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|---|---|
| Title | Social impact measurement and reporting for Irish credit unions |
| Authors | McCarthy, Olive |
| Publication date | 2021 |
| Original Citation | McCarthy, O. (2021) 'Social impact measurement and reporting for Irish credit unions', International Journal of Co-operative Accounting and Management (IJCAM), 4 (2), pp. 4-16. doi: 10.36830/IJCAM.20217 |
| Type of publication | Article (peer-reviewed) |
| Link to publisher's version | https://www.smu.ca/academics/sobey/ijcam.html - 10.36830/IJCAM.20217 |
| Download date | 2026-11-01 21:23:42 |
| Item downloaded from | https://hdl.handle.net/10468/12371 |



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*International Journal of* CO-OPERATIVE ACCOUNTING AND MANAGEMENT, 2021
VOLUME 4, ISSUE 2
DOI: 10.36830/IJCAM.20217

# Social impact measurement and reporting for Irish credit unions

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**Abstract**: In a context of almost no formalised or systematic social impact reporting by credit unions in Ireland, the aim of this paper is to explore how credit unions in Ireland conceptualise social impact, as manifested by the views of 23 credit union managers and 11 other key informants. The extent to which Irish credit unions currently report on social activities and impact is also examined through a thematic analysis of credit union annual reports and websites. The paper also aims to examine the barriers to engagement in social impact measurement and reporting and the supports needed by credit unions to engage.

The research finds that there is scope for greater understanding of the concept of social impact, how it can be measured and the importance of reporting it to stakeholders. Despite a strong appetite for social impact measurement and reporting, it is not currently prioritised and credit unions are reticent about taking the first steps for reasons of time, resources, capacity, knowledge, and mindset. Many credit unions already report on activities with a social impact, but do not report on the outcomes or impact. Supports for a standardised approach to social impact measurement would be welcomed by the credit unions. The value in social impact measurement and reporting is seen mainly in helping credit unions to demonstrate the credit union difference.

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**Keywords: credit unions, social impact**

## Introduction

The Irish credit union landscape has changed almost beyond recognition in the past 10 years. The onset of economic recession, followed by wide-ranging changes to credit union legislation and regulation, have resulted in considerable consolidation in the numbers of credit unions and greatly expanded obligations on credit unions to meet prudential regulatory requirements. Many of these requirements are related to financial metrics modelled on those imposed on the banking sector, notwithstanding some modification to recognise the significant differences between how conventional banks and co-operative credit unions operate. In a recent move by the Central Bank of Ireland to increase levies payable by credit unions to fund the costs of regulation, credit union representative bodies lobbied strongly for special exemptions for credit unions on the basis of their social impact. While it is unquestionable that credit unions have significant social (and economic) impact, only one Irish credit union has ever measured and reported its social impact formally and systematically, despite the wide availability of social impact measurement tools. This makes it more difficult to evidence impact when arguing for preferential treatment by legislators, regulators and policy-makers or, indeed, to be fully accountable to the membership.

There are no obligations on Irish credit unions by regulators or other resource holders, such as representative bodies or credit union members, to measure social impact, leading to a seeming apathy or a lack of prioritisation around social impact measurement. Just as Rixon (2013a) found in her study of North American credit unions, the focus is primarily on financial measures of performance.

One credit union in Ireland has just recently (2020[1]) employed the services of an external consultant to undertake a social impact analysis using the Social Return on Investment (SROI) approach often used in the non-profit and social enterprise sectors. This is the first credit union to have openly acknowledged the importance of measuring its social

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impact and to have begun to measure it. Inspired by this credit union, one of the Irish credit union representative bodies is currently devising a strategy around social reporting for its member credit unions but this is embryonic.

In a context of almost no formalised or systematic social impact reporting by credit unions in Ireland, the aim of this paper is to explore how credit unions in Ireland conceptualise social impact, as manifested by the views of their managers and other key informants, and the extent to which Irish credit unions currently report on social activities and impact. It also aims to examine the barriers to engagement and the supports needed to engage[2].

## Conceptualising social impact

Discussion on the measurement and reporting of social impact has become increasingly popular in academic studies (Grieco et al., 2015; Rawhouser et al., 2017; Ricciuti & Calo, 2018). A wide range of terms to describe the reporting of aspects of non-financial performance are evident in the relevant academic literature including, but not limited to, social responsibility, social impact, social value, sustainability reporting, social performance, social returns, social return on investment, social accounting, non-financial performance, corporate social responsibility (CSR), and environmental performance. For the purposes of this paper, the focus is on social impact. Drawing on Stephan et al. (2016), Rawhouser et al. (2017) define social impact as the *"beneficial outcomes resulting from prosocial behavior that are enjoyed by the intended targets of that behavior and/or by the broader community of individuals, organizations, and/or environments"* (p.83). Or put more simply, it is *"the social value and impact produced by the activities or operations of any for-profit or non-profit organisation"* (Noya, 2015, p. 6). Rawhouser et al. (2017) distinguish between the measurement of *activities* that lead to social impact outcomes and the measurement of the *outcomes* themselves. Interestingly, Barnett et al.'s (2020) review of the wide-ranging literature on CSR found that the focus of social impact studies has stopped short of measuring outcomes, focussing instead on activities. This is, perhaps, because activities are more measurable than outcomes.

There has also been significant growth in academic interest in social dimensions of impact measurement for co-operatives, including CSR reporting, sustainability reporting, social accounting and social impact reporting (for example Brown & Wing Wong, 2012; Rixon, 2013b; Bollas-Araya et al., 2014; Brown et al., 2015; Owen et al., 2015; Seguí-Mas et al., 2015; Bollas-Araya et al., 2016; Duguid & Balkan, 2016; Stocki & Hough, 2016; Tuominin et al., 2017 and Duguid, 2017). Academic interest in various forms of social reporting for credit unions is less evident, not least because so few credit unions, albeit with some very notable exceptions, engage in formalised and systematic non-financial or social reporting. McGrath (2008) examines social accounting for credit unions in Australia. Rixon (2013a) examines what credit unions in North America use as KPIs while Nembhard & Ketilson (2015) and Ketilson et al (2015) identify and test possible impact indicators for credit unions. Turley-McIntyre et al. (2016) include credit unions in their study of sustainability reporting in Canadian financial institutions, Methuva et al. (2017) examine social and environmental disclosures in credit unions in Kenya, Kleanthous et al. (2019) examine adherence to co-operative principles by credit unions in Cyprus and Armaza (2020) reports on impact through credit union giving in the US. McGinn et al. (2020) offer a detailed toolkit for social impact measurement by credit unions in the UK but practice in the UK, which has only begun to emerge, adopts differing approaches. What is clear is that there are many and varied approaches to the measurement of non-financial aspects of performance in credit unions and the concept of social impact has not been rigorously defined for credit unions nor agreed measures put in place.

## Social impact reporting for legitimacy and accountability – the co-operative difference

Grieco et al. (2014) state that, while organisations might see and understand their own social impact, there is benefit in measuring that impact in more detail to facilitate continued access to resources and improved internal management. Studies show that the way some organisations behave in relation to social impact measurement is often strongly related to the power of those outside the organisation (Ebrahim, 2003; O'Dwyer & Unerman, 2007, as cited by Arvidson & Lyon, 2014). In countries such as Denmark, France, Norway, Sweden, Spain and Malaysia, large companies are mandated to report on corporate social responsibility (Pedersen, 2013). In the UK, social purpose organisations face more pressure under government social policies to engage in social auditing processes to improve legitimacy and transparency and to compete for resources (Arvidson & Lyon, 2014). Measurement of impact by organisations dependent on donor funding is extremely useful for funders (Grieco, 2015).

Legitimacy theory assumes that organisations are bound by social contracts and expected to espouse societal values to access resources, gain approval of their aims and place in society and be guaranteed of survival (for example, Suchman 1995; Schiopoiu & Popa, 2013; Mathuva, 2017). Organisations that are seen to have legitimacy are said to find it easier to access resources and gain collaboration from stakeholders and are therefore more likely to succeed (Stephan et al., 2016). As Stephan et al. (2016) state, different organisations face different legitimacy challenges such as demonstrating managerial competence (Kaufman et al., 2006) or social concerns (Plambeck & Denend, 2008). In measuring social impact, Gibbon and Dey (2011) urge organisations to be clear about the purpose, that is, to make an external business case to funders or investors or to enhance accountability to stakeholders.

Accountability to stakeholders is a key feature of co-ops and credit unions (Hicks et al., 2007; Costa et al., 2019). Accountability reporting can be used to explain why co-operatives have acted in a particular way and why it is legitimate to continue doing so (Rousselière & Vezona, 2009). It can also be used to "*reinforce the closeness"* between a co-operative and its members, building the relational and emotional aspects of membership (Costa et al., 2019, p. 242). Brown et al. (2015) state that "*the overarching need for a clear focus on, and measurement of, co-operative functioning and impact arises from its potential to effect change in the dominant economic model, address the root causes of socio-economic marginalization, and illustrate the social and ecological achievements of co-operative enterprises"* (p. 6). Tuominen et al. (2017) state that consumer co-operatives have the potential to be socially responsible organisations because of their co-operative purpose, values and principles. However, they also found that this co-operative purpose does not lead automatically to being socially responsible and that it often depends on the interest shown by management and board members in such issues. Pedersen (2013) posits that, even companies in Denmark that have a government-imposed obligation to report on corporate social responsibility, often fail to do so due to a lack of awareness, resource limitations, misinterpretations, and practical difficulties.

## Barriers to and supports for social impact reporting

The challenges of measuring and valuing the social impact of organisations are widely recognised (Phillips & Johnson, 2021) but the barriers to engagement in social impact reporting do not appear to be widely documented. As alluded to earlier in the case of credit unions, there is a lack of a standardised approach to social impact measurement and reporting. More generally, standards are largely underdeveloped, both theoretically and empirically (Gibbon & Dey 2011; Costa & Pesci, 2016; Rawhouser et al., 2017). In their studies of non-profit organisations, including social enterprises and charities, Ní Ógáin et al. (2012) and Polonsky et al. (2016) cite the lack of measures and benchmarks as a fundamental barrier but the high costs involved, the lack of skills and expertise to engage, and the challenges in data gathering were also found to be significant barriers. Studying Italian foundations, Ricciuti & Calo (2018) found the lack of staff with relevant skills and capabilities to be a barrier while the time commitment involved in performing social impact measurement emerged in studies of social enterprises (Barraket & Yousefpour, 2013; Grieco et al., 2015). Ricciuti & Calo (2018) suggest that increased collaboration and co-operation between foundations as a learning network would support organisations to upskill in social impact measurement and reporting. In overcoming the barriers, Barraket and Yousefpour (2013) state that understanding the purpose of social impact measurement is important for organisations. This includes a focus on the intended beneficiaries and how the use of impact evidence translates into action, which is a function of an engaged management. They also highlight the importance of 'social impact measurement readiness' in organisations, '*if such activities are to add value to organisational practice*' (Barraket & Yousefpour, 2013, p. 456). Gibbon and Dey (2011), citing Pearce and Kay (2008), state that social impact reporting, in order to have greater potential, must emerge and be owned by the organisation itself and driven by its own internal reporting requirements. This paper seeks to understand the barriers facing credit unions which have not been documented and the supports needed to overcome those barriers.

## Methodology

This is an inductive study, taking observations and seeking patterns in the data collected to draw conclusions (Woo et al., 2017). The research sought to gather views by managers and key informants involved with credit unions on social impact measurement and reporting, their views on the barriers facing credit unions in engaging and the supports they thought would help credit unions to get started. An unstructured conversational approach was used rather than a formal interview, allowing both the researcher and the participants to engage in open discussion of ideas and concepts as they were generated. Over late Spring and early Summer 2020, telephone conversations were

conducted with personnel in a selection of 23 credit unions spread across the Republic of Ireland. Most (18) of these personnel were chief executives (CEOs). Credit unions were selected using existing contacts and snowballing. Credit unions were reasonably spread across asset sizes, with eight holding assets in excess of €100m (classed as large), nine holding €40-100m in assets (classed as medium-sized) and the remainder (six) holding less than €40m in assets (classed as small). Eleven of those who took part in the conversations were female and 12 were male. All participants were asked to provide a copy of their credit union's most recent (2019) annual report. Nineteen usable annual reports were provided and were used to identify and observe how credit unions currently report social aspects of their activities. The website of each of the 23 credit unions was also examined with a similar aim. In addition to the 23 credit unions, 11 key informants were also consulted for their views. These included social performance measurement experts, researchers, policy-makers and credit union representatives.

A thematic analysis of the contents of the conversations was conducted under three domains of enquiry: social impact concepts, barriers and supports. To maintain anonymity, neither the identities nor affiliated organisations of those who took part in the research are given although where relevant, a distinction is made between participants directly involved in different sized credit unions and other key informants. Thematic content analysis of the annual reports and websites was conducted to find evidence of the extent to which credit unions currently report on aspects of their social activities or impact.

## Findings

### *Current reporting of social impact in annual reports*

As referenced earlier, one credit union in the study had employed a consultant to conduct a Social Return on Investment assessment. None of the other 22 credit unions had engaged in any form of formal social impact measurement or reporting, reflective of the entire credit union sector in Ireland.

Nineteen credit unions provided their annual report which was examined to find evidence of the extent to which credit unions currently report on aspects of their social activities or impact (see Table One). The websites of all 23 credit unions were also perused. While this analysis is not intended to be exhaustive, it gives some indicative insights into the extent to which some activities with social impact are currently reported. The approach to the design and presentation of information in the annual reports varied greatly between credit unions. The depth of reporting also varied. The statutory financial statements (including statements of responsibility) and notes to the accounts dominated most annual reports, varying in length from 11 pages to 35 pages with an average length of 23 pages. For 13 of the 19 credit unions, the financial statements comprised half or more of the total number of pages in the report. Additional pages were devoted to the agenda of the AGM, standing orders and rule changes. Seven annual reports published clear graphics to give highlights of the credit union's performance during the year in terms of membership growth, loans issued, surplus, asset growth and so on. This was highly accessible for those who might not otherwise read or be able to interpret the financial statements. Three main thematic areas emerged in the reporting: sponsorship/donations, co-operative governance and member services.

#### Sponsorship/donations

Sixteen of 19 credit unions reported a figure for donations and/or sponsorship in their management expenses (two of the remaining three were industrial based rather than community-based credit unions). Only five credit unions reported this figure elsewhere in the report which meant that members of most credit unions would have to seek out the figure in the notes to the accounts. Three of the 16 that gave a figure added it with a figure for promotions and advertising so it wasn't clear how much was given in donations or sponsorship. Ten of the 16 credit unions devoted space to discussing this sponsorship and how it helped the community. One credit union listed 90 different organisations it had made donations to during the year and another mentioned a figure of 60 organisations. Only six of the ten reports that discussed sponsorship in detail published pictures of presentations and community groups, although an additional three reports published pictures with no discussion.

#### Co-operative governance

Eight of the 19 reports examined devoted space to a report from a committee engaged in activities with an obvious community impact. These included a Community Engagement Committee, a Community Development Committee, a Promotion and Development Committee, a Community Responsibility Report and a Member Communications

Report. All credit unions listed their board members, committee members and staff. One credit union included short profiles of the directors. Only nine of the 19 credit unions overtly mentioned their ethos, core values or concern for the community or the fact that they were co-operative or not for profit and only seven called out their voluntary governance or sought volunteers to get involved. This was despite the inclusion of the nomination committee reports, most of which made no mention of volunteerism. Two credit unions mentioned a youth committee but there was no report included from the committee. Two credit unions mentioned staff training.

### Services

All credit unions mentioned the core business of lending but some gave considerably more detail than others and highlighted the different loan types, new loan offerings, numbers of loans issued, lending growth, numbers of loans written off and bad debts recovered. Three credit unions mentioned personal micro-credit loans (for those on social welfare payments) although more than three were currently offering these loans. Involvement with schools featured strongly. No report mentioned community loans although, in conversation, six credit unions said they currently had community loans on the books when asked. Only six credit unions mentioned the winning of the national award by credit unions for 'best customer experience' in Ireland. A listing of Key Performance Indicators (KPIs) was observed in some reports. These were wholly confined to financial indicators such as total assets and regulatory capital.

**Table 1: Thematic Content Analysis of Annual Reports, n=19**

| Thematic area | Credit union reporting |
|---|---|
| Sponsorship/donations | 16 gave a figure in the financial accounts<br>5 gave a figure elsewhere in the report<br>10 discussed how it helped the community<br>6 discussed and gave pictures<br>3 gave pictures but with no discussion |
| Co-operative governance | 8 had reports from committees engaged in community activities<br>19 listed the board members, committee members and staff<br>1 gave a profile of the board members<br>2 mentioned a youth committee<br>2 mentioned staff training<br>7 mentioned voluntary governance or sought volunteers<br>9 mentioned ethos and core values |
| Services | 19 mentioned saving<br>19 mentioned lending<br>3 mentioned personal micro-credit loans<br>0 mentioned community loans |

With a small number of exceptions, the extent to which social impact was reported was found to be weak overall and somewhat haphazard, but what was reported well was hugely powerful and demonstrated the importance of the credit union to the community. It was clear that even small changes, even without a formal social impact measurement and reporting mechanism in place, would potentially make a significant difference to many credit unions' level of social reporting and might enable credit unions, over time, to begin to embed social impact measurement and reporting practice into their overall strategy.

## *Current reporting of social impact on websites*

The websites of all 23 credit unions were of a very high quality All contained detailed information about the credit union services on offer and left an impression of a vibrant community-based organisation. Terms such as 'co-operative', 'member-owned', 'not for profit', 'community', 'local', 'financial well-being' were in abundance across all websites. The websites appeared to be excellent sources of information for members and non-members but did not

seem to be used to report on impact to any noticeable extent other than the inclusion of the annual report, which was not contained on all sites and was sometimes difficult to find even when it was. Eight credit unions mentioned the availability of financial advice. Five credit unions had a distinct tab named 'community' which gave details of sponsorship opportunities, educational programmes, financial advice and so on. Eight credit unions had an online application for sponsorship but only three credit unions gave details of the organisations they had been supporting.

While this is not an exhaustive analysis of what might be deemed to be activities with a social impact, it does offer some insight on the extent to which there is room for improvement in the current levels of social reporting in annual reports and on websites. It also demonstrates that credit unions focus on activities rather than impacts.

### *Conceptualisations of social impact measurement and reporting*

The conceptualisation by credit union managers of social impact was at a very early stage with many struggling to define what it meant. Answers to the question of how they defined social impact were broad-ranging but seemed to stem mainly from the ethos of credit unions, their local embeddedness and the kinds of services offered, all of which were seen to make a significant difference in their members' lives. However, there was a clear sense that participants felt their members and other stakeholders didn't always know the extent of their credit union's social activities or impact. This was not surprising given the level of reporting on such activities that was evident in the annual reports and websites.

> *There's a huge value in measuring social impact - people don't know what credit unions do on the ground. We are giving out substantial money locally. No local branch of a bank is doing that. CEO, medium sized credit union*

> *Credit unions have been doing things that have social impact without being told to do them, such as lending to the unemployed or to people on lower thresholds of income or those starting a small business that wouldn't generate income for a few months. Credit unions have always done it - that's what we do. We know it makes a difference - people tell us all the time. Overall, credit unions should be trying to focus on it. CEO, small credit union*

> *We haven't done anything on social impact measurement. We need to embed it into what we do. We need to be telling people what our social impact is. CEO, large credit union*

Twenty-two of 23 credit union participants were positive about social impact measurement and felt it was something credit unions needed to embed into their practice. Key stakeholders were also highly supportive. A clear consensus on what the social impact of credit unions is, however, didn't emerge. A sentiment that underlined much of the conversations was what the Central Bank of Ireland (Central Bank) required of credit unions and how, understandably, this took priority over everything else. In discussing the shape social impact reporting might take, many participants struggled to discuss it with any sense of freedom or autonomy, referring back again to what the Central Bank would be interested in over and above any other stakeholder. Some commented that if the Central Bank required credit unions to measure social impact, they would be more likely to engage, but they wouldn't otherwise have the capacity to prioritise social impact measurement and reporting. For these credit unions, the impetus to engage in social impact would have to come from actors outside the organisation.

Some participants made suggestions about what might be measured. The focus was very clearly on activities rather than outcomes. These included sponsorship and donations, lending including lending to distressed borrowers, personal micro-credit loans, numbers of small loans, community loans, education loans, office location, member benefits including savings accounts and insurance, volunteerism and opportunities to volunteer, member footfall and community loans.

Some possible misconceptions about social impact reporting were also evident. Some saw social impact measurement as being in the marketing domain, rather than an embedded part of strategy. There was also a misconception that it is difficult to measure or that no one would be interested in measures of social impact. Few

saw it as an opportunity to revisit the credit unions' objectives and to contribute to improved behaviours, activities or outcomes.

> *We should do it but haven't cracked it. It's marketing activity really. It's really hard to measure. It's complex. We need to put metrics on it but it's difficult. We need to be creative. What's the return for it or is it simply something nice to do? It's not tangible so it gets pushed to one side. CEO, large credit union*
>
> *What separates us? Member service, authenticity, rootedness, ethical service. But how do you measure it? CEO, medium-sized credit union*
>
> *It is a hard thing to measure. It's not that we can't but no one is interested in our measurements. CEO, large credit union.*

There was a sense that social impact measurement was best done at a national level only or across a larger number of credit unions with value in being able to collate impact across a larger number of credit unions.

A growing appetite for social impact measurement by the majority of credit unions was palpable, both as a way of achieving legitimacy with members and non-members, but also as a way, for some, of improving impact. Demonstrating and building upon the credit union difference as an important asset and a way to rebalance the social and economic objectives was seen as important. Demonstrating how credit unions differ from conventional banks, as a competitive advantage, was a fundamental value that could be derived from social impact measurement and reporting.

> *We have impact and necessity in the community. We need to rebalance the conversation around credit unions and what they're all about. We are not banks. Credit unions are guilty of not providing evidence to back up their position. We need to redirect the narrative around credit unions. CEO, small credit union*
>
> *We are in an interesting position because the credit union difference is so tangible. Our interest rates aren't always as competitive as those of banks so we need to give people a reason to choose credit unions. We need to reach people with a different story. The credit union is there to deliver better solutions and is not in the service of commercial goals. Marketing officer, large credit union*
>
> *This is so fundamental that we have to do it for the survival of the movement. People are doing a rethink on globalisation. For survival, we have to think more locally. Nothing is more sustainable than credit unions circulating resources again and again. Credit union key informant*

For some credit union participants, measuring social impact was seen as an opportunity – or indeed, currently a missed opportunity – to prove how credit unions are different. This difference was viewed as an important competitive advantage and as a way to draw more young people to the concept of credit unions.

> *We use statements like 'we're different' all the time but we have no details to back it up. We're doing everything we can. This is about our competitive advantage and we need to be singing from the same hymn sheet. CEO, small credit union*
>
> *It might resonate with some young people. We could use it as a competitive advantage. CEO, medium-sized credit union*
>
> *We have our own niche and ethos and need to capitalise on this. Young people don't like the idea of the big pillar bank. We need to do more - we're not developing it enough. We're behind the door almost apologising. People are looking for alternatives. CEO, medium sized credit union*

### *Barriers to social impact measurement and reporting*

Given the clear desire shown by participants for social impact measurement and reporting by their credit unions, and the fact that only one has measured its social impact formally, the barriers to engagement were then explored. Many saw the need for commercial viability, and more particularly, growing the loan book, as a greater priority for now. Measuring social impact was not on the current agenda and was not a feature of strategic planning. One credit union CEO described it as a *"nice to do"* but not as a strategic priority for his credit union currently.

> *Social impact measurement is not something I want to do. I am at the pin of my collar at the moment because our credit union is so tightly resourced. We are doing it, just not measuring it. CEO, small credit union*

> *In the current climate, sustainability and survival is the focus. Social impact is being swept under the rug for the time-being as we are looking at commercial viability. It's not no. 1 on our list of priorities. We hope there is social impact but we have no deliberate policy. CEO, medium-sized credit union*

A lack of time or resources was the most cited barrier with 9 participants referring to a lack of time to engage, a lack of personnel to take on the work involved, and the potentially high perceived costs of engagement.

> *At the moment we are running fast to stand still - there's so much pressure on credit unions. It's not on our radar, we're so tied up. CEO, small credit union*

> *It's a question of resources - so few hands to do so much. And it's a question of cost. CEO, medium-sized credit union*

> *Capacity is the main barrier. It's not seen as part of the core business. There is a lack of understanding that it could complement our core business and demonstrate value to stakeholders. CEO, large credit union*

Six participants cited a lack of knowledge or skills to engage in social impact measurement and reporting as a barrier. Despite feeling it would be useful to engage, there was a reluctance to get started as credit unions didn't know how to begin. Some credit union participants said they would be happy to provide the relevant data 'to someone else' if social impact measurement were being carried out across a larger number of credit unions. In fact, some pointed out that a local exercise might not be as beneficial as a regional or national social impact exercise. Only one participant suggested that they would need to consult their members on what should be measured.

> *We don't know where to start. We'd have to sit down and think it through - maybe ask our members. We haven't put our heads into it, but I'm not saying it's not very important. CEO, small credit union*

> *I wouldn't know where to begin so I wouldn't begin. If social impact measurement was identified as an action in the strategic plan, it would be the action that wouldn't be done. This is due to pressure of time and expertise. I don't know what is involved even though it's always seen as a good thing. CEO, medium sized credit union*

> *We don't know how to do it. We probably would do it if there was a template. CEO, large credit union*

Five participants said that their board or their management had simply not considered measuring the social impact of their credit unions either because they were busy with other priorities or it hadn't been raised or discussed.

> *Our directors are not business minded - they're not thinking that way. They are happy that the community knows enough even though they don't. CEO, small credit union*

> *It wouldn't have crossed my mind to measure social impact. It would be of strategic advantage for the credit union to do it as much as anything else. CEO, medium sized credit union*

Three participants suggested that it was not in the nature of credit unions to report on their positive social impact.

### *Supports needed*

Finally, participants were asked what supports they would need to engage in social impact measurement and reporting. Eighteen of the 23 credit union participants made suggestions which mainly revolved around having a template or a set of agreed measures and receiving support or leadership from outside their credit union to help them engage. Sometimes, these two suggestions overlapped. Credit unions were clear that they needed a template or a list of qualitative and quantitative indicators that they could measure to help them to get started. One participant saw this as an investment that would support both financial and social performance. The focus was very much on having this provided to them rather than on developing it themselves or in conjunction with their members and other stakeholders. A sense that support or help from outside the individual credit union was needed emerged strongly. There was a clear focus on this being much more than an individual credit union initiative with a tangible reluctance by credit unions to develop their own approach. Credit unions were seeking leadership from outside to drive the process. One credit union was focussed on what would interest the Central Bank in terms of measures.

> *We need a template to do it and to know where to start - a step by step guide. Deputy CEO, medium sized credit union*

> *We need a template or something that doesn't take a huge amount of time - something simple that could evolve over time looking at the credit union difference. This stuff can help the bottom line - it's not necessarily a cost. CEO, medium sized credit union*

> *We need concrete measures that are easy to gather data on. These will be both qualitative and quantitative. There are plenty of anecdotal stories, that 'tear at the heart strings' but the Central Bank would find the quantitative measures more important. CEO large credit union*

> *We need outside support (from whoever that is) to undertake social impact measurement and to do it on our behalf. We are at the starting blocks on this. It also needs to be done consistently so we're all benchmarked. CEO, medium sized credit union*

> *We need leadership. We need someone nationally to drive on it. We don't have the time. CEO, large credit union*

These suggestions may certainly help to overcome the two main identified barriers of lack of time, resources and capacity and lack of knowledge of how to measure social impact. It is likely that, with the availability of such supports, the other identified barriers, which both centre around ‘how credit unions think’, may lessen over time. A very strong sense that measures that could be used and collated across a large number of credit unions emerged clearly. This was viewed as having far more relevance, efficiency and potential effectiveness than credit unions operating alone. However, while that might be easier, in one sense, for some credit unions, it moves away from the fundamental concept of social reporting and measurement being an embedded part of the credit union’s strategy and the need to strive for continuous improvement across agreed indicators of social impact.

## Discussion and conclusions

A growing appetite for social impact measurement and reporting by credit unions in Ireland is evident and a strong appreciation of the need to articulate the credit union difference emerges in the research. We have seen from the literature that understanding the purpose of social impact measurement and reporting and having a board or managers interested in engaging and owning the process are fundamental prerequisites to ‘readiness’. Legitimacy challenges that emerged included a perceived need to demonstrate the credit union difference more clearly, particularly vis à-vis conventional banks, and a perceived need to rebalance the social and economic objectives of credit unions.

Credit unions see the value of measuring and reporting their social impact and are enthusiastic about the opportunities this presents to inform their stakeholders and improve the service to their members and wider community, in line with their ethos. There is scope for greater understanding of the concept of social impact, how it can be measured and the importance of reporting it to stakeholders. Despite strong positive feelings towards the need for social impact measurement and reporting by the credit union managers and key informants consulted in this research, it is not currently prioritised and credit unions are reticent about taking the first steps due to barriers posed by time, resources, capacity, knowledge, bashfulness and mindset. Most credit unions feel overwhelmed at the thought and don't know where to start. Most credit unions report aspects of their social activities and impact already but not in any systematic way and without clear benchmarks or measures. There is a significant and relatively straightforward opportunity to embed this existing social impact more formally as a part of credit union strategy and to enhance and formalise the way it is measured and reported to members and other key stakeholders.

A clear preference for a simplified approach to formal social impact measurement and reporting, possibly using standardised indicators that would work for all credit unions, at least initially, emerged. Guidance, support and engagement from those external to individual credit unions, but with a strong relationship to and understanding of credit unions, such as trade and representative bodies, policy bodies, regulators and social impact experts, would appear to be strongly welcome and would help to overcome many of the barriers preventing credit unions from engaging. A simple suggested template or suggested indicators would help to stimulate credit unions to begin to engage and to overcome the barriers. However, credit unions need to be wary of what Nicholls (2009) describes as a top down versus bottom up approach to social impact measurement, where the latter engages greater "stakeholder engagement in designing the reporting practices that affect them" (p. 757). Credit unions need to take some time themselves to tease out why they want to engage in social impact measurement and reporting. Why is it important to the credit union? Who are their stakeholders and why is social impact important to them? A clear understanding of who this is for will shape what the credit union wants to measure. Involving the various stakeholders, particularly the members, in this process will help to ensure the credit union is measuring and reporting on what is important to them. There is much to commend a co-ordinated approach across credit unions for reasons of easy collation and reporting of impact data at a macro level. However, credit unions must start at the level of their own credit union first in understanding the benefits.

This paper narrows the gap on our knowledge of social impact reporting and measurement for credit unions. We see that, for many credit unions, social impact measurement and reporting is viewed as a luxury that they cannot afford. However, it is likely over time that it will become a necessity as credit unions continue to seek legitimacy from their members and other stakeholders. Given the current lack of a standardised approach both nationally and internationally, it is possible that endeavours in Ireland to develop standardised indicators of credit union social impact could support efforts in other countries to measure credit union social impact. The wonderful possibilities posed by having global standardised measures for credit unions await.

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## Notes

[1] https://www.donorecu.ie/images/library/documents/27022020-124054.pdf

[2] This paper is based on an earlier discussion document produced by the Centre for Community Finance Europe:

McCarthy O. (2020) Credit union social impact measurement and reporting: realising the potential https://cfcfe.eu/wp-content/uploads/2021/02/202011_CFCFE22_Social_Impact_Realising_Potential.pdf