

IS THE SPIRIT OF CREDIT UNION STILL ALIVE AND HEALTHY IN IRELAND?

Michael Ward
Centre for Cooperative Studies, University College Cork

The spirit of Credit Union is synonymous with the spirit of cooperation. It is the philosophy of democracy, mutuality and service which underpins and gives life to the cooperative principles and thus the Credit Union operating principles.

At least in philosophical terms a cooperative, whether it be a Credit Union or a Dairy Society, may be distinguished from other types of organisations by three distinctive characteristics which define not only the relationship between a cooperative and its members, but also the way in which the cooperative should relate to those outside the organisation.

The cooperative and thus the Credit Union approach implies:

- (a) treating people as origins of action, not as objects to be manipulated or serviced;
- (b) encouraging people to work together and help one another solve mutual problems;
- (c) designing useful structures, processes, products and services so as to meet people's needs rather than for profit-making purposes alone. (Briscoe et al p.32)

These characteristics are the virtual antithesis of the principle features of the conventional or non-cooperative approach to organisational life.

Let us briefly look at each of these characteristics and see what they tell us about

the cooperative/Credit Union spirit¹.

PEOPLE AS ORIGINS OF ACTION

This is the characteristic on which the Credit Union operating principles (Rochdale principles) of open and voluntary membership, democratic control and on-going education are based.

It is assumed that within any given population the creativity and ability to make meaningful decisions are widely distributed talents. People are capable of taking charge of their own lives without being passive recipients of the things society and its institutions do to them.

It follows from this that in a Credit Union members should be involved at the most appropriate and feasible levels and be equipped with the information, skills and awareness necessary to be so involved. Every effort must be made to identify and meet the real needs of members by encouraging and facilitating their full participation. The Credit Union seeks to "empower" the member in the context of unity and fraternity rather than individualism and greed. The spirit of Credit Union is meaningful and effective participation.

MUTUAL AID

This is the characteristic on which the Credit Union operating principles of non-discrimination in race, religion and politics, cooperation among cooperatives and social responsibility are based.

Cooperative philosophy holds that the ability of people to take charge of their lives depends partly upon their willingness to work together with others in the same boat

¹ This discussion draws heavily on a book entitled 'The Cooperative Idea' by Briscoe et al of which I am a co-author.

as themselves. It holds that by pooling their resources and talents, people can obtain a leverage on life which would be beyond any of them individually. It is assumed that effective working together and sharing reduces anxiety in the face of uncertainty and provides the solidarity to deal with difficulties and obstacles.

Applying this characteristic to a Credit Union, one would expect a constant striving to bring together the different groups which make up a Credit Union - members, directors, employees - so as to identify overall needs and develop appropriate policies. Efforts would be made to include the entire range of social class groupings within the common bond. One might expect action and behaviour to be premised on the belief that people and Credit Unions can work together for mutual benefit without exploiting each other. Community building and partnership would be regarded as important goals. Rights will be balanced against responsibilities.

The success of this mutual aid characteristic in operation would be the creation of sufficient sources of credit to members at fair and reasonable rates of interest resulting from the pooling of savings and promotion of thrift.

DESIGN FOR USE

This is the characteristic on which the Credit Union operating principles of service to members, return on savings and deposits and return of surplus to members are based.

The prime objective of a cooperative is the economic and social betterment of its members and thus it follows that a cooperative should be self-consciously designed to provide services which are useful to its members rather than to make a profit at their expense. Therefore the users themselves must be actively involved in

designing and evaluating the service having taken cognisance of their needs. This involvement in the process of need satisfaction enables users to become more clearly aware of the nature of their needs and increasingly knowledgeable and self-reliant.

A Credit Union would therefore define efficiency and quality of service in a much different and broader way to that of a conventional bank. Prudent but creative stewardship of the members' savings would be a priority. The directors and management must be humble enough to really listen to the members. Character must be more important than collateral. In a Credit Union the marketing function would have much more to do with educating and communicating than with public relations and hard sell.

According to cooperative philosophy, the way to satisfy human needs and solve problems is to combine in a democratic manner with others who are in a similar situation and to design an organisation and delivery system specifically for the purpose of meeting those needs. When the organisation is established, the members continue to monitor it and shape it in order to ensure that it goes on meeting those needs.

That is the spirit on which Credit Union is premised.

The cooperative character or spirit as outlined above is an ideal type. It is unlikely that all cooperative organisations will mirror exactly the ideal form. However, one would expect cooperatives to be constantly striving in this direction.

LIFE v. HEALTH

Having defined the cooperative/Credit Union spirit, let us address the terms "alive and healthy".

A Credit Union or cooperative might be regarded as being alive when it abides by minimal structural and legal requirements. The Credit Union structure or body is intact but it is just lying there. For example, the one person one vote rule may be implemented to the "letter of the law" but this is virtually meaningless in reality because the members are not aware of their rights and entitlements and are not actively encouraged to participate and inform themselves before voting. Even those who attend the AGM may be acting blindly. A Credit Union with a healthy spirit, on the other hand, would take a much more proactive approach by putting the emphasis on reflective action following education and two-way communication. In a healthy Credit Union the spirit/blood in the form of participation and education will flow through the structure/body giving it energy and vitality. This cannot be legislated for.

Let us now apply these characteristics to the reality of Credit Union activity in Ireland today and thereby establish the extent to which the spirit of Credit Union is alive and healthy.

Given the limited time at my disposal I will be quite selective and mainly confine my observations to the "origins of action" and "mutual aid" characteristics. I would however urge you to privately apply the "design for use" characteristic by asking to what extent Credit Union services in the 1990s are really designed for use and meet the real needs of today's members.

Following the "origins of action" characteristic I will commence my analysis of the

Irish Credit Union spirit by focusing on participation at the levels of ordinary Credit Union members, director and committee level and volunteer work service. By drawing on the 'mutual aid' characteristic we will then focus on cooperation between Credit Unions and community linkages and development.

GENERAL MEMBER PARTICIPATION

In common with large consumer and producer cooperatives worldwide Irish Credit Unions suffer from low levels of member participation in decision-making. The AGM is poorly attended and at any rate is not a sufficient structure for member participation. Meaningful participation in a large AGM gathering is impractical even if there were halls sufficiently large to hold the crowd. Are we really convinced of the importance of active member participation? The often expressed belief that the vast majority of members who stay at home "are happy" and that they will only turn up when there are problems looming on the horizon is an indication that we are not totally convinced of the real merits of involvement, the real spirit of Credit Union.

The spirit of Credit Union cries out for meaningful member involvement which requires tolerance of experimentation and learning and of the time consuming process of working through different opinions. New approaches are called for. In this regard, I compliment the Irish Credit Union movement on its decision to regularly survey member and non-member opinion at the level of each Credit Union.

Nowadays, given demands on time, people tend to involve themselves in society to solve specific and concrete needs and problems rather than for more overall and abstract ideas. Perhaps it is therefore time to consider organising Credit Union members around specific issues and themes and/or sub-dividing the common bond membership into special constituencies (youth, women, unemployed, over 65s etc.)

and allow them meet on their own from time to time. Many Credit Unions already recognise youth as a special grouping. More Credit Unions might consider providing meeting spaces and resource rooms which are only indirectly related to Credit Union business and in this way activate people and draw them towards the Credit Union.

Representative Democracy as practised in Credit Unions requires a direct participative base to keep it vibrant. Perhaps one way of achieving this in Credit Unions would be to sub-divide the Common Bond into smaller geographical areas for advisory meetings. Perhaps it is also time to experiment with the traditional meeting format. One Consumer Canadian Co-op host open member discussions at a round table over a meal with a note taker at each table recording anything the members wish to mention about their co-op². Would this work in the Irish pub context?

In the final analysis, people will only participate when they realise that their participation brings results. Does it? Can it?

VOLUNTARY SERVICE

Behind the phenomenal growth of the Irish Credit Union movement and those impressive statistics which you have heard so many times (526 Credit Unions, 1.6 million members and 1.6 billion in savings) is the unquantifiable energy and effort of thousands of volunteers at director, committee and work level who selflessly give of their time and skill. This is the Credit union and cooperative spirit at work. This voluntarism alone would be sufficient to demonstrate that the spirit of Credit Union is alive and healthy. However, I know that you being part of that healthy spirit

² For a detailed discussion on ways of promoting greater member participation in cooperatives please see *International Joint Project on Cooperative Democracy 1995*.

would like me to cast a critical eye on the role of the volunteer and I intend to oblige.

Many Credit Union Boards and Committees would not appear to be representative of the membership in terms of age and gender while in some Credit Unions the same people tend to occupy Directorships etc. for lengthy periods of time without interruption. How much effort do Credit Unions devote to the task of getting new people to stand for election? Perhaps Rule 73 should be amended and the nominating committee mandated to ensure that a variety of candidates with a range of talents, skills and social backgrounds are on offer, thus always causing a contested election to be held for each vacancy. People must be challenged and if necessary equipped through training and education to go forward for election and even make their election more probable by restricting the period of service in office to say two terms after which a break of one term becomes mandatory.

I am not suggesting that long serving directors/committee members should wave goodbye to the Credit Union they helped develop and simply ride off into the sunset; on the contrary, given their considerable experience and skill, it is essential that they continue to contribute to their Credit Union's development albeit in a different capacity. They could, for example, teach on new educational programmes for the general membership thus helping to preserve the spirit of Credit Union for the future. I am simply calling for greater rotation among voluntary roles and tasks within Credit Unions thus utilising the ability of members to the full.

In addition to reducing costs, volunteer work service as Tellers etc. reinforces the image and feeling that the Credit Union belongs to the members. It shows the Credit Union spirit at work. The professional manner in which volunteer workers

operate is worthy of great praise and I feel their contributions and dedication should be publicly recognised and rewarded in non-financial ways. In the future, the maintenance and spreading of the Credit Union spirit will likely dictate that their work will change from helping with day to day operational matters to greater involvement with policy development, education and communication. The Credit Union spirit of 'Design for Use' may well demand more full-time staff thus enabling Credit Unions to open for longer hours and at more convenient times for users. I complement those Credit Unions who have successfully embraced this process in recent years.

It follows from the characteristic of "people as origins of action" that the employees in a Credit Union should be given a democratic voice in decision-making so that they can protect their interest in the Credit Union which is the main source of their livelihoods. An agreed mechanism for staff involvement which promotes trust between them and the Directors and which is based on Credit Union values and principles is therefore required.

EDUCATION

Education is an integral part of the cooperative and Credit Union spirit. The Irish Credit Union movement has kept faith with the Nora Herlihy motto of "no study no Credit Union". The study group period for a new Credit Union prior to registration with the Registrar and affiliation to the league is unique in the context of Irish cooperatives³ and contributes greatly to Credit Union success. In relative terms Irish Credit Unions both individually and collectively through Chapter and League devote much more resources and time to education and training than does any other branch of the Irish cooperative movement. Furthermore the spirit of co-operation permeates

³ Some Irish workers co-operatives are now following a similar but less structured approach.

your educational programmes in that you teach each other and learn from each other. Long may that continue. A desire to keep the spirit of Credit Union alive and healthy into the future can also be seen at work in your decision to support Credit Union education at university level for Credit Union activists. We should also applaud those Credit Unions who have introduced educational youth programmes such as mini Credit Unions in secondary schools.

From your experience I am sure you would agree that Credit Union involvement whether as a director or voluntary worker is in itself an educative process. In this respect the Irish Credit Union movement is responsible for the education and self-development of thousands of people over the last three decades or so. This is just another example of how alive and healthy the Credit Union spirit really is.

I think it is fair to say that Credit Unions in common with agricultural cooperatives have somewhat neglected education of the general membership - understandably because of the large numbers involved. People are allowed to join Credit Unions with little or no cooperative education or even induction being provided for them. Only a few Credit Unions hold a new members meeting. Educational talks for the general public, the potential members are few and far between. Perhaps this is the reason why one of last year's students reading the UCC Diploma in Credit Union Studies concluded in his Diploma project that, "people have a very limited and outdated perception of the Credit Union and the services it provides". The Lansdowne market research report supports this view by declaring that, "even members exhibit worrying degrees of ignorance" regarding Credit Union services. The Lansdowne report goes on to point out that there is a fairly high level of disinterest amongst non-members in Credit Union services and that there is even a

resistance to joining among substantial numbers.

Clearly the Credit Union spirit among members is not as healthy as we would like it to be. Do we need to amend Nora Herlihy's motto to read, "no study, no membership".

Education for members should have a positive impact on member participation, as the main objective of any such programme should be the preparation of members for meaningful participation. An educated membership would in turn educate the general public and market Credit Union services.

Nora Herlihy was often frustrated at the lack of commitment to education for co-operation

in Irish life. Even though I speak as a University Lecturer in Cooperative Organisation and co-ordinator of the only Irish university postgraduate programme in Cooperative Studies, I must admit that the Credit Union spirit and Cooperative Organisation approach is not given the scholarly attention it deserves at university level in business and economic studies programmes. The very programmes from which you will recruit some of your future managers. The conventional banks have realised the importance of university research by their support for university chairs and research centres. Is there a lesson here for Credit Unions?

In the modern age general education for a mass audience must rely at least in part on good quality communications especially the written word. The Irish Credit Union Review coupled with individual Credit Union newsletters have contributed in no small way to the health of the Credit Union spirit by keeping the membership well informed of Credit Union issues and by providing them with a platform for dialogue

and debate. There is however a need to redress the disinterest and ignorance towards Credit Union and cooperative ways of working which is to be found in some of the national and local media. Perhaps it is time to consider the feasibility of a national cooperative journal which would attract the support of the different cooperative sectors and appeal to the general public. Ireland could do with more quality journalists with an interest in cooperative affairs. Certainly the financial pages of our newspapers would benefit at times from a Credit Union perspective. The promotion of more scholarly activity and interest in cooperative affairs at third level institutions should in the longer run help remedy this problem as graduates would be more likely to understand the nature of cooperative activity.

COOPERATION BETWEEN CREDIT UNIONS

The Irish Credit Union movement takes seriously the principle of co-operation between cooperatives with formal arrangements at Chapter and League level. The degree of cooperation between Credit Unions is considerably greater than that found among Irish agricultural cooperatives which really does justify calling yourselves "a movement". Nevertheless I do detect some uncertainty among Credit Union activists concerning the future role of Chapter and to a lesser extent the League. Expectations and commitments may require clarification in this area.

Given the new Credit Union legislation on the horizon and your on-going debate about the development of new services it is perhaps timely to consider new forms of co-operation and co-ordination for the future. The drumlin group of Credit Unions in County Monaghan have already shown initiative and creativity in this regard. It might make good economic sense for example if Credit Unions at Chapter level were to collectively share the costs of developing new services. For reasons of

economy of scale, groups of smaller Credit Unions might do well to consider offering the more specialist services on a federal basis⁴. The alternative for smaller Credit Unions which I am sure they would not wish for might be to become part of a much larger Credit Union with subsequent loss of autonomy.

DEVELOPMENT AND COMMUNITY LINKAGES

The spirit of Credit Union is very much at work in your efforts to reach out into the community and promote development. The Workers' Cooperative fund though modest has made a difference. Many Credit Unions such as Clones and Tallow have also made a huge difference locally by embarking on special development schemes and funds. We should not forget however that every Credit Union by its very nature contributes to local development. The money saved locally is spent locally and all loans are backed by savings which helps to keep inflation at bay. The M.A.B.S. scheme in association with the Department of Social Welfare could be termed pre-development activity.

Nevertheless given the scourge of unemployment and its destructive impact on community life the Credit Union spirit would suggest that Credit Unions while protecting their core business should constantly strive to support community employment initiatives and small business. In this regard putting the Credit Unions organisational and money management skills at the disposal of new community and cooperative business ventures may be even more important than the provision of loans. Credit Union directors and management can also learn from small businesses and therefore be in a better position to professionally assess business projects which seek funding.

⁴ This would require careful study and consideration to ensure that the Credit Union spirit and operating principles are upheld and that any new developments are permissible under Credit Union legislation.

Given that Credit Unions have always had an area/community focus they are well positioned to contribute to the new European Union area based approaches to development such as LEADER. The Credit Union spirit with its emphasis on democracy and mutuality has much to contribute to such development initiatives but to date much of the running has been left to other groups.

Nora Herlihy, Sean Forde and Seamus MacEoin would certainly urge us to redouble our efforts in the community development field. We should always remember that they started their cooperative life in the Dublin Central Cooperative Society with the aim of creating work for the unemployed.

Credit Unions have their roots in community and mutuality. They emerged in order to allow people solve community socio-economic problems for themselves. Keeping the spirit of Credit Union alive and healthy will require Credit Unions to constantly renew and re-interpret their community and mutuality focus. Credit Unions will need to ensure that all the new services they develop are not just for the benefit of middle class employed people. For example, cheque books may not be a high priority for the unemployed.

They say that desperate situations call out for radical action. Many people in the Ireland of the 90s are so impoverished financially that (apart from M.A.B.S.) they can scarcely benefit from Credit Union services as they presently exist. Should/could Credit Unions help such people by facilitating them to organise themselves into a local economic trading system or L.E.T.S. for short. L.E.T.S. allows people exchange goods and services without having to use the official currency thereby allowing people to use their skills thus increasing their self-esteem

and providing themselves with necessities they would otherwise have to do without.

CONCLUSION

I think I have said enough to demonstrate that the spirit of Credit Union is still alive and healthy in the Ireland of the 1990s. However Credit Unions do need to be careful about their diet if they are to remain healthy into the next century.

Concepts such as "Quality Service" and "Ethical Investment" have been practised by Credit Unions since their foundation under titles such as decency, honesty and mutuality. Nowadays conventional banks make much of their supposed implementation of these concepts but neglect to tell us that they interpret them in a much narrower way than is the case in Credit Unions and Cooperative Banks. Credit Unions must be careful not to internalise the values of conventional business by using its concepts in an uncritical manner.

Unlike a conventional bank for example, a Credit Union should never define quality as "customer driven".

"The idea of quality as customer driven is a basically shallow misrepresentation of the concept. There is no true quality without mutuality", (Davis, p.15).

Likewise I feel that the marketing function in a Credit Union ought to be conducted in a much different way than would be the case in a profit driven commercial bank.

In a Credit Union the emphasis should be on education, communication and above all on encouraging people to participate in designing services to meet their real needs.

The spirit of Credit Union can only be kept alive and healthy in the Ireland of the future if we measure how well or how badly we are implementing that spirit on an annual basis and then take whatever corrective steps are necessary. In this regard Irish Credit Unions might consider doing an annual social accounting audit along the lines practised by some Canadian and Italian consumer cooperatives to communicate their performance on non-financial objectives⁵. In this way the spirit of Credit Union would always be in the foreground of planning and evaluation.

Historically the cooperative approach has been an attempt to counter the concentration of ownership of the means of production and distribution and ultimately the means of livelihood such as money in the hands of a few to the detriment of many. We have still a long journey to travel but there is a healthy Credit Union spirit urging us on.

⁵ For further information on social accounting, please consult Pestoff (1995) and the International Joint Project on Cooperative Democracy (1995), especially pp 134-138.

BIBLIOGRAPHY

Briscoe et al., *The Cooperative Idea*. Centre for Cooperative Studies, University College Cork, 1982.

Cullothy A.T., *Nora Herlihy - Irish Credit Union Pioneer*. Irish League of Credit Unions, Dublin 1990.

Davis, Peter. *Cooperative Management and Cooperative Purpose*. Management Centre, University of Leicester, 1995.

International Joint Project on Cooperative Democracy: Making Membership Meaningful. Centre for the Study of Co-operatives, University of Saskatchewan, Canada, 1995.

Lansdowne Market Research, *Credit Union National Market Research Report*, Irish League of Credit Unions 1995.

Pestoff, Victor A., *Goal Deflection Voluntary Failure and Social Accounting for Cooperatives and Non-Profit Organisations*. Paper presented to the research forum of the I.C.A. Manchester 1995.

Quinn, Anthony P., *Credit Unions in Ireland*. Oak Tree Press, Dublin 1994.

Sherry, Brian. *Effective Management for Credit Unions*. Irish Leagues of Credit Unions Dublin 1994.

Standard Rules for Credit Unions. Irish League of Credit Unions, Dublin.