>1</td>
<td>$154 M</td>
<td>5,000</td>
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<td>8</td>
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*Town population refers to main branch location and is based on 2006 Canada Census data.

THE ROLE OF CREDIT UNIONS IN RURAL ECONOMIES

In this study, we use credit unions as representatives of the social economy to investigate how the social economy can contribute to the revitalization of rural communities. As we have outlined above, rural communities commonly employ a CED approach to rebuilding and strengthening their local economies, orienting toward a place-based approach to development that emphasizes social and environmental aspects of development, including the social economy. Credit unions are in a unique position in that they both operate within the social economy and have the

¹ The number of credit unions will vary because of a continuing process of mergers, on the one hand, and the founding of new credit unions, on the other.
means and the mandate to make meaningful financial contributions to strengthen the sector. In the following sections, we review select opportunities and barriers that exist for rural credit unions as institutional representatives of the social economy. Our research reveals that credit unions possess a number of “competitiveness attributes” that make them invaluable to rural communities, helping to counteract the negative impacts associated with restructuring. These attributes—which include community rootedness, the ability to make locally appropriate decisions, and the ability to provide services tailored to non-profit organizations and marginalized communities—represent operating dynamics that may apply to the rural social economy as a whole. In addition, a significant potential advantage posed by rural social economy actors is their ability to reinvest in the local and regional economy.

**Place-Based Economic Competitiveness**

As place-based organizations operating within the social economy, credit unions have an obvious and unique advantage in supporting their local communities. Instead of exploiting this competitive advantage, credit unions seem encumbered by the pressure to compete with banks. A common theme among informants in the course of our research was that credit union managers feel compelled to pursue a more traditional business model in order to effectively compete with larger financial institutions. Such a competition is weighted toward the banks because of their sheer size as compared to most credit unions, making it difficult for credit unions to offer competitive financial products and services. One response to this challenge has been for credit unions to merge or simply to work together with other credit unions in a region to offer broader, shared services.

In general, credit union managers are aware of the limitations they face in competing with banks. Indeed, this seemed to be a common sentiment among the informants interviewed in the course of this research: although credit unions find it difficult to compete with banks in offering financial services, informants stressed that they are able to offer to their customers a different type of value, which they can use to compete with banks. This value encompasses strong community roots and an awareness of local issues, which informants report gives them the ability to personalize financial services, stepping outside the typical boundaries to tailor financial products to individual customers and offer services to marginalized groups and non-profit organizations.

*Community rootedness.* Credit unions differ quite dramatically in structure and mission from banks. Being member-owned, democratic, locally based financial
institutions that adhere to a distinct set of regulations in each province in Canada, credit unions operate in a small and well-defined geographic area. Despite notable exceptions to this last point—there are several large credit unions in Canada that have a broad service area, though never extending past provincial boundaries—the majority of credit unions in Canada are set up to serve a particular rural area, town, or city. Some urban credit unions even have branches attuned to particular neighbourhoods. Accordingly, our interviewees identified rootedness in community and a strong community identity as significant not only to the informants themselves but also to credit union customers.

Community rootedness is a product of the structure of the credit union itself. As member-owned co-operatives, credit unions adhere to the seven co-operative principles as set out by the International Co-operative Alliance. Adherence to this set of principles—which includes voluntary and open membership, democratic member control, autonomy and independence, and a concern for the community—is, for the most part, what separates credit unions from traditional financial institutions. Although some credit unions are organized solely for a particular subgroup in a community (such as the employees of a local industry), anyone is welcome to join a credit union, and all members have decision-making power.

In general, the people we interviewed saw their credit unions as being in touch with the needs of their community, a characteristic that they believe sets them apart from the banks. According to one credit union representative, the average person may be unaware of the seven co-op principles but may still perceive credit unions to be community based, an attribute that many informants believe could give the credit union a competitive advantage over banks and other financial institutions. One interviewee emphasized the need for credit unions to engage in more self-promotion:

> 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.

It is clear from our interviewees that “community rootedness” is a characteristic that credit unions can leverage to their advantage in competing with other financial institutions.
Local decision making. Credit unions’ community rootedness is manifested in a variety of ways. In terms of community involvement and investment, several informants pointed out that credit unions are able to make their own internal decisions about the kinds of community events, initiatives, charities, and activities they wish to support. In contrast, banks make these kinds of decisions at the head office level, with the result being that sponsorships and donations may not be responding to specific community needs. Although banks also make claims about their community investments, they have a different vision of how to do this and are more inclined to invest in large national charities, events, and festivals. Credit unions are likely to support similar activities but at the local level.

The ability to make decisions that respond to local needs, combined with the community rootedness of credit unions, was seen by interviewees to give credit unions a competitive advantage, particularly in an era of economic uncertainty and at a time when there may be a general wariness about the trustworthiness of traditional financial institutions. This apprehension may result in a surge of interest in more locally based economies. With already established strong roots in their local communities, credit unions are poised to respond to that interest. Like banks, credit unions also strive to make a consistent profit, but this aspect of their operations is tempered by the aforementioned strong commitment to their members and to the communities in which they are situated, an inherent aspect of being a co-operative. According to one informant, credit unions should be able to pursue both an economic and a social mission, provided the two missions are balanced: “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.” Interviewees clarified that although making profit is important and credit unions must consider the bottom line, an important consideration is how to balance community investment with profit making.

Services for marginalized communities and non-profit organizations. The ability to offer personalized service and tailor financial services to meet individual customers’ needs were two competitive attributes also mentioned by a number of interviewees. One informant discussed how staff at his credit union regularly meet with individuals to give financial advice, an example of the kind of service that he believes has earned his credit union a reputation for its integrity and credibility. He noted that while banks require loan applicants to fit into a predefined profile, credit unions are able to be more flexible since credit union staff have the time to get to know customers well and can often find solutions to individual financial
needs. In discussing loans, one interviewee reported that although there are standard criteria to be met, staff are often able to step beyond the usual boundaries because of the solid relationships his credit union has been able to build with customers. It was noted that credit unions are not often able to offer better loan terms or a cheaper interest rate, but they do have the ability to offer loans when other financial institutions will not.

Credit unions also have the opportunity to invest in local non-profit organizations, which tend to work in areas not served by the public and private sectors, such as advocating for marginalized communities. In rural and small-town communities, where local non-profit organizations have a smaller population on which to draw for financial support, credit unions have the opportunity to lend financial support to these organizations. Such financial support may go a long way toward strengthening local economies in general, which in turn strengthens the membership base of credit unions. This type of alternative investment has the potential to make real change in communities, especially those that are struggling economically. In addition to giving grants, one credit union involved in our study is supporting non-profits and social enterprises through providing long-term financial advice, organizational development, and general sectoral support. This credit union exemplifies the type of alternative financing and support that credit unions are able to provide, yet our research shows that most credit unions have largely ignored this opportunity.

Select rural credit unions in our study have also established a niche for themselves in offering financial services to traditionally marginalized communities, including loans that banks might consider too risky. One informant pointed out that his small credit union is able to support almost anyone who comes in because unlike banks and other financial institutions that are accountable to policies of a distant head office, credit unions are able to make decisions more independently.

Community (Re)Investment

Social economy policies and programs within credit unions are closely aligned with the institutions’ corporate social responsibility (CSR) functions. The definitional obscurity (or emergent qualities) of the social economy presents both opportunities and barriers in terms of linking with the more widely recognized field of CSR. On the positive side, CSR may serve as a gateway—both organizationally and conceptually—to introduce the social economy more broadly within the credit union sector. CSR investments by credit unions are significant: in Canada,
credit unions contributed more than $41.4 million to their communities in the form of direct donations, financial services, sponsorships, and scholarships and bursaries (CUCC 2013). On the negative side, however, interviewees expressed concern that CSR may be a barrier to social economy development, as the conventional CSR activities of credit unions—while serving very positive community and marketing roles—are not structurally relevant to elevating the strength and awareness of the social economy or making significant shifts toward environmental sustainability. If the social economy and movement toward sustainability is confused with these “CSR-lite” activities, the broader transformative potential of the social economy and sustainable development is overlooked.

Our research shows that rural credit unions are investing a certain proportion of annual profits into local organizations and events, but they are not engaging in the kinds of investments in the social economy that could potentially bring about structural changes in the economies or environmental sustainability of local communities. Rather, the credit unions examined in our study overwhelmingly tend to focus on charitable donations and sponsorships—for example, funding scholarships for high school students, sponsoring community events like golf tournaments and community breakfasts, and donating to youth sports and local charities. Some credit unions also run financial literacy programs for adults and youth. While supporting these kinds of community initiatives is certainly worthwhile, we characterize them as “traditional investments” since they do not make a meaningful contribution to strengthening the social economy of local communities in long-term, structural ways.

Several interviewees raised the idea that credit unions could play a role in bringing about societal change through, for example, reducing poverty, building community, and supporting youth. Some of the credit union representatives mentioned the importance of CSR in helping credit unions to better engage with communities. However, according to one informant, there is a general lack of understanding of how to affect social change, and engaging in community events is a simple and obvious way for credit unions to invest.

The place-based rootedness of credit unions, combined with their financial resources, makes these organizations strong social economy institutions across the rural landscape. Our study also identifies areas in which credit unions are adopting strong social economy strategies in terms of providing financial services to marginalized communities. Overall, however, the lack of strategic intentionality and structural relevance of credit union programs within our sample indicates that rural credit unions are not translating their strong institutional presence
into strong social economy and sustainability investments and practices. CSR-lite will not contribute to the transformation of conventional economic and societal structures.

In the following section, we discuss several barriers that credit unions face in advancing the social economy and sustainability. We explore reasons why many credit union staff and management lack awareness about the social economy and how to contribute to it, and we examine the lack of measurement tools (e.g., social and environmental audits) for gauging the success of community-related investments.

Credit Unions and Green Initiatives

Sean Markey

A number of credit unions in British Columbia and Alberta are using their financial resources to support green initiatives and facilitate sustainable choices for their members. For example, the Vancity enviro Visa has raised $5.7 million in grants since 1990 to help support green initiatives (VCU 2014a). In 2014, the enviroFund provided support toward the development of a sustainable, local food system. Grants were given to two organizations to support the growth of successful farmers’ markets, small-scale food processors, and small and medium producers (Vancity 2014a).

In another program, Vancity offers eco-efficiency loans to businesses and non-profit organizations to help finance energy improvements. Loans of up to $250,000 are offered at a preferred rate, with financing for up to 100 percent of capital upgrades and flexible repayment terms to help manage cash flow (Vancity 2014b). Lake View Credit Union, a small BC credit union operating in Tumbler Ridge, Dawson Creek, and Chetwynd, offers members eco-friendly vehicle loans. Members receive a low rate on vehicles that are specifically designed for superior environmental performance and those that emit significantly less CO2 than the average car. The program is pitched as helping to reduce carbon emissions and improving member financial well-being by reducing fuel costs.

One final example, from Alberta, First Calgary Credit Union, launched their Environmental Promise, a commitment to making environmentally responsible decisions as they impact their members, employees, communities, and the organization as a whole, including green purchasing and building LEED certified buildings (First Calgary Financial 2012).
These projects span the continuum of weak to strong sustainability, but they serve as powerful forms of member and community engagement and represent a convergence of the institutional social economy strength of credit unions and sustainable community development.


**Barriers to Structural Influence**

Measuring awareness of the social economy within the credit union milieu is obviously a critical starting place for determining the level of engagement of credit unions with the social economy and social enterprise. Some interviewees noted that since the Governor General’s Speech from the Throne on 5 October 2004, through which the social economy sector received a jolt of mainstream recognition, broader public and government engagement with the sector has waned (Clarkson 2004). This affects credit union involvement in two ways. First, as responsive agents to the marketplace, and particularly as member-driven organizations, credit unions are heavily influenced by consumer and member interest. Second, as social economy entities themselves (at least in principle), credit unions are, theoretically, central players in representing and showcasing the social economy. The inherent tension between these two roles—responsive agents and proactive institutions—emerged in our interviews.

As institutional entities (i.e., substantial and systemic structures), credit unions are uniquely placed within the social economy, a sector that is more often associated with smaller entities despite the presence of a number of larger co-operatives and non-profit institutions. Even though credit unions, as co-ops, are social economy organizations, linking the co-operative reality with the broader principles of the social economy is not part of the mainstream culture within the credit union sector. Our interviewees offered a number of thoughts that help to explain this apparent contradiction. We will start with factors internal to credit unions and follow with the influence of the social economy sector as a whole.
First, knowledge of the social economy among credit union staff is low. While this is, in part, related to the general public’s lack of awareness of the social economy, it is also a function of credit union practices. As one credit union representative put it, “There is high-level comfort around supporting community events, but unless you have people involved who understand the full continuum of roles that CUs could play and how social change is motivated and mobilized, it will not happen.”

Interviewees also offered insightful comments on the role of the social economy sector itself in promoting or inhibiting its own development. As they were aware, the language of the social economy can at times be alienating to the mainstream (including credit union personnel) and, in particular, to mainstream business practices. “There is a business capacity issue in the co-operative sector,” one respondent noted. “The people involved carry a hippie 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.” Echoing this comment, another pointed to the lack of fit between the social economy and the criteria by which business operations are typically judged: “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.” Social economy leaders generally either assume a higher level of awareness than exists in reality or situate the social economy in opposition to, or as serving a higher purpose than, traditional business. Thus, to the extent that credit union personnel are oriented to general business practices (as they indeed must be to operate a financial institution), they may be turned off.

Second, interviewees noted that the social economy sector could be doing a better job of communications. There are clear challenges here in terms of resources available to spread the word; however, respondents wanted more examples of successful performance and commented specifically on how the co-op sector, for example, needs to do a better job of sharing and communicating the co-op model. Awareness of the co-op sector (even within co-operatives and members who may belong to a co-op) was seen as being very low. The social economy sector needs to be doing a better job at communicating its benefits: it needs to highlight its ability to make a value-added contribution to organizations and to the economy, thus countering the misunderstanding of the social economy as a sector that drains valuable and limited resources. One interviewee attributed this misperception to the unrealistic expectations that are placed on emergent social economy actors.
and enterprises. The pressure to achieve short-term benefits and realize short-term financial viability may crush potentially viable organizations.

In offering their comments and critiques, interviewees were aware of the many good works and programs offered and supported by the credit union sector overall. However, the interviews provided a clear sense that organizational and structural barriers are preventing the social economy from reaching a critical tipping-point of awareness and action that could lead to a more inclusive economy.

Several informants suggested that the reluctance on the part of credit union management to move away from traditional investment may be due in part to a lack of knowledge about what the social economy is and how investing in it may benefit the larger community and the credit union itself. Although there is some evidence for the value of a strong social economy, data on how the social economy contributes to a stronger economy overall are scarce. Because of a lack of specific data on what aspects of the social economy are successful, credit unions may, understandably, perceive investment in the social economy as involving too many risks—risks that, according to some informants, credit unions are unfamiliar with and do not know how to handle.

Finally, despite the efforts of select credit unions, performance metrics (where they are being used) generally do not incorporate social economy or sustainability criteria. If social economy and sustainable development variables are not part of the information feedback system within credit unions, then those sectors will continue to be programmatically marginalized. In no instances were case study credit unions tracking or measuring the impacts of their community investments, donations, scholarships, or programs, except to measure membership growth.

Performing a social and environmental audit is one technique used to measure the impact of CSR-related activities. Generally, auditing serves three purposes. First, it allows organizations to evaluate their performance in relation to their social, environmental, and economic commitments and goals. Second, auditing helps organizations to respond to changing expectations in the business environment: for example, it allows them to demonstrate their commitment to social or environmental responsibility. Third, given increasing consumer concern about social and environmental risk, triple bottom-line accounting can position an organization favourably in the marketplace (Brown 2001).

Although auditing may not capture the drawbacks associated with engaging in various investments or initiatives, it may help credit unions to define what kinds of risk they can assume and to identify the limitations of traditional forms of community investments. One informant proposed that in the absence of measurement tools, credit unions might become mired in more traditional investments.
Although there is nothing wrong with traditional investments, they are unlikely to lead to the societal changes to which credit unions are ostensibly capable of contributing by virtue of their co-operative principles and their scale. Despite the strong argument for using social and environmental audits, however, one credit union employee suggested that auditing may not be as critical for smaller communities because the effects of investments are more clearly visible. Measurement may still be necessary in rural and small towns, but perhaps it should be done using a tool that is less complex than comprehensive auditing. “‘Community’ is a real phenomenon here,” the credit union employee noted. “You see results faster in the community here in a small town. The impact of investments is easier to see, so measurement of these investments is less formal.”

THE POTENTIAL FOR CONVERGENCE

Although credit unions have a distinct history from banks and are founded on different values and principles, the qualities that distinguish credit unions are generally not being expressed fully in terms of offering tangible and measurable facilitation of the social economy and sustainable communities. Credit unions certainly have the capacity, based on their mandate and resources, to finance the social economy and the transition to more sustainable communities: they are rooted in community, are democratic institutions, and are themselves part of the social economy. But can credit unions overcome the strong compulsion to compete with banks on traditional grounds, a compulsion that may very well detract from the overall mission and structural potential of credit unions?

Informants from all case study credit unions discussed their firm rootedness in the communities they serve and their familiarity with local issues and struggles. Yet most credit unions have not taken advantage of these qualities in order to make strategic investments that would build the foundations of a social economy and more directly align with credit union principles. The credit unions in our study are making meaningful investments in traditional areas such as sponsorships of local festivals or sports teams, but there is a widespread lack of broader strategic, structural visions or plans associated with building the social economy and sustainable communities. Our research indicates that an underlying cause for this lack of structural vision is the failure of many credit unions to recognize the importance of the social economy and their role within it. In particular, the lack of staff education about the social economy and its contribution to local economic development is a significant finding. More awareness of the importance of the social economy is
critical for the strengthening of the sector and the organizations within it. In addition, further research about the social economy’s role in economic development will be a critical contribution.

Our interviewees suggested that most credit unions are struggling to find a niche for themselves. Credit union managers and staff recognize that their institutions are unable to compete with banks solely on financial services but they are constrained by members who may not recognize the value of supporting environmental initiatives or less mainstream traditional investments that could lead to a strengthening of both the local economy and the credit union itself. Many informants reported that despite the distinctive attributes that set them apart from banks, credit unions have strayed from their mission and are more strictly focused on profit making. Those credit unions that have tried to position themselves to compete with banks are now trapped in the market and do not see that they could have an altogether different position in the economy. Recent findings from the Global Alliance for Banking on Values (GABV) may provide some support for adopting more sustainable operating principles. Its 2013 study shows that leading sustainable banks and credit unions outperformed the world’s largest banks in all key measures for the years 2003 to 2012 (GABV 2013, 5, 8):

- They lend almost twice as much of their assets on their balance sheet (75.9% compared to 40.1% for the big banks).
- They rely on customer deposits to a greater degree to fund their balance sheet (73.1% versus 42.9%).
- They maintain stronger capital positions, especially when measured by equity/total assets (7.2% versus 5.5%, relative to their larger contemporaries).
- They deliver a higher return on assets (0.53% versus 0.37%) with lower levels of volatility.

The study concludes that overall, sustainable banks are resilient, support the real economy, and provide stable returns.

In facing the challenge posed by restructuring in rural communities, credit unions have the potential to play a critical role in helping to strengthen rural community economies by building on existing strengths and local capacity. In order to be successful and meaningful in their communities, credit unions must compete on the basis of financial products while also looking for ways to support people, local organizations, and their communities as a whole. Interviewees stressed that the social economy may provide a balanced way (i.e., appealing to both enterprise
and social and ecological dimensions) to pursue competitive advantages that are still rooted in the principles and practices of the credit union ideal. It is here where we find the seeds of a convergence within the credit union sector. At a strategic level, rural credit unions in our study are implementing weak social economy and sustainability strategies; however, their connectedness to community and their place-based development orientation could provide a foundation for making local investments that achieve the principles of integrated development, balancing economic needs with a commitment to social equity and environmental sustainability to ensure a long-term and prosperous future for the community.

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