

Submission from Donore Credit Union

Introduction

Credit Unions tend not to be bracketed or thought of as “social enterprises” and yet their position and history very much aligns with the definition of a social enterprise.

From the founding of the first credit union in Ireland in 1958 here at Donore Credit Union, Donore Avenue, Dublin 8, credit unions are about fundamentally addressing social need.

In 2024, 65 years after its founding Donore Credit Union still recognizes there are both social and environmental challenges to be addressed. As a regulated, successful, and financially strong organization, Donore Credit Union believes it can and will continue to create social impact and its presence is key to delivery of a sustainable community in Dublin 8. Donore Credit Union is a social enterprise that continues to adapt to serve the needs of it’s community. While our primary function as a provider of accessible financial services is primary, we do operate in other areas and we are embedded in the fabric of the community.

Credit Unions and Social Enterprise.

The sheer success of credit unions, their financial strength, their ongoing relevance to communities all across the country has almost worked against credit unions in terms of their social enterprise standing. Because they are regulated financial service providers falling under remit of Central Bank, their presence and acknowledgement as social enterprises is often overlooked.

The scale and financial position of credit unions makes it inevitable to advocate their inclusion as social enterprises would disproportionately skew the view of the sector. In other words they are too big to be included.

However, that poses a danger for the sector and the credit unions themselves. By not recognizing their success, the social enterprise sector is not highlighting the potential of how successful a social enterprise can be.

For the credit union itself, if it divests itself of or does not understand its own social enterprise significance, it may as well become a bank and focus on profitability. Credit Unions are member owned cooperatives and an over focus on transactions and profit potentially could see the repeat of the errors of building societies in demutualizing.

There needs to be a space within the discussion of social enterprises for credit unions. Credit unions need to push themselves into that space.

Rather than being shunted away from inclusion in this grouping, the success of credit unions should be used as the benchmark to aspire to. In addition, the strength of credit unions should be used to empower and help grow the wider social enterprise space and this can be achieved with government support and a good regulatory environment.

Health, mental wellbeing, care in the community, access to financial services, education, housing, social welfare are all areas in which credit unions currently play a role. Leading in the space of environmental change on the ground is something that credit unions are engaged in.

Environmental, social, governance all rolls into sustainability and credit unions are the very definition of sustainability.

Donore Credit Union

This piece is an opinion from the CEO of this Credit Union. This does not reflect the thinking of all credit unions, however, increasingly credit unions are starting to revisit their purpose and role in their members lives.

Donore Credit union in 2019 questioned itself around its purpose. Increasingly we were being bracketed and measured as if we were a bank or another financial service provider. The credit union did not accept this categorization as it is felt it does a disservice to our members and undervalues why they are members of the credit union. While banks talk in terms of transactions and customers, we refer to people and members. Is our worth simply the size of our balance sheet or is there something else that distinguishes us and needs to be measured and quantified to understand our true value to our members and the generations of families who trust us?

To gain an understanding of this question, we were the first credit union in Ireland to calculate and report our social impact using the “Social Return on Investment” (SROI) approach.

This report broadened our thinking and our understanding of the credit union. We had begun to forget and overlook, the qualities that our members saw and wanted from us. Items such as their sense of ownership, sense of belonging, the “comfort blanket” of membership were all recognized as the benefits they had of their membership of the credit union. Through this process we were able to apply a “numeric” value to all the non-monetary variables applicable to the credit union and thereby generate a “worth” of the credit union. It was found that for every €1 input to credit union there was a €10 output/benefit.

We found that members placed a huge value on their “sense of ownership”, “sense of belonging” and they had a huge sense of pride in their credit union and all it did for the community and members. Loyalty to the credit union was a core reason given for continued membership as it was seen that the credit union was always there for them and their family. But most importantly in the members view, the credit union is much more than a provider of loans and savings facilities.

Steps Taken

Following the publication of the Social Impact study, the Board of Donore Credit Union, reviewed and updated its strategic plan and added creating more social impact as a primary goal. To do this effectively, the credit union must be a financially strong and surplus generating entity. Increased financial strength and sustainability of the credit union are key to improving our social impact.

The circular nature of this is that, by improving social impact, we have also improved our financial performance. We have delivered increased member engagement with the credit union. Members have foregone distribution of surplus, created a community fund and are supportive of credit unions wider initiatives in addressing community problems. And year on year since 2016, both loan book and member numbers have grown.

Sustainable Community Initiative

Donore has set itself a challenge of increasing its social impact and in 2023, Donore Credit Union set up the “Donore Area Sustainable Community” (DASC).

The credit union is well positioned to drive, coordinate and deliver behavioral and physical changes needed at local community level to address Environmental and social challenges. This is ambitious yet achievable but will require fundamental government support.

There is an acceptance that local authorities have problems in rolling out the green agenda while individuals or local organizations being usually reliant on key individuals lack capacity. The credit union, however, is established, has good governance and processes in place, is regulated and has the trust of the local community.

Do credit unions have the potential to be the anchor around which local on the ground initiatives are delivered? At Donore Credit union through our involvement with the DASC, we are interested in exploring these possibilities. We are not the first credit union to do this, our colleagues in Naomh Breandan Credit Union in Loughrea are well into this journey. By the end of 2024, we could have 2 successful pilots demonstrating the potential to widen this template.

Financial Education

In an era where the simple concept of “thrift” is becoming unknown to younger people, Donore Credit Union is interested in new ways by which we can deliver real financial education to our members that will improve financial literacy and deliver good financial practice. While credit unions like us have always visited schools and engage in education, there are opportunities using new accessible platforms to embed financial literacy and awareness into the everyday of young people. Donore is looking at some of these platforms.

Inclusion

During Covid, credit unions were designated as “essential businesses” and never closed. During this time, Donore Credit Union used our people to contact and chat with potentially vulnerable or lonely people.

We understand for some of our members/community, due to medical issues they may not ordinarily be welcome into other organizations as their needs are more complex. The credit union facilitates them in a friendly, welcoming environment, where they can talk face to face with someone.

With the rush of the banks to close branches, automate systems, and reduce face to face service, the credit unions continue to offer something different. For rural communities, lacking in services, the credit union may be one of a last few offering for that community. If entirely measured as profit making financial services, those service offerings may come under pressure to be reduced or eliminated. And yet credit unions continue to operate all over the country with the biggest “branch” network of all financial service providers.

Challenges

As credit unions are regulated by the Central Bank, this has become the primary narrative around us. However, with a little bit of good will and imagination, credit unions can be much more than pseudo banks.

By reclaiming our social enterprise focus, credit unions can identify opportunities to partner with government agencies to deliver real on the ground projects. The “personal micro credit (PMC)” loan scheme is one such example. This with some joined up thinking could be more effective and really address the prevailing problems of criminal loan sharking.

In Conclusion

This is not intended as a detailed submission but rather a paper to open a conversation and broaden a conversation. With over €16bn in assets – the savings of citizens all over this country, can the credit union sector with it's ethical and social standing be a partner to help address many challenges community's face?

In our small area of Dublin 8, Donore Credit Union Ltd will continue to try make a difference for our members and this community for at least another 65 years.

David McAuley

CEO Donore Credit Union Ltd