

# Book Reviews

## Credit Unions in Ireland: structure, performance and governance

By Donal McKillop, Peter Goth and Noel Hyndman

Published by the Institute of Chartered Accountants in Ireland, 2006.  
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Reviewed by by Padraig O Cearbhaill, Chairman, Credit Union Advisory Committee

Although this book is written by academics, it caters for all those interested in credit unions and for those who wish to obtain an understanding of the Irish credit union movement from its inception to its likely future development. It should be essential reading for credit union directors, supervisors and volunteers. It is easy to understand and those interested in the credit union movement should have no difficulty in recognising features of their own credit union within its pages.

The introductory chapter sets out five characteristics that distinguish credit unions from other financial institutions. Credit unions (i) Have a public purpose because an aspect of their underlying rationale is that they provide basic financial services to individuals of modest means, (ii) Are limited in their membership to those sharing a common bond, (iii) Have a governance structure based on “one member one vote”, (iv) Do not operate for profit, and (v) Utilise unpaid volunteers as directors.

The book then outlines a brief history of the Irish credit movement since its formation in the 1950s up to date. A history of credit unions in North America and Europe is also given. This gives the reader a clear picture of how the Irish credit union movement has developed within an international context.

One of the most important matters raised by the authors is, I feel, the question of where the Irish credit union movement now stands in an international context. To try to determine the answer to this question, they have identified three tiers of development. These tiers are the nascent stage, the transient stage and the mature stage. The authors agree that the movement in Ireland falls somewhere within the transient stage of development. The book sets out in a clear and concise way the attributes of each tier of development. No credit union activist will have difficulty in determining where their own credit union fits in the development scale. Credit

unions in other jurisdictions are examined and progress between the developmental stages are noted.

The big question now for the Irish credit union movement is whether it wishes to advance to the mature stage. Many credit union activists feel that the ethos of the movement will be diluted if this happens. If the experience of other jurisdictions is replicated in the Irish movement, the progress towards the mature stage is inevitable. There is, however, now a new factor in the equation and that is the credit crunch and the current financial crisis. This is not dealt with in the book as it was published in 2006. The effect of the financial crisis may be to slow development or send it in another direction.

The chapter dealing with monitoring and supervision has, since publication, become highly topical. A brief history of the development of regulatory supervision is given for Northern Ireland and the Republic of Ireland. The importance of ratios as a monitoring tool is stressed. The authors do, however, point out that there can be an element of over-supervision for credit unions that might have the effect of stifling growth. In the context of what has happened in the financial markets since the publication of the book, it may be that the question of supervision will be revisited. Certainly, however, it would appear that credit union regulation in both jurisdictions has been much more proactive than the regulation exercised by their counterparts in the banking sector. This proactive approach by the Credit Union Regulator has, I feel, considerably reduced financial risk to credit unions and their members.

The authors deal with many other topics which I feel the credit union activist will find extremely relevant. These topics include the selection of directors, strategic planning, managerial compensation and gender mix. All these topics are dealt with in a logical and commonsense way. The chapters dealing with

these topics are in the following format: introduction, concepts and related literature, survey, findings and summary and conclusions. This makes an understanding of the topics and their relevance to the Irish credit union movement easy to understand.

The authors have carried out extensive investigations into all the topics they discuss. The many tables given in the publication are pertinent and informative. They back up many of the conclusions the authors reach. As an accountant, I find that the tables were particularly useful in indicating trends and also in establishing where the Irish credit union movement stands in an international context. At the beginning of the book, the abbreviations used are clearly explained. This is to be welcomed as very often there is an assumption made that the readers know the meaning of the various abbreviations.

Unlike many credit union movements elsewhere, there has been little merger activity within the Irish credit union movement and so the chapter dealing with the inevitability of mergers is very interesting. Again the authors have carried out detailed research into merger

activities in other jurisdictions. Their research is well tabulated. The authors reached the conclusion that a significant and prolonged period of mergers within the Irish credit union movement is inevitable. There have been some tentative signs of merger activity within the Irish credit Union movement in recent years. Whether the flood-gates leading to mergers on a large scale, as has happened in other movements, is still an open question. The Irish social and economic background may have a strong influence on the likelihood of future merger activity. In any event, the chapter dealing with mergers should be essential reading for any board of directors of an Irish credit union that is considering merging with another credit union.

Inevitably, as time advances, the book will need revision and updating to reflect changing circumstances. As a picture of where the Irish credit unions stand in the early part of the 21<sup>st</sup> century, it is an intriguing and informative publication. It is essential reading for all credit union activists and students who wish to know the current state of the Irish credit union movement.

## **Helping Ourselves: success stories in co-operative business and social enterprise**

Edited by Robert Briscoe and Michael Ward

Published by Oak Tree Press, Cork. 2006.  
ISBN 9 781860 7628 40 0

Reviewed by Molly Scott Cato, Wales Institute for Research into Co-operatives

A whistle-stop tour of the world of co-operative enterprise, this book would provide an excellent introduction to the uninitiated. As the title suggests it focuses on the positive and takes a fairly uncritical approach to defining the range of co-operative economic activity across the globe. Due to the large number of cases covered, the coverage is necessarily brief, but as a whole the book offers a confident and self-assured introduction to the co-operative business model which the already-converted will find useful to share with friends who, now that capitalism struts its stuff with less confidence than before, might feel inclined to look at economic organisation with fresh eyes.

The book begins with two introductory chapters which set the scene and explain, for those not involved in the world of co-operatives,

what they are and how they contrast with more conventional businesses. The authors establish the driving questions for the volume including the potential for 'idealistic businesses to succeed and survive the cut and thrust of a competitive market place' and how members of worker co-operatives 'reconcile the conflicts of interest arising from employing and managing themselves at the same time' (p3). These, and the other questions raised by the authors, are ambitious and important ones, which are only partially addressed by the content of this one volume. Others are to follow and will be welcomed by readers of this journal.

There follow three chapters that focus on food, a key sector where co-operative solutions are increasingly vital as declining oil supplies give added salience to the issue of food security. The

coverage here is thorough and well informed. Chapter 3 explores the consumer co-operatives, including market leaders such as Eroski in Spain and the Co-operative in the UK. Chapter 4 views the food sector from the producers' perspective, with detailed and valuable information about the dairy industry, especially in the Irish context. Chapter 5 considers worker co-operatives in the food industry, including the latest co-operative poster child, Suma Wholefoods.

Chapters 6 and 7 look at money and public services. The focus on money brings home the huge range of differing financial institutions that we find in our sector, ranging from the ethically committed but mainstream banks like the UK's Co-operative Bank, through alternative currency systems including the Mexican LETS scheme known as *Tianguis Tlaloc* to mutual community development institutions on the Grameen model and time banks. The creative response to the exclusive and inequitable nature of conventional financial institutions is inspiring, especially at this time. Similarly, the community response to failing or absent social services reminds us of the origin of co-operative movement in mutual aid and may provide inspiration as the economic crisis leads to cuts in public sector spending.

Chapter 8 and 9 move into territory I am less comfortable with—community co-operatives as solutions to the failure of the state to provide services to rural and other deprived communities and of the market to provide employment. The content is again wide-ranging and moves from co-operatives as mutual aid in response to the failure of the capitalist labour-market to innovative solutions to the provision of social services and basic utilities including water and electricity. The risk here is that co-operatives can too easily be identified with economic failure, as is betrayed in the title of one section "When all else fails start a co-op". However, there are also cases of significant business success, such as the energy co-operative Baywind.

Finally, Chapter 10 concludes by raising some management dilemmas from a co-operative perspective, particularly the issues demutualisation and the use of the co-operative advantage in a market setting. The chapter begins with the story of the Argentinian worker co-operatives that sprang up following that

country's economic crisis in 2001. Yet again, parallels with our current situation should be clear, although the authors rightly raise the question, if workers can manage themselves so effectively why do we have any capitalist businesses left! They find their answer in problems relating to under-capitalisation and the inevitable tensions in the governance of a business where the workers are also the managers. There is much subject-matter for future studies by academics in this chapter.

I was aware at times of the absence of a clear intellectual definition of what a co-operative business is, and some temptation to stray into the territory of social enterprise and the community co-operative, which, for my money, distracts attention away from the co-operative as a business model which solves the problem of surplus value extraction. The editors are working with a definition of a co-operative as 'a self-help business, owned and democratically controlled by the people who use its services and share in its benefits' (p10), which seems to leave little space for worker co-operatives, which, as the editors point out, are 'less common in Ireland than the producer co-operative' (p18). I preferred the definition inherent in the concluding paragraph to the introductory chapter:

Co-operatives help *producers*, improving income. *Consumers* use them to improve the quality of the goods and services they use; *workers* use them to create meaningful jobs; and *communities* to enhance livelihoods, protect the environment, and improve the quality of life. We also considered how co-ops get started. Often they are *children of distress* forced into action to address an intolerable situation for which there is no immediate remedy. But also they are often *children of vision*, inspired by a powerful vision of a better way of running the world. (p27).

This is another area where scope for future research and study is apparent. Overall I found the book less satisfactory from an academic perspective, since most of these key questions are raised but not answered entirely successfully and the approach is supportive rather than critical. However, as an overview and introduction to the diverse and thriving world of co-operative activity I can recommend it without reservation.