Credit Union Social Impact Measurement and Reporting: Realising the Potential

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Executive Summary

Formal social impact measurement and reporting by credit unions is not that common. In the past year or so, a small handful of credit unions in the UK and one credit union in Ireland have started the process of defining, measuring and reporting on their social impact. Social impact measurement for credit unions involves clarifying their social objectives and identifying the measures that best reflect the outputs and outcomes of credit union activities in pursuit of these objectives. Internal review of performance on having achieved – or not achieved – social objectives, can inform strategic change that enhances impact over time.

The variety and complexity of available approaches and tools for defining and measuring social impact can be potentially overwhelming for credit unions who simply want to know where to start. Credit unions are free to choose or develop an approach, as simple or as complex as desired, which best suits their aims and resources and to shape that approach over time. However, there appears to be a lack of any standardised approach by credit unions at a national or international level. In this context, collating figures for social impact across a larger number of credit unions becomes more difficult and may result in duplication of effort. There is a strong argument in favour of a standardised approach across individual credit unions to allow for a collated assessment of the social impact of the credit union collective.

The focus of this paper is on establishing how social impact measurement and reporting is viewed by Irish credit unions, what the barriers to engagement are, and how credit unions feel they can be supported in getting started. It is an exploratory piece, opening up ideas and concepts and offering a starting point for further discussion and debate on appropriate ways forward for those credit unions that wish to progress on the social impact measurement and reporting journey.

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. An additional 11 credit union stakeholders, with professional interests in credit union social impact were also consulted for their views. Credit union annual reports and websites were used to identify and observe how credit unions currently report social aspects of their activities.

There were generally very positive views about the social impact of credit unions. Measuring and reporting that impact was seen as an opportunity – or currently a missed opportunity – to showcase the credit union difference. Demonstrating and building upon the credit union difference as an important asset and as a way to rebalance the social and economic objectives was seen as important. Despite their positive views, credit unions had not engaged in any meaningful way in social impact measurement and reporting to date due to competing priorities, lack of time, capacity or resources, lack of knowledge or skills, because they were not thinking that way or because they were simply too modest to boast about their achievements. Room for improvement in the current levels of social reporting in annual reports and on websites was also apparent.

The setting of benchmarks or KPIs for social impact on agreed indicators, for example, might help to focus credit unions on what they wish to measure, report and improve. Credit unions need to take some time themselves to tease out why they want to engage in social impact measurement and reporting. A clear understanding of who this is for will shape what the credit union wants to measure. Support from outside credit unions would facilitate this process. 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.

1. Introduction

Teaching final year business students about credit unions reveals interesting insights into how credit unions are viewed. As credit union practitioners, we are already sold on the ethos of credit unions as co-operative financial institutions, seeking to provide, at a minimum, access to fair and affordable savings and loans and becoming the ethical financial provider of choice for all who need and can use our services. We know and understand that we are rooted in communities, we are volunteer-led and we put the interests of our members first because the members own and democratically control the credit union. Uniquely, they are the service users, beneficiaries, investors, borrowers, savers, and owners all at the same time. We get frustrated when we perceive that legislators, regulators, politicians or others don't seem to understand that we are different. We are proud of our difference.

Ask a business student about the credit union difference and, while they acknowledge there is a difference between credit unions and other financial service providers, they usually cannot articulate what that difference is. For most students, it is a vague sense of local community, of people helping one another, and of trust. When the differences are teased out and discussed in greater detail over several classes, students are astounded that they 'never knew' or were 'never told'. The consensus is that credit unions are the best kept secret.

Credit unions are co-operative organisations with both economic and social objectives. In essence, they exist to support the financial health and well-being of their members by providing local and affordable financial services based on their needs. They also seek to improve the well-being and spirit of the broader community in which they operate. Traditional approaches to measuring the extent to which a credit union has achieved its objectives have focussed more on the economic aspects of performance, employing annual financial statements and financial ratio analysis to measure performance. This performance is then systematically reported to stakeholders and used to inform strategic planning.

Measuring the extent to which social objectives have been achieved has not been approached with the same level of rigour. Social impact measurement is the process of defining and clarifying these social objectives and identifying the measures that best reflect the outputs and outcomes of credit union activities in pursuit of these objectives, some of which may, in fact, be financial. For example, a credit union might look for quantitative and qualitative indicators associated with volunteerism, the financial health and well-being of its members, and its contribution to supporting the wider community. Reporting of performance on these indicators to stakeholders creates awareness of and appreciation for the credit union difference. Internal review of performance on having achieved – or not achieved – social objectives, can inform change that enhances impact over time.

Measuring, monitoring and reporting the social impact of credit unions leads to a necessary and embedded strategic focus on how they are different and why this matters. Social impact measurement and reporting is not the same as marketing. It is not simply another way to convince people to join or use a credit union. Nor is it an approach to corporate social responsibility (CSR) which is used to demonstrate good citizenship by businesses alongside the core mission to generate profits for owners. A focus on social impact is potentially far more powerful as it empowers credit unions to really understand who they are serving and how, and what is important to the credit union, its immediate stakeholders and wider community. It also helps to identify gaps in its service and areas for improvement. This knowledge and understanding becomes embedded in strategic responses to continuous improvement and meaningful impact on, and engagement with, members and other key stakeholders.

A simple web search will show that many organisations have been engaging in some form of social reporting or social impact measurement but standards for what should be measured and for whom are in short supply. There is already a range of social impact measurement tools and approaches at the disposal of credit unions[1] including social auditing[2], social accounting[3], social return on investment (SROI)[4], sustainability reporting[5], and the co-op index[6]. The Centre of Excellence in Accounting and Reporting for Co-operatives (CEARC) at St. Mary's University, Canada, has developed 32 co-operative performance measures based on the co-operative principles. In 2019, the Centre for Community Finance Europe (CFCFE) and its partners Small Change Limited and Liverpool John Moores University, produced a detailed toolkit specifically for credit unions wishing to understand and engage in social impact measurement[7]. In 2020, Donore Credit Union in Dublin, Ireland, and Clockwise Credit Union in Leicester, UK, separately produced reports based on a Social Return on Investment (SROI) method. The variety and complexity of available approaches and tools can be

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[1] Duguid (2017) offers a very useful review here: https://smu.ca/webfiles/Non-FinancialToolsandIndicatorsforMeasuringtheImpactofCo-operatives.pdf as do Brown et al (2015) here: http://www.cooperativedifference.coop/wp-content/uploads/2015/09/CoopsforSustainableCommunities1.pdf

[2] See, for example, Cerise SPI4 social auditing tools for financial services institutions with a social mission: https://cerise-spm.org/en/about/

[3] See the UK Social Audit Network: http://www.socialauditnetwork.org.uk/

[4] See Sopact: https://www.sopact.com/social-return-on-investments-sroi

[5] See Global Reporting Initiative: https://www.globalreporting.org/

[6] See Northwest Co-operative Development Centre: https://nwcdc.coop/services/coop-index/

[7] CFCFE, Liverpool John Moores University and Small Change (2019), The Credit Union Difference Toolkit, https://cfcfe.eu/the_credit_union_difference/

potentially overwhelming for credit unions who simply want to know where to start and who want to start simply.

This paper is the first of two examining social impact measurement and reporting for credit unions. The focus of this paper is to establish how social impact measurement and reporting is viewed by credit unions, what the barriers to engagement are, and how credit unions feel they can be supported in getting started. The second paper offers suggestions on easy ways to get started.

2. Social impact measurement and reporting by credit unions

Formal social impact measurement and reporting by credit unions is not that common. Surprisingly, few US credit unions have engaged in standalone reporting, favouring instead a small section of their annual report or a brief mention in the 'About us' section of their website[8]. The Filene Institute in the US is conducting on-going work to start filling this gap and on 28th October 2020 announced the launch of a Center of Excellence for Community Social Impact. Canadian credit unions appear to have a little more to offer in terms of formal social impact measurement and reporting although there seems to be very little standardisation in approach and detailed evidence of reporting is not widespread. Integrated annual reports, combining financial and social reporting, appear to be favoured. Significant government funding has been provided for research into social impact measurement for co-operatives in Canada. Only very recently have we started seeing examples of credit unions in the UK and Ireland beginning to formalise social impact measurement and reporting. A handful of credit unions in the UK and one credit union in Ireland have taken the plunge in the past year or so. Some examples of credit union social impact measurement and the approach taken are presented in the boxes below.

Vancouver City Savings Credit Union (VanCity), Canada: Annual Report (2019)

Supporting members and communities in a changing world

VanCity, with 544,000 members, has a clear vision and business model based on co-operative principles and practices, social justice and financial inclusion and environmental sustainability. It has been reporting on its social and environmental performance since 1992. It started by including a special section on employee, community and ecological responsibility in its annual report which subsequently expanded to include quantitative measures such as affordable housing, community economic development, employee well-being and the environment. It developed a comprehensive social auditing process and delivered its first standalone 'social report' in 1997. This evolved and advanced over time to become a sophisticated

[8] Armaza, E. (2020) Amplifying social impact: the state of credit union giving. Madison: Filene Research Institute

accountability report between 2000 to 2009 before it was fully integrated into its annual report. It follows the AA1000 AccountAbility Principles, focussing on stakeholder engagement to inform strategy and decision-making. Its annual report is aligned with the International Integrated Reporting Framework and is also prepared, including the accountability statements, in accordance with the Global Reporting Initiative's (GRI) Sustainability Reporting Standards, Core Option. It sets performance targets and measures its performance against the targets. In keeping with the social auditing methodology, its performance is independently and externally verified, in much the same way as a set of financial accounts are independently audited.

The report has four main sections:

- Key results, detailing *organisational targets and results*, such as number of members, member satisfaction, staff engagement and return on average members' equity, and *commitments* on greenhouse gas emissions, waste diverted from landfill, employees who self-identify as indigenous and people assisted with products and services designed to provide access to basic financial services
- Business review, covering people, planet and prosperity. Metrics include employee well-being, member growth, financial literacy and advice, environmental impact, buying local and overall financial plan
- About VanCity, which details its governance and staffing structure
- Summarised statements and other information, which includes key accountability data and summarised consolidated financial statements.

Source:
https://www.vancity.com/SharedContent/documents/pdfs/ReportingProcessandHistory2011.pdf

https://annualreport.vancity.com/_doc/Vancity_2019_AR.pdf

Hoot Credit Union (2020): The Owl Effect

Measuring the Social Impact of Hoot Credit Union

Hoot Credit Union provides safe savings and affordable lending services to over 6,000 people in Bolton and Bury. Hoot is motivated by the desire to provide approachable, affordable and accessible financial services that meet the needs of everyone who lives, works or studies in its common bond. Hoot worked with CFCFE, Liverpool John Moores University and Small Change to develop a toolkit for measuring the social impact of credit unions[9]. This work included the development of a survey, completed by 554 people, and an exploration of how social impact can

[9] Ibid.

be assessed and reported. The toolkit adopts a four-stage process to measuring social impact and embedding it in how the credit union operates:

- Working out what impacts should be measured and on whom
- Evidencing changes that have been delivered for members and partners
- Telling the story of that impact through analysis of quantitative and qualitative data – including a member survey and a range of external sources
- Learning from the findings, reflecting and adapting.

A three-level model was created to explore how impacts on Hoot's members, associated with financial resilience and emotional wellbeing, leads to better and more efficient functioning of statutory bodies, and feeds into Bolton's wider civic cohesion and economic vibrancy.

The findings showed that established Hoot members are three times less likely to worry significantly about money and it saves its members around £200 in interest costs on a typical loan of £300. 72% of money lent by Hoot is spent in Bolton and Bury leading to a multiplier effect which means that, for every £1 Hoot lends, it is estimated that £1.93 is spent in Bolton and Bury, and £2.09 is spent in Greater Manchester. In 2018/19, this provided a £2 million boost to the local economy. Borrowing from Hoot saved members from paying a potential £833,000 in interest in 2018/19 and the report suggests that £millions more could be saved in Bolton if more people could be steered away from high-cost lenders.

Source:
https://www.wisewithmoney.org.uk/theowleffect/

Donore Credit Union: Social Return on Investment Study (2020)

A social dividend, not just a financial one

Donore Credit Union is Ireland's oldest having been established in 1958. It has a membership of 5,400 and is based in the south inner city of Dublin. Impressed by a Social Return on Investment (SROI) Report carried out on behalf of a local GAA club and determined to capture and articulate its own social impact, it embarked on a process of measuring the social value it generates in its community. With the support of a social return on investment practitioner, the credit union set out to describe and measure all the notable changes brought about over the previous year and to calculate a monetary equivalent where possible. The process included consultation with various stakeholders in focus groups and interviews as well as a member survey with 378 responses.

The final report states that, for every €1 equivalent invested into the credit union, €10 of social value was created. A total social dividend in the region of €25 million was reportedly generated for the 2018-2019 financial year.

Source: https://www.donorecu.ie/images/library/documents/27022020-124054.pdf

What becomes immediately clear from the above examples is the variety of ways in which social impact can be, and is, measured. Because credit unions are autonomous and independent, they are free to choose or develop an approach, as simple or as complex as desired, which best suits their aims and resources and to shape that approach over time. However, what is also apparent is a lack of a standardised approach by credit unions at any national or international level. In this context, collating figures for social impact across a larger number of credit unions becomes more difficult and may result in duplication of effort. There is a strong argument in favour of a standardised approach across individual credit unions to allow for a collated assessment of the social impact of the credit union collective. This might also serve to reduce the financial cost and internal effort associated with developing individual approaches.

3. Methods

The research sought to gather general views by people 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 held the position of CEO or Deputy CEO, while the remainder held roles in marketing, operations, risk and compliance, and finance. For speed and ease of access, all those interviewed were staff members, although this limits the diversity of views. Credit unions were selected using existing contacts, snowballing – when one credit union contact led to another, and through a call out to members of CFCFE. Credit unions of various asset sizes were included. Three credit unions had industrial common bonds and the remainder (20) had community common bonds. The 20 community credit unions were located across 11 counties in three provinces. 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)[10]. Eleven of those who took part in the conversations were female and 12 were male. Some had already begun to think about social impact measurement and reporting; many had not. For a small number, social impact measurement and reporting was seen as a 'must do', while for most of the remainder it was a 'like to do'. All agreed, however, that it should be done. The variety in asset size, common bond, interviewees, location, and priority level of social impact measurement adds to the richness and diversity of the information collected.

All participants were asked to provide a copy of their credit union's most recent (2019) annual report. Twenty annual reports were made available in softcopy or through websites. One of these 20 comprised financial statements only therefore 19 annual reports were considered. The reports were used primarily 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. Reporting practice varied enormously between credit unions and this is discussed in more detail below.

In addition to the credit unions, additional stakeholders were also consulted for their views in late Summer/early Autumn 2020. These included social performance measurement experts, researchers, policy-makers and credit union representatives. Discussions by phone or online took place with 11 individuals in total who had an existing professional interest in social performance measurement and reporting by credit unions. Some of the findings from the earlier credit union conversations were further teased out in these discussions.

Neither the identities nor affiliated organisations of those who took part in the research are given in this paper. The emphasis is mostly given to what was said rather than who said it, although where relevant, a distinction is made between participants directly involved in different sized credit unions and other stakeholders.

The resulting report does not claim to be representative of all credit unions nor definitive of all views held. It does give a snapshot of a collection of opinions on the barriers to social impact measurement and reporting and the perceived supports needed to help credit unions engage. As such, it is an exploratory piece, opening up ideas and concepts and proposing simple potential next steps. It offers a starting point for further discussion and debate on appropriate ways forward for those credit unions that wish to progress on the social impact measurement and reporting journey.

[10] These categories are used by the Central Bank of Ireland to classify credit unions by asset size.

4. General views on social impact and social impact measurement

All conversations opened with a general discussion of what constitutes the social impact of credit unions and how this could be measured and reported. Only one credit union had engaged in formal measurement and reporting to date and all of the others, bar one, were highly confident that their credit union has a significant social impact in their communities and felt that this impact should be captured or measured. The social impact was seen to stem from the ethos of credit unions, their local embeddedness and the kinds of services offered, all of which made 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, which is discussed later.

A sentiment that underlined much of the conversations was what the Central Bank of Ireland (Central Bank) required and how, understandably, this took priority over everything else. When participants had the opportunity to discuss what shape social reporting might take, many seemed to find it difficult 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 respondents made suggestions about what might be measured. These included sponsorship and donations, lending including lending to distressed borrowers, Personal Micro-Credit (PMC)[11] 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.

There's a huge value in measuring social impact…

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. The additional stakeholders were also highly supportive. A clear consensus on what the social impact of credit unions is, however, didn't emerge.

> *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*

[11] The Personal Microcredit Scheme provides small credit union loans – also known as 'It Makes Sense' loans - to people in receipt of a social welfare payment who may have difficulty accessing credit elsewhere. The main aim is to offer an alternative to high cost credit, such as that available from moneylenders. The scheme is offered by about half of all Irish credit unions at present.

difference - people tell us all the time. Overall, credit unions should be trying to focus on it.
CEO, small credit union

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 – they have national campaigns rather than local ones.
CEO, medium sized 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. We need to get good at it. Awareness needs to be created. It needs to be measured systematically. It is the most important thing we can do to communicate to our members. We will then be armed with that information to help with lobbying efforts with the Department of Finance, the Department of Social Protection and the Central Bank.
CEO, large credit union

One of the benefits of measuring social impact in a credit union in my experience was that it really helped the directors to see that they were doing good and were having a positive impact. This was a huge boost to keep them going.
Credit union stakeholder

Opportunity and missed opportunity…

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. Few credit unions viewed social impact measurement as an opportunity to revisit the credit unions' objectives and to contribute to improved behaviours or activities.

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. It would resonate with a certain cohort. 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

This whole green movement - we should be tagging on to that. There's an opportunity in it. We need to get out of our own way.
CEO, medium sized credit union

Measuring social impact will show the difference. We were set up for the ordinary man on the street to get some funds. Our ethos is community-based, local, not for profit. Members are dealing with the person making the decision. We don't want to follow the bank model as we need to be distinguished as a financial institution from the financial institution pack. There is a social distinction between what we try to achieve. It's a kettle of bananas - we have to be distinguished and separated.
CEO, medium sized credit union

Credit unions are values-based - it's in our DNA to do it but we're not telling anyone we're doing it.
CEO, large credit union

We give money here and there as sponsorship. Our lending has a social impact but have we measured it? No. It is timely for us to do social impact measurement. We have quite a 'green' [environmentally-minded] board which is focusing our minds. But we are reactionary.
CEO, large credit union

We do a community report every year at the AGM with lots of pictures and good news stories. I can say that, anecdotally, this takes the heat out of questions re interest and rebates. It generates goodwill. We don't have the research to back it up so we can't prove it.
Risk and compliance officer, large credit union

The authorities have recognised the value of credit unions; now we have to prove it. There should be several pages in the annual report devoted to this.
Credit union stakeholder

A question of priorities…

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.

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 have a number of incoming mergers so this is down the pecking order. I <u>know</u> our members are getting a friendly and approachable service here and we would be a huge loss if we were gone. We <u>are</u> doing it, just not measuring it.
CEO, small credit union

In the current climate, sustainability and survival is the focus. If we don't grow our loan book, I would be fearful for the whole movement. 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

We need to grow the loan book but our objective is to serve the members of our community. Growing the loan book isn't what drives me - it's delivering essential financial services. What separates us? Member service, authenticity, rootedness, ethical service. But how do you measure it?
CEO, medium-sized credit union

The value of research is well down the ladder of priorities in credit unions. By our nature, everything we do has social impact but this leads to a kind of laziness. At board level, where the board has been involved for a long time they're inclined to think, "everything we do has social impact". It's nice to feel you're one of the good guys - it's an accepted truism and an insult to have to prove it.
Operations manager, medium-sized credit union

However, when probed, they admitted that one way to grow the loan book might well be done by being able to show the social impact of credit unions and the central role played in the community. This could give members a greater appreciation of just how important the credit union is to the social fabric of the community and motivate members (and non-members) to prioritise borrowing from credit unions over other providers.

Some others 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.

Possible misconceptions…

Some possible misconceptions about social impact reporting were also in evidence. Some saw social impact measurement as being in the marketing domain, rather than an embedded part of their strategy. As we have noted in section 1, viewing social impact measurement as a marketing activity ignores the powerful opportunities it opens to credit unions to make meaningful and embedded changes to how they impact on their members and other stakeholders. Like the financial reports, the social reports must feed into strategic planning and shape the objectives, behaviours and activities of the credit union throughout the year. Progress, or lack of progress, must then be reported. There was also a misconception that it is difficult to measure or that no one would be interested in measures of social impact. As alluded to in sections 1 and 2, while some measurement tools are complex, it can often be as simple as choosing a small number of simple measures and confining social impact measurement to those measures alone. Finally, there was a sense that social impact measurement was best done at a national level only or across a larger number of credit unions. This is not a misconception, as such, so long as credit unions see the purpose and value of social impact measurements and reporting at the individual credit union level. There is then added value in being able to collate impact across a larger number of credit unions.

Individual credit unions shouldn't have to do this. It needs to be centralised.
CEO, medium-sized credit union

This needs to be done at a national level… Find a handful of measurements already being captured and extract this for every credit union.
CEO, medium-sized credit union

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

It is a hard thing to measure. It's not that we can't but no one is interested in our measurements. We deal with people in arrears and we engage as best we can. That is a source of impact. Boards are trying to keep ahead, stay open and there are too many other priorities to be measuring social impacts.
CEO, large credit union

A growing appetite for social impact measurement…

A growing appetite for social impact measurement by the majority of credit unions was palpable, both as a way of achieving recognition from 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.

Credit unions are guilty of not saying what they are. We are financial institutions with serious financial obligations but about 95-98% of our focus is now on financial stability and viability and the whole conversation has been hijacked around this. But we also 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

Verified evidence of social impact becomes part of marketing but not marketing for marketing's sake. It's to enhance the provision of services.
CEO, medium sized 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

We've often discussed social impact and how we can measure it. Most of us feel we need to do it.
Deputy CEO, 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 stakeholder

5. Current practice in social impact measurement and reporting

We have already noted in section 2 that some credit unions in North America have established approaches to social impact measurement and reporting. To date in Ireland, just one – Donore Credit Union - has produced a social impact report. Nineteen respondents provided their annual report which was examined to find evidence of the extent to which credit unions currently report on aspects of their social impact. 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. 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.

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. Sixteen of 19 credit unions reported a figure for donations and/or sponsorship in their management expenses (two of the remaining three had industrial common bonds). Only five credit unions reported this figure elsewhere in the report which meant that members 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 10 reports that discussed sponsorship in detail published pictures of presentations and community groups, although an additional three credit unions published pictures with no discussion.

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.

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. 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. Three credit unions mentioned PMC loans 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. Two credit unions mentioned staff training. All credit unions mentioned the core business of lending but some gave considerably more detail than others and highlighted the different loans types, new loan offerings, numbers of loans issued, lending growth, numbers of loans written off and bad debts recovered. Only six credit unions mentioned the winning of the CXi award by credit unions for 'best customer experience' in Ireland[12]. 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.

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 called out MABS or 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.

As already mentioned, this is not an exhaustive analysis of what might be deemed to be activities with a social impact but 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. The setting of benchmarks or KPIs for social impact on agreed indicators, for example, might help to focus credit unions on what they wish to measure, report and improve.

The next section explores the barriers to greater engagement in social impact reporting and measurement as conveyed in the conversations with credit union respondents and as evidenced in the annual reports and websites.

6. Barriers

Despite the clear desire shown by participants for social impact measurement and reporting by their credit unions, as shown in section 4, a range of barriers were highlighted that made it more difficult for credit unions to engage. Some credit unions mentioned more than one barrier.

[12] https://www.creditunion.ie/news/latest-news/credit-unions-win-the-best-customer-experience-awa/

We don't have the time, the capacity or the resources…

A lack of time or resources was the most cited barrier with nine credit unions 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
>
> *Key issues are time, resources and cost and credit union boards are demotivated. It's the perfect storm. Credit unions are also too careful to put their heads above the parapet, especially if they are struggling and want to address the loan book first or want to get things right internally and grow.*
> 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
>
> *The ambition is there; the execution isn't.*
> CEO, large credit union
>
> *Capacity is the main barrier. We are coming into very challenging times for credit unions and measuring social impact is seen as a luxury. Our focus is on growing the loan book. It's a 'nice to have' but 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
>
> *Time and data are issues. Do you have the data you need? There are some existing data but you need to collect additional data. A member survey must be carried out.*
> Credit union stakeholder

We don't know how…

Six credit unions 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.

> *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

As much as we'd like to do it, we don't have the knowledge or skills, time or resources. A real barrier is knowledge - we don't know what we should be measuring.
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

We don't know how to measure social impact. Our social engagement tends to be sponsorship or, for example, helping vulnerable people during the COVID-19 pandemic. We're being told by the Central Bank to produce strategic plans driven by financials. Most CEOs are focussed on the bottom line.
Marketing officer, large credit union

We're not thinking that way…

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, as demonstrated in section 4, 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

People don't know about us. We're not good at it. We don't know how to do it. That doesn't mean we shouldn't start now. We never thought about measurement before. Individual credit unions don't have the bandwidth for starters.
CEO, medium sized 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

We never thought of doing social impact measurement. It's not in our strategic plan because there are so many other things to measure. It's not an area we have focused in on.
CEO, large credit union

It has not been identified by the board as a fundamental 'need to do'. It's probably a 'like to do' but it's not urgent. We need to identify why it's important to do this. That will remove the barriers.
Marketing officer, large credit union

We don't want to blow our own trumpet…

Three participants suggested that it was not in the nature of credit unions to report on their positive social impact. As seen earlier, there was an underlying sense that some credit unions wanted to improve their financial performance first, in case a focus on social impact would draw undue attention to, for example, a small loan book (even though this should be visible in the published accounts). For others, it was simply a case of credit unions not wanting to be boastful about their achievements.

We're a small credit union in a small town. There's an innate bashfulness about blowing our own trumpet.
CEO, small credit union

Credit unions don't want to be saying 'we're so great, this is what we did, look who we helped'. We're not good at telling people this. The CXi was ok because someone else told us we were good. We don't say it because we are supposed to be doing it anyway.
CEO, small credit union

We are not measuring our impact because of a lack of confidence. It's not really our thing to blow our own trumpet. We don't like to say how great we are; it's not in our nature. We are quietly brilliant.
CEO, medium sized credit union

Credit unions are really bad at saying how good they are.
CEO, large credit union

7. Supports needed

Eighteen of the 23 credit union participants made suggestions about the kinds of supports that would help credit unions to engage in social impact measurement and reporting. These 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.

We need a template or a set of measures…..

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 on measuring and reporting social impact. One credit union 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.

We need a very simple toolkit where you don't have to read 20 pages first to do it - an app with a few indicators on it where we feed in figures at the end of the month. We can't ask the representative bodies to do it as their hands are tied - not all credit unions are affiliated.
CEO, small credit union

We need a template to do it and to know where to start - a step by step guide. Would the representative bodies be best positioned to do it? We might pay for it - it wouldn't have to be sold too hard to the board.
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. It's hard to get credit unions to agree on anything. 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 support from outside…

Again, 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.

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. We would participate in a bigger project if there was one, but we wouldn't invent it. We would populate a spreadsheet and give qualitative input and identify members who would be willing to put flesh on the bones.
CEO, medium sized credit union

We need leadership. If someone came to us who wanted to do it, we would willingly get involved. We need someone nationally to drive on it. We don't have the time. They would be pushing an open door with us.

CEO, large credit union

We need criteria for the sector and a movement-wide analysis. It needs to be streamlined so we're not going off on a tangent. This needs to come from the representative bodies or CUMA or UCC. We need buy-in from credit unions and to get lots of them involved.
CEO, large credit union

Implementation of the 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.

8. Conclusions and Recommendations

There is a growing appetite for social impact measurement and reporting by credit unions in Ireland and a strong appreciation of the need to articulate the credit union difference. Credit unions see the value of measuring and reporting their social impact and are enthusiastic about the opportunities it 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 about the nature 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 unions and stakeholders consulted in this research, it is not currently prioritised and credit unions are reticent about taking the first steps for reasons of 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 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.

There is 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. 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.

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. 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. Given the current lack of a standardised approach both nationally and internationally, it is possible that endeavours here to develop standardised indicators of credit union social impact could pioneer, or at a minimum support, efforts in other countries to measure credit union social impact. The wonderful possibilities posed by having global standardised measures for credit unions awaits.

The aim of this first paper was to understand perceptions of social impact and reporting by credit unions, to explore the barriers to engagement, and to determine what would support credit unions in engaging. As such, it provides a starting point for reflection on what social impact means for credit unions and how it can be measured. The companion paper will provide a short guide to the key steps to be taken by credit unions that wish to engage further.

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