Alternative Financial Spaces: A Case Study of Credit Unions in Scotland

Claire McGrath

Submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

Adam Smith Business School

College of Social Sciences

University of Glasgow

November 2018

Abstract

This thesis explores the changing values and practices of the credit union sector in Scotland as a case study for alternative financial spaces in the wake of the 2008-9 financial crisis. Credit unions have emerged as part of a global movement, adapting to local contexts to provide access to finance for the economically marginalised. Using an evolutionary perspective, the thesis charts the trajectory of the credit union movement, focusing in on the key influences and their impact on viability and values in the post financial crisis political and economic landscape in Scotland.

The financial crisis had a profound effect on the financial sector, including on alternatives such as credit unions. The thesis explores whether the credit union sector's traditional commitment to alternative social values has been sustained despite pressures in the post-crisis political economic environment. It is contended that a new phase of neoliberalism emerged from the financial crisis, creating new challenges for credit unions as a result of austerity and a changed regulatory framework. At the same time, neoliberal ideals and financialisation processes are serving to crowd out the alternative values that underpin the movement, with potential repercussions for the role of credit unions within the economy. A qualitative research design is employed to explore these issues through a multi-method study of the Scottish credit union sector.

Table of Contents

List of Tables

List of Figures

Acknowledgements

I would firstly like to thank everyone at Cambuslang Credit Union for teaching me about how credit unions work, training me as a volunteer, and making an important phase of my data collection such an enjoyable time. I'm also extremely grateful to everyone that participated in my research as an interviewee and took time out at events to share with me their perspective of the credit union movement. I feel privileged to have gotten to know such an inspiring group of people that are making such a big difference to people's lives.

I also need to thank my supervisors, Professor Andrew Cumbers and Professor Robert McMaster, for their patience, and providing helpful guidance and comments. I always came away from meetings feeling re-energised and much clearer about what I was trying to do.

Thanks to my friends and family who have kept me going with their support and words of encouragement. Finally, thanks to Harry.

This work was supported by the Economic and Social Research Council [grant number ES/J500136/1].

Author's Declaration

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Printed name: Claire McGrath

Signature:

Abbreviations

ABCUL	Association of British Credit Unions Limited
CDFI	Community Development Financial Institution
CUEP	Credit Union Expansion Project
DWP	Department for Work and Pensions
FCA	Financial Conduct Authority
HBoS	Halifax Bank of Scotland
ICT	Information and Communications Technology
NESCU	North East Scotland Credit Union
PRA	Prudential Regulation Authority
RBS	Royal Bank of Scotland
SIMD	Scottish Index of Multiple Deprivation
SLCU	Scottish League of Credit Unions
SME	Small and medium-sized enterprise
TINA	There is no alternative
UKCU	UK Credit Unions

1. Introduction

1.1 Introduction

This thesis uses credit unions as a case study to investigate the experience of alternative financial spaces in the post 2008-9 financial crisis economic and political landscape in Scotland. Credit unions are defined as alternative financial institutions, in which capital is primarily raised through the membership, of whom the credit union exists to economically empower. This is achieved through financial education and access to financial services underpinned by a sense of economic democracy. Economic democracy refers to both channels for inclusive decision making and the sharing of the economic benefits. As an alternative, credit unions are theorised as being underpinned by a commitment to social values over the narrow profit-seeking motive of the economic mainstream.

This chapter provides background to the key themes of the research, as well as introducing the research questions and methodological approach, before going on to outline the relevance of this research. Finally, the chapter will provide an overview of the structure of the thesis.

1.2 Credit unions in Scotland

The first credit union in Scotland was established in 1970 (Dayson, 2002). It was formed as a local means of providing access to capital in a low income community, that was otherwise lacking in banking and financial services provision. The approach was inspired by the model of credit union that has flourished across Ireland (Lee and Brierley, 2017). The 'alternative' nature of the credit union movement stems from their unique ethos and characteristics, including the common bond, the practicing of a form of economic democracy, an ethos of not-for-profit but for service, and (perhaps more controversially due to the cooperative nature of credit unions) a wider social responsibility (McKillop and Wilson, 2015).

While the earliest credit unions in Scotland were formed as grassroots community enterprises, the movement was quickly recognised by local authorities as having the potential to make a unique and wide-ranging positive impact on communities. Subsequently, local authorities have been instrumental in spreading the movement from its initial stronghold in Glasgow and the

West to across Scotland (Jones, 2008a). A number of local authorities have since offered ongoing support to the credit union movement.

The state's long term interest in the credit union movement greatly increased at a UK level following the election in 1997 of the 'New Labour' government (Fuller and Jonas, 2002). State influences as a whole have had a profound influence in shaping the geography and role of the credit union sector in society. Credit unions are cooperatives and so are, in theory, member-owned and member-governed (Birchall, 2013). As will be demonstrated, the process of co-optation of the credit union movement by powerful actors, including the state, has had a significant role in shaping its trajectory, and possibly even reshaping its core purpose.

1.3 Credit unions in the aftermath of the 2008-9 financial crisis

The recent financial crisis provided a clear demonstration of the volatility and crisis tendencies of contemporary capitalism (Crotty, 2009; Harvey, 2011). However, following initial optimism that the financial crisis would lead to the emergence of a new and fairer economy (French et al, 2009; Amin, 2009), it has become evident that this event has not led to a more systemic economic or political change beyond a further mutation of neoliberalism (Mirowski, 2014). Instead, neoliberal processes have intensified through austerity (French and Leyshon, 2010; Blyth, 2013).

Neoliberalism is used to denote a political process in which state actors seek to promote and expand the role of markets in the economy, and beyond, into society (Harvey, 2005; Sandel, 2012). Indeed, Peck (2013: 133) describes neoliberalism as a 'political-economic-cultural phenomenon'. Within a changed economic and political context, this new phase of neoliberalism marks a shift away from the 'roll-out' form that emerged in Western industrialised nations in the 1990s (French and Leyshon, 2010; Peck and Tickell, 2002). While still drawing on elements of this form of neoliberalism, the new political trajectory bears a closer resemblance to that of 'roll-back' neoliberalism (Peck and Tickell, 2002) in Britain through austerity measures that have orchestrated a retreat of the state. Unlike the initial phase of roll-back neoliberalism, this new phase follows and builds upon roll-out neoliberalism in which the state sought to 'remake' people into capable individuals able to take responsibility for themselves in an 'open and financialised economy' (Finlayson, 2009: 400). This form of political governance embedded the values of a market society (Sandel, 2012), in turn facilitating further neoliberalisation (the processes associated with neoliberalism).

Despite a political narrative of re-regulation and limiting the excesses of parts of the financial system following the crisis, financialisation has continued. The enduring power and influence of the financial sector has tempered political will and ultimately limited the tightening of the regulatory framework within which financial services are situated (Christophers, 2016). The positioning of the financial services sector and the capture of the state by elite groups (Christophers, 2016; Galbraith, 2013) has enabled a continuing dominance of neoliberal thinking (Mirowski, 2014), despite its evident shortcomings (Crouch, 2011). This form of neoliberally-governed institutional framework (Harvey, 2006) has wide-ranging implications for credit unions, and alternative financial spaces more generally. The values attached to this mode of governance, and the key processes shaping politics, the economy and society will be outlined in Chapter 2. The empirical chapters will assess the impact of the endurance and further mutation of neoliberalism (Peck, 2013) on credit unions in Scotland.

This thesis uses the lens of a diverse economy (Gibson-Graham, 2006) in reflection of the real life diversity of organisational forms in the economic landscape. Although Chapter 2 argues that neoliberalism has intensified post-crisis, the continued diversity of the economy and of economic practices is also recognised. Indeed, Jonas (2013: 26) contends that even in the post-crisis context, alternatives are ‘flourishing’, and the search for alternatives has intensified (see for example Jones and O’Donnell, 2018). In attempting to construct, enhance and expand alternative spaces within the economy, North (2014) suggests that the focus of academic work should shift from identifying possible alternatives, to exploring the potential for already existing alternatives. The plight of the building society movement since the 1980s and the recent closure of the last remaining savings bank in Scotland in 2017 has meant that the credit union sector is one of the few (and possibly even the only) remaining alternative form of financial organisation not already in decline. It is in this context that this thesis seeks to explore the post-crisis changing trajectory of alternative financial spaces using the credit union sector in Scotland as a case study.

1.4 Overview of research aim and methodological approach

This thesis will demonstrate the continued diversity and plurality of economic alternatives. Since the emergence of third way politics (in the UK, referring to the 'roll-out' neoliberal form of governance first adopted by New Labour in the 1990s), new and evolving spaces of alterity increasingly overlap with notions of the 'mainstream' economy (see Fuller and Jonas, 2002). 'Spaces of alterity' refer to spaces and places within which economic alternatives have emerged. Indeed, Amin (2009: 5) notes that the economy is generally now recognised as a 'heterogeneous entity composed of many kinds of market engagement, social coordination and ethical orientation'. Through a study of the credit union movement, this research seeks to explore the dynamic and evolving 'boundaries' of the social economy.

Once thought of as on the fringes of the economy, alternative economic activity is now recognised as a broader social economy. This is defined as 'commercial and non-commercial activity largely in the hands of the third-sector or community organizations that *gives priority to meeting social (and environmental) needs before profit maximisation*' (emphasis added; Amin, 2009: 4). Before third way politics, this type of economic organisation was perceived as 'residual or marginal, at best a temporary solution in communities and spaces bypassed or damaged by market and states. The social economy was not expected to contribute in any significant way to job generation, market formation and wealth creation' (Amin, 2009: 4). However, it is now widely recognised within the mainstream as having the 'potential to build socio-economic capability and tap latent economic potential based on welfare markets' (Amin, 2009: 5). Supporting the development of the social economy emerged as a dominant policy theme under the New Labour administration. It has continued as a focus under the subsequent coalition and Conservative administrations in the context of the shrinking of the state as part of austerity. The impact of this is reflected in the credit union sector, as ambitions for what these organisations could deliver is creating pressure to shift from their early locally-embedded community roots to become a co-opted part of a neoliberalised framework of governance.

While taking into account the increasing overlap in the situating and function of the mainstream and alternatives as part of third way politics (Fuller and Jonas, 2002), the nature of the social economy can be used as a theoretical underpinning from which a nuanced conceptualisation of 'alternatives' can be developed. It also helps to build an understanding of the significance of these types of organisations in the economy and, importantly, the functions that they tend to fulfil. Instead of focusing on a distinct notion of 'alternative', Hillebrand and Zademach (2013: 14) argue that the key focus should instead be 'to understand how alternative and mainstream come to be defined, practiced and reproduced in distinctive ways across space and time'. This research uses a case study of the credit union sector in Scotland to investigate alternative financial spaces in the post-crisis economic and political landscape. To achieve this, the aim is to explore the alternative values and practices of the credit union sector in Scotland.

Investigating this central aim, the following research questions will be addressed:

1. In what ways are governance structures and agents (including the state, civil society and private business interests) influencing the trajectory of the credit union movement in Scotland?
2. In the post-crisis economic environment, is the social mission of credit unions still viable?
3. Are credit unions in Scotland increasingly driven by the values of mainstream financial services and therefore losing their sense of alternative values and practices?

These questions seek to explore the various influences and pressures shaping the trajectory of the credit union movement. The study employs a qualitative research design, in which three research methods were applied: semi-structured interviews, participant observation and document analysis. It involved an iterative approach that was designed to enable the identification of topical and relevant research questions. This was crucial due to a lack of prior knowledge of the credit union sector in Scotland, and the ways in which it practices alterity.

1.5 Credit unions and alternative financial spaces: research relevance

It is important to place the Scottish credit union sector in the context of the evolution of the broader political and economic landscape over the past two decades. The current context is an important point in the evolution of credit unions in Scotland. The relationship with the state that has developed substantially since 1997 is in a period of change, as the post-crisis political agenda and policies relating to austerity are reshaping the relationship with the movement. This is impacting on both the funding and wider support offered to credit unions, as well as the regulatory and legislative framework in which credit unions are situated.

Throughout this thesis, 'mainstream' is used to refer to the commercial financial sector in reflection of a set of values that are associated with being profit-driven. However, the contention made in 1.4 that in reality organisations within the mainstream are diverse and influenced by a wide range of motivations (Amin, 2009), should be emphasised. Jonas (2010) notes that the labelling of organisations as 'alternative' is done so in a relational sense to the mainstream. Therefore, credit unions are 'alternative' in that a narrow economic focus on profit is not their primary motivation.

To retain a sense of alterity, the distinct values and social ethos of credit unions have to be constructed and reproduced (Fuller and Jonas, 2003). The various pressures from the mainstream that shape the evolution of the credit union sector have the ability to reinforce or detract from the alternative social ethos (see Sayer, 2013). While the political and economic change instigated by the crisis has undoubtedly created pressures for credit unions and other alternatives, it could also be perceived as an opportunity to strengthen and reaffirm a commitment to an alternative ethos. This will be investigated as part of research questions 2 and 3. It will be demonstrated that pressures from the political economic environment are encouraging credit unions to question their core purpose in ways that may lead to an erosion of their social ethos and alternative values. One of the key tensions in the credit union sector currently is whether they should be seeking to adopt the 'new' model (Sinclair, 2014). The key debates surrounding this issue go to the root of what it means to be a credit union, and what their ultimate role is in society. This central theme will feature throughout the empirical sections of the thesis.

The tensions emerging from this research have a broader relevance to other alternative financial organisations, of which there are now relatively few remaining in the Scottish economy. The closure of the Airdrie Savings Bank in 2017 (BBC News, 2017) further depleted the diversity of financial alternatives, in addition to that of the financial services sector more broadly. This has occurred despite calls for greater plurality of ownership forms to promote economic resilience following the crisis (The Ownership Commission, 2012). The thesis investigates the structures influencing alternative financial spaces (as part of research question 1), and provides insight into the plight of economic alternatives in the context of a volatile neoliberal system.

1.6 Chapter outline of thesis

The thesis comprises 8 chapters. The purpose of this chapter has been to identify and introduce the key themes, purpose, methodological approach and relevance of the research.

Chapter 2: Conceptualising Alternative Financial Spaces within the Economy sets out a conceptual framework for alternative financial spaces in the post-crisis economic and political context. It provides an account of the underlying processes shaping society in the context of neoliberalism with a focus on financialisation. This conceptualisation outlines the critical structures and processes that are informing the changes taking place in the credit union sector.

Chapter 3: The Emergence of Credit Unions as Alternative Financial Spaces provides a review of the key areas of literature pertinent to this research. The chapter begins by charting the emergence and geographical spread of the credit union movement. It then focuses on the emergence of the movement in Britain, and the key influences that have shaped its evolution. Drawing on the work of McKillop and Wilson (2015), the chapter goes on to explore the unique characteristics and ethos of the credit union movement. Finally, it provides an overview of the typologies that have been created as a means of building a theory around economic alternatives.

Chapter 4: Researching the Scottish Credit Union Sector provides a detailed account of the methodological approach adopted for this research. Underpinned by a critical realist ontology, this thesis uses the credit union sector in Scotland as a case study for alternative financial spaces. Three qualitative research methods (participant observation, semi-structured interviews and document analysis) were employed to investigate the research questions.

Chapter 5, entitled **Shaping the Trajectory of the Credit Union Movement in Scotland: The Influence of the Political Economic Environment**, addresses research question 1. The chapter explores the ways in which governance structures and agents are influencing the trajectory of the credit union movement in Scotland. The focus of this chapter is on the role of the state and its ongoing influence on the sector. However, the role of agents from within civil society as well as private business is also considered.

Chapter 6: Credit Unions in Scotland: Viability in the Post-Crisis Landscape, explores research question 2 by considering whether in the post-crisis economic environment (as set out in the conceptual framework in Chapter 2), the social mission of credit unions is still viable. This chapter will draw upon themes from Chapter 5 to investigate the impacts of a changing institutional environment and declining levels of funding on viability, before challenging the contention that the 'new' credit union model is a requirement for long term credit union viability in Scotland.

Chapter 7: The Changing Ethos and Values of the Scottish Credit Union Sector, seeks to investigate research question 3. This chapter brings together the empirical material from Chapters 5 and 6 to question whether credit unions in Scotland are incorporating more mainstream values at the expense of alternative values and practices. The chapter begins by returning to the unique credit union characteristics, which draws on the work of McKillop and Wilson (2015) as set out in Chapter 3. In light of this, the chapter then considers whether credit unions can still be considered as a 'desirable' alternative to the mainstream (see Wright, 2010).

Finally, **Chapter 8** offers a conclusion focusing on the key themes of the empirical chapters (Chapters 5 to 7). The chapter sets out the theoretical and empirical contribution of the thesis, and identifies some avenues of future inquiry that this thesis did not fully engage with due to time and space constraints. It will also offer some recommendations for policy.

2. Conceptualising Alternative Financial Spaces Within the Economy

2.1 Introduction

The 2008-9 financial crisis provided a clear demonstration of the limits to the market economy within the context of neoliberalism in delivering long term, stable economic growth (Jessop, 2013). Following the crisis, and the widespread economic and social disruption that emerged as a result, there is renewed interest in seeking to create a different kind of economy to the ideology and practices that currently form the 'mainstream' (Cumbers, 2012). Although the crisis did not lead to any widespread structural transformative change, economic alternatives to the mainstream have been described as flourishing post-crisis (Jonas, 2013). As will be explored in this chapter, the situation within financial services is arguably different, despite the limitations of mainstream financial services that were evidenced by the crisis (Jessop, 2013). Financial services sits at the centre of neoliberal economies (Dumenil and Levy, 2005). After 40 years of neoliberal processes, there is little diversity remaining in this sector of the economy, particularly in the form of 'alternatives'. Indeed, the case study of this thesis, the credit union sector, is one of the few remaining alternatives within financial services, and possibly the only alternative financial model not in decline.

This chapter seeks to build a conceptual framing that will inform and provide context to the empirical chapters (5, 6 and 7), which will explore the changes taking place within the credit union sector in Scotland since the financial crisis. To do so, this chapter will build a theoretical platform by engaging with a broad range of literature. However, it is not the intention to provide a comprehensive review of the literature and themes that are referenced. Section 2 will provide a conceptualisation of the mainstream and alternative elements of the economy, and their relationship to each other. The third section introduces processes that have been shaping the mainstream global economy, as well as influencing the trajectory of economic alternatives. The focus here will be on neoliberalism and financialisation. Neoliberal processes have emerged over the past 40 years and become dominant in the global economy and mainstream economic discourse. Financialisation as a set of processes has shaped the economy for much longer (Sawyer, 2013). Yet the current phase of financialisation within the neoliberal context is having a significant and distinct influence on the economy, and as will be outlined, is also having a wider societal influence. The fourth section will consider the financial crisis as a critical point in the functioning of the global economy. It will then explore the political and economic conditions that emerged from the financial crisis, and what this means for alternative financial spaces in regard to how they are situated, and ultimately what their role is, within the economy and society.

2.2 Conceptualising the values of the economic mainstream and alternatives

This chapter will begin by exploring the nature of the ‘mainstream’ and ‘alternative’ sections of the economy and how these are situated relative to each other. In this thesis, mainstream refers to the dominant capitalist, market-based elements of the economy, specifically in reference to commercial financial service providers. Hodgson (2015) identifies six key characteristics of capitalism. The following three are identified as of primary interest here:

1. Widespread commodity exchange and markets involving money;
2. Widespread private ownership of the means of production by firms producing goods or services for sale in pursuit of profit; and
3. A developed financial system with banking institutions, the widespread use of credit with property as collateral, and the selling of debt. (Hodgson, 2015: 259)

The primary motivation for the mainstream, capitalist economy is theorised as the *pursuit of profit.* This develops in an economic system that is underpinned by the market, with a central role for financial services. Economic alternatives are defined relative of the mainstream economy (Jonas, 2010), and therefore refer to economic organisation in which the central, overarching motivation is not profit-driven. This clearly could refer to a broad range of organisations. The focus here will be on alternative economic activity in the form of organisations situated within the social economy, in which ethical considerations shaped around social need are of primary concern.

Values and motivations are shaped by institutions. For example, capitalism as an institution goes beyond abstract notions of ideology to create sets of rules which privilege certain values, ways of thinking and behaviours over others (Hodgson, 2015). This is a result of institutions shaping the nature of social relations, which leads to the development of particular value sets, and in turn, informs societal habits and norms. Institutional capitalism gives rise to behaviours that are risk-taking, individualistic, outcome-focused and profit-oriented. Within capitalist systems, the market itself is a social relation (Hodgson, 2015). As a product of institutional capitalism, it is at the centre of economic activity and acts as a mechanism for furthering the reach of capitalist relations and associated habits and norms.

In this sense, capitalism can serve to stifle alternative values and ways of thinking with implications for the organisation of the economy. Yet, while there are trends towards homogenisation (Hutton and Lee, 2012), a diversity of forms is clearly still evident in the economic landscape. It therefore becomes important to understand the nature of institutions as systems of rules that give rise to a diversity of economic forms, including those that are underpinned by alternative values and co-exist with capitalist forms. This will be explored in greater detail in the context of the 'double movement' (see 2.2.1).

However, as will be outlined in 2.2.4, the boundaries between the economic mainstream and alternatives that are useful for theoretical purposes are not fixed or distinct. In reality, there is overlap and a blurring of boundaries in terms of values and economic practices (Amin, 2009; Fuller and Jonas, 2002). For example, within the mainstream economy, decision making is not always made with the overarching aim of profit-seeking in mind. Similarly, within alternative economic spaces, decisions may be made that are primarily motivated by financial gain. For heuristic reasons, however, this thesis will outline the generalised differences between the characteristics and values of the mainstream and alternative sections of the economy. The key features (including the underpinning values) of each section of the economy are set out in Table 2.1.

Although the table refers to the 'social economy', Gibson-Graham (2006) use the terminology of the 'community economy'. This has been changed to emphasise the social elements of economic alternatives, while retaining the local focus to which Gibson-Graham allude. Economic alternatives comprise a varied range of purposes and motivations, as opposed to the theorised narrow economic purpose of the mainstream (Hudson, 2009). These organisations tend to be locally embedded and ethical, seeking to benefit society as a whole and enhance notions of democracy within the economy. By prioritising collective needs, this promotes moral values through the ability to limit individual self-interest that could negatively impact on others (Crouch, 2011). Whereas, mainstream organisations have a clear focus on expansion, are profit-driven, and focus on individualised benefits in the absence of a moral framework (Gibson-Graham, 2006). The mainstream is embedded within a global market economy, and therefore lacks local roots or place-based values and norms. While the mainstream economy is conceptualised as distinct from society, Jonas (2013: 30) argues that 'alternative social enterprises actively embed their unique social and political values in specific institutions, laws, rules, places and regions' as economic spaces that are firmly embedded within society.

Table 2.1: Characteristics of the mainstream and social economy

Mainstream capitalist economy	**Social economy**
A-spatial/global	Place-attached
Specialised	Diversified
Large scale	Small scale
Competitive	Cooperative
Nonlocal ownership	Local ownership
Export-oriented	Oriented to local market
Privileges short term return	Values long term investment
Growth oriented	Vitality oriented
Privately owned	Community owned
Management led	Community led
Controlled by private board	Community controlled
Private appropriation and distribution of surplus	Communal appropriation and distribution of surplus
Amoral	Ethical
Participates in broader spatial division of labour	Locally self reliant

Source: Gibson-Graham, 2006

2.2.1 Capitalism and the market economy

Markets can be defined as 'a meeting place for the purpose of barter or buying or selling' (Polanyi, 2001: 59). They have played a role in a diverse array of societies for thousands of years and can be found in all types of economic activity (Sawyer, 2013). Within capitalist systems, however, this type of exchange leads to the emergence of 'the market' as a distinct institution (Polanyi, 2001).

Throughout the history of capitalism, market economies have demonstrated a propensity for significant individual wealth creation, which has coincided with growing levels of poverty and social dislocation (Polanyi, 2001). This trend appears to have continued, and intensified, since the emergence of neoliberalism (Harvey, 2005).

Non-market activities have emerged in direct response to increasing commodification as part of the market economy. This phenomenon is referred to as the 'double movement' (Polanyi, 2001). The double movement denotes the social protections that emerge in response to the negative impacts of the market in capitalist economies. The state, although crucial to the functioning of markets also has a key role to play in this element of the double movement (Sayer, 2004). However, the double movement is not necessarily a top-down set of processes. Groups that are marginalised by the market economy are at the forefront of attempts to foster a greater role for alternatives in opposition to mainstream values (Gibson-Graham, 2006). This type of alternative economic activity forms a key component of the double movement. In addition, these groups have become crucial for creating and maintaining spaces of alternative economic activity, often with a more radical edge. As part of a globalised, market economy, spaces of alternative economic activity emerge as a form of resistance and site of autonomy from the mainstream (Fuller and Jonas, 2002).

The way in which markets operate is portrayed within mainstream economic theory as being impersonal and objective (Galbraith, 2009), devoid of cultural norms and social concerns as a distinct entity situated outside of society (Polanyi, 2001). The representation of markets as objective and impersonal is argued by Galbraith (2009) to be fraudulent. Instead, he contends that control of the market has been captured by elite groups. Through growing power in the economy and the inability of the self-regulating market to maintain competition, global elites are afforded significant levels of influence over the way in which the market functions (Galbraith, 2009). This has implications for the values within society. Polanyi (2001: 60) notes that 'once the economic system is organised in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws'. As a result of this, it has been argued that 'a market economy can exist only in a market society' (Polanyi, 2001: 74). This is significant, as instead of societies shaping economies based around local context, cultural norms and specific social needs, the values of the market economy permeate beyond to influence and shape society (Sandel, 2012). As noted in 2.2.1, these values prioritise individual private gain.

Mainstream economic theory neglects cultural, social and institutional underpinnings, portraying the market as an amoral system, responding only to economic incentives. Whereas, Hodgson (2015) notes the instrumental role of states in creating an institutional environment for markets to function. As he argues, ‘capitalism is always conjoined with state power’, and a strong state is a prerequisite for markets to flourish (Hodgson, 2015: 6). Hodgson (2015) also demonstrates the role of human and cultural attributes in shaping the economy. These themes will be returned to in greater detail in the next section in exploring the ways in which cultural and social context produce different varieties of capitalism.

2.2.2 The mainstream economy and varieties of capitalism

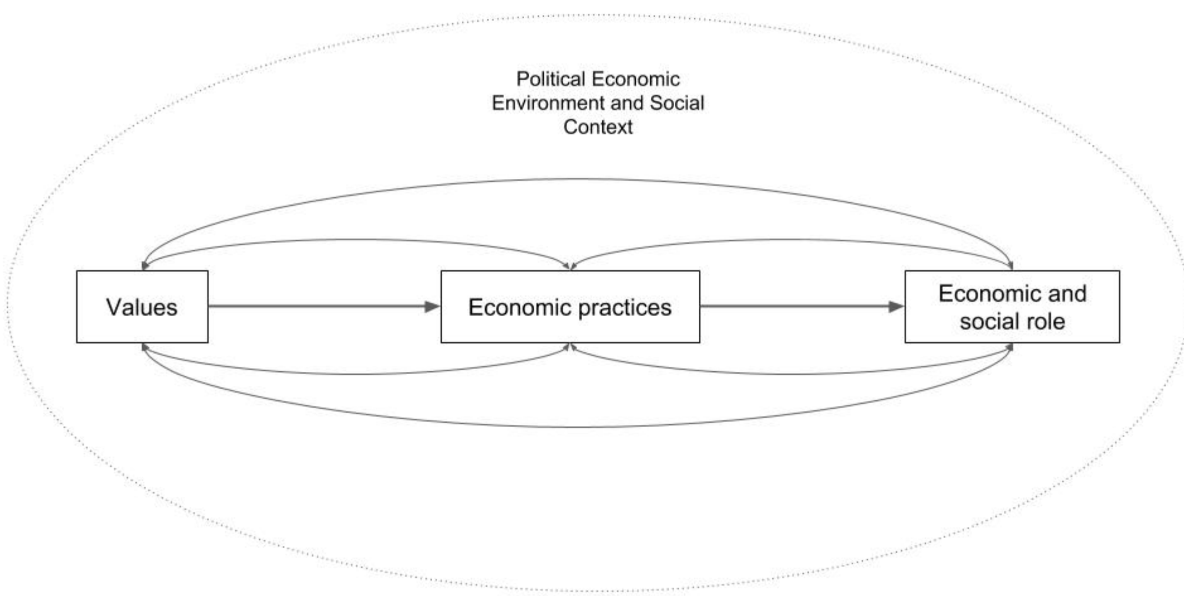
Theorisations of a market that is ‘out there’, disembedded from the society in which it operates, or uninfluenced by the broader political environment are at odds with the reality of economies (Polanyi, 2001; Sayer, 2004). Indeed, it is evident that national economies are diverse and exhibit different varieties of capitalism (Hall and Soskice, 2001). These varieties are based around social and cultural norms, institutional context and historical contingencies (Hodgson, 2015) and have an important role in shaping the dynamics of the market and the economy more broadly. The notion of varieties of capitalism also challenges binary representations of the ‘mainstream’ and ‘alternatives’ as distinct and uniform economic spaces.

Hall and Soskice (2001) outline two main types of capitalism: liberal market economies and coordinated market economies. Within these two main varieties, however, there are a number of subtle variations based on the institutional specifics of each national economy (Hodgson, 2015). While subnational and national contexts have an influence in shaping the form of capitalism, supranational forces also play a crucial role in shaping national economies. Peck and Theodore’s (2007) concept of variegated capitalism contends that within a globalised and integrated economy, varieties of capitalism cannot be situated as distinct national economies. By engaging in a global market economy, varieties of capitalism are necessarily impacted by global trends, and particularly through the role and influence of capitalist forms existing within ‘world cities’ (Massey, 2007), despite national differences. As well as global hegemonic trends, economies are also shaped by international economic forces within economic regions, and in this sense, the spatial dynamics of the economy at various scales are still highly important even in a globalised, highly integrated world. The key point here is that the relations between mainstream and more socialised values are dependent upon the variety of capitalism. This has implications for the role of alternative economic forms (such as cooperatives).

2.2.3 Situating economic activity: the relationship between values and economic practices

Figure 2.1 demonstrates the ways in which values influence practices, which in turn impact on the role and situation of actors within the economy. This is an iterative process and values must be consciously reproduced in order to be retained, especially in the case of alternatives. This is represented in Figure 2.1 by the feedback loops that move from right to left. The process is heavily influenced by the evolving political economic environment and wider social context that economies exist within. This broader contextual landscape can exert real influence and ultimately reshape the values and function of economic actors and organisations. The political economic environment and social context is represented as a dotted line to represent that economies and societies exist as open systems. Chapter 4 will return to these themes in greater detail through outlining the methodological approach of this research. The dominant mainstream economy acts as a unilateral influence within spaces of alterity, with influence on the values, economic activity and economic and social role of alternatives. This creates a distinct political economic environment for alternatives that is more likely to affect change.

Figure 2.1: The link between values, practices and the role of economic actors in society



2.2.4 Alternatives within a diverse economy

With only a few exceptions, every nation's economy can currently be classified as 'capitalist' (Hodgson, 2015), as capitalist sets of relations dominate within the economy and therefore form the 'mainstream'. However, while capitalist sets of relations are dominant (although this is in itself contested, see Gibson-Graham, 2006, and White and Williams, 2016), it can serve to obscure the real life diversity of the economy. Indeed, Gibson-Graham (2006) argue for conceptualisations of the economy to recognise and focus on diversity, as opposed to on dominance. The 'diverse economy' challenges Marxian analyses that have created a 'simple and restrictive vision of "the economy"' as an 'overdetermined economic and social totality' (Gibson-Graham, 1996: 118-119). These forms of analysis are claimed to fail to take into account the range of economic forms, encompassing both capitalist and non-capitalist economic activity (Jonas, 2010). Conceptualising the economy as a heterogeneous set of practices and values enables an understanding of the diverse array of relationships within the economic landscape, and creates opportunity to more fully engage with alternatives and their role.

The economy can be thought of as a 'heterogeneous entity composed of many kinds of market engagement, social coordination and ethical orientation' (Amin, 2009: 5). As this suggests, it cannot be differentiated into discrete categories of mainstream and alternative. So far, this chapter has presented a binary representation of the economy as neatly characterised as forming part of the 'mainstream' or 'alternative' sections of the economy. However, while this may be useful heuristically, the boundaries between alternative and mainstream, and indeed the private, public and third sectors of the economy (as will be explored later in 2.4.3) are becoming increasingly blurred. The market engagement, social coordination and ethical orientation that Amin (2009) makes reference to can be found throughout the economy, within both mainstream and alternative spaces. Indeed, Hillebrand and Zademach (2013: 14) note that 'many alternative economic practices… operate well within the mainstream'. The different sets of relations that are present reflect that within the mainstream and alternative economy, there are dominant sets of values, yet there may also be others that exist in conflict. This tension creates a sense of dynamic hybridity within and between the sectors of the economy, which has implications for how alternatives are situated relative to the mainstream. Jonas (2013: 29) suggests that conceptual labels such as that of mainstream and alternative should be considered as 'evolving processes rather than fixed taxonomic categories', in recognition of the possibility that values and economic functions may change. This is important for understanding the ways in which dominant processes and ideas shape the economy.

Indeed, while organisations within a sector may begin as diverse, institutional theory sets out a series of processes under which diversity within a sector inevitably reduces. As DiMaggio and Powell (1983: 148) note, '[o]nce a field becomes well established, however, there is an inexorable push towards homogenization'. Tendencies towards homogeneity can be explained by isomorphism, as a constraining process by which actors come to resemble other actors within a system when shaped by the same set of environmental conditions (Hawley, 1968; DiMaggio and Powell, 1983). Three key forms of isomorphic change have been identified, although they may not be empirically distinct: a. coercive isomorphism, in which formal and informal political pressures, and issues around legitimacy, affect change; b. mimetic isomorphism, resulting from socially constructed common responses to uncertainty; and c. normative isomorphism, which is most commonly associated with professionalisation (DiMaggio and Powell, 1983). Each of these are relevant for understanding the structural changes in which institutions are affecting the trajectory of the credit union movement in Scotland.

2.3 Neoliberal capitalism and the state

The emergence of neoliberalism marked a new phase in the evolution of modern capitalism, extending beyond the economic domain into politics. During the twentieth century, the state had played a crucial role in the functioning of market economies in setting and enforcing the conditions for markets to flourish (Galbraith, 2009). However, as part of neoliberalism, the capture of the state by elite groups has enabled a further expansion of market organisation (Galbraith, 2009). As will be demonstrated in this chapter, neoliberal processes have enabled the further spread of market values within society through deregulation and privatisation. This has served to strengthen the dominance of the mainstream, market economy, as values in the economy and increasingly in the political domain promote the fulfilment of individual self-interest and private gain (Crotty, 2005). Although different varieties of capitalism remain, which are shaped by political, social, economic and historical context, the flexibility of neoliberalism to combine with other political ideals and approaches (see Crouch, 2011) has enabled it to come to dominate the global economy. This has resulted in some common negative outcomes for society, most notably, growing inequality at all scales and new forms of economic and social marginalisation and exploitation (Hall and Soskice, 2001; Crouch. 2011; Arestis et al, 2014). As Crouch (2011: 6) notes, '[t]here are many branches and strands of neoliberalism, but behind them stands one dominant theme: that free markets in which individuals maximize their material interests provide the best means for satisfying human aspirations, and that markets are in particular to be preferred over states and politics'.

Despite a clear preference for markets over the state, the latter has a distinct (although evolving) role within neoliberal economies compared to earlier forms of capitalism. This has involved the capture of the state by elite groups representing private interests, so that within neoliberal economies, '[a] large vital and expanding part of what is called the public sector is for all practical effect in the private sector' (Galbraith, 2009: 41). Through this, public policy is used to meet corporate interests for economic gain, and the (often negative) implications for wider society are argued to be justified by the benefits to the economy. This is further facilitated by the narrative of 'there is no alternative' (TINA) to neoliberalism. The capture and dismantling of the state has served to stifle political challenge, political diversity and any notion that there are alternatives to the current approach, as well as limiting the democratic engagement of wider society (Mirowski, 2014; Wright, 2010). Yet while public policy is geared increasingly towards creating the conditions for competition and profit-seeking activity, this comes into conflict with the need to provide a decent standard of public services for society to flourish and sustain itself.

Democracy is a key issue here. Pursuing private interests ultimately limits the ways in which citizens can exert power through the representative channels that should exist within democracies. Furthermore, the TINA narrative created to justify this approach can serve to misinform the public (Herman and Chomsky, 2008). This is particularly the case as a result of the programme of privatisation that has been followed under neoliberalism, which has relied on the spread of individualist and materialist values (characterised in this thesis as 'mainstream' values). However, the implications for democracy are such that Pettifor (2006: 9) argues that democratic government is 'not feasible… if regulation and the allocation of key resources is transferred from elected representatives to invisible, unaccountable and un-electable elites operating through markets'. This questions the democratic structures of modern capitalist economies. Although, as will be explored later in section 2.3.3, it has been suggested that democracy can be exercised in new ways under neoliberalism.

Peck and Tickell (2002) view the changing role of the state within the neoliberal context as a key characteristic that can be used to demarcate different phases of neoliberalism. They define neoliberalism as a 'new religion' dedicated to 'the extension of markets and logics of competitiveness with a profound antipathy to all kinds of Keynesian and/or collectivist strategies', combined with a reformed and reduced state (Peck and Tickell, 2002: 381). Through neoliberalism, the state minimises its role in collective provisioning, while according to Peck and Tickell (2002), abusing state power in pursuit of neoliberal ideals, such as through austerity.

Focusing on the neoliberal 'heartlands' of North America and Western Europe, Peck and Tickell (2002) differentiate the evolution of neoliberalism into two distinct phases: "roll-back" and "roll-out" neoliberalism. Roll-back neoliberalism emerged in the 1980s representing a joint approach of marketisation and deregulation mobilised by the state, at the same as the state withdrew from a number of its traditional functions (Peck and Tickell, 2002). From the early 1990s, the negative outcomes that resulted created a political limit to further roll-back neoliberalism (Harvey, 2005; Jessop, 2002).

This was then replaced by roll-out neoliberalism in which the state took on a new more socially interventionist role in pushing market solutions into new areas (for example in health and education) (Peck and Tickell, 2002). This extended the purview of the neoliberal state from focusing on a growing role for markets and its own withdrawal to creating new modes of social governance that have sought to further shape a market society. The second phase of roll-out neoliberalism took on a distinctly social dimension in which the state sought to influence beyond the economic domain (including social values and identities) and readjust the relationship between society and the state (Driver and Martell, 2000). This involved re-engineering the role of the state and increasing its reach within society as part of a broader social justice agenda (Driver and Martell, 2000). The second phase of roll-out neoliberalism is important to the analysis developed in this thesis because as part of the process, neoliberal states found an important role for the social economy. This involved co-opting economic alternatives to begin to fulfil roles that had previously come under the remit of the state, and introducing market forces to the social economy through competing for government contracts. This served to increasingly blur the boundary between the state and the social economy (Fuller and Jonas, 2002). For the social economy, this in turn led a distinct loss of the progressive radical edge of alternatives as they became co-opted by the state. In the post-crisis landscape, the role of the state through neoliberalism has further mutated, arguably entering a new phase, that more closely resembles roll-back neoliberalism but in a changed context. This is referred to as austerity neoliberalism in this thesis. Following the form of state governance under roll-out neoliberalism, this shift has a significant impact on the relationship with, and situation of, the social economy, which will be explored in greater depth in the final section of this chapter.

While the state has facilitated the expansion of the market economy, it has also played an important role in the double movement, particularly in the roll-out phase of neoliberalism. The role of the state is nuanced, and provides social protections that serve to limit the negative impacts of the growing role of markets (Sayer, 2004). This occurs through an array of mechanisms and approaches linked to the variety of capitalism that exists, and with varying degrees of success. Section 2.4 will explore in greater detail the double movement process in the context of further neoliberalisation following the financial crisis.

2.3.1 Financialisation in the context of neoliberalism

Modern forms of finance emerged in the late 19th century (Dumenil and Levy, 2005). However, from the late 1970s, neoliberalism enhanced the role of finance within the economy to take on new dominance (Dumenil and Levy, 2005: 40). The finance referred to here, and often more broadly in the academic literature, is based around a narrow set of activities that are primarily linked to the economic practices of elite groups. However, through the lens of a diverse economy, Gibson-Graham et al (2013: 159) take a broader view of finance, recognising the role of large financial institutions but also the diversity of what finance, and the financial sector, encompass. This includes 'money, savings, investment, taxation, budgets, debt, and risk management' and is associated with 'institutions like banks, insurance companies, credit unions, stock markets, and brokerage houses and with a whole host of "financial instruments" – hedge funds, interest rates, equity bonds, pension funds, exchange rates and derivatives' (ibid). This encompasses a broader range of financial services that each have a role in the financial system, representing both neoliberal capitalism and the role of alternatives.

The growing dominance of finance through neoliberalism has been facilitated by a distinct form of financialisation. Sawyer (2013: 7) suggests that financialisation has existed in different forms for perhaps as long as 5000 years, although during this time financialisation has 'taken many different forms and at times gone into reverse'. The phase of financialisation that is referenced in this thesis denotes the processes associated with the rising dominance of the mainstream financial sector over the broader economy, which are closely linked to processes associated with neoliberalism.

Current processes identifiable as financialisation exist through the role of neoliberalism in the economy, as they emerged through the deregulation of financial markets. A similar relationship exists between traditional capitalism and globalisation. Harvey (1989: 240), for example, describes globalisation processes as 'time-space compression' which he links with the emergence of capitalism and the market economy characterised by a 'speed-up in the pace of life, while so overcoming spatial barriers that the world sometimes seems to collapse inwards upon us'. This form of globalisation has been described as the 'signature dish of capitalism', that has once again emerged to a prominent place in academic discourse (Katz, 2001: 1213). As globalisation was utilised to enable the early spatial and ideological emergence of capitalism, financialisation has enabled the emergence and expansion of a new and distinct form of capitalism through neoliberalism. Indeed, Fine (2011) contends that there is an 'irreducible relationship' between financialisation and neoliberalism. Financialisation and globalisation in the context of broader neoliberalisation are argued to have 'molded the current framework of global capitalism' (Epstein, 2005: 6). However, it should be noted that the forms of financialisation and neoliberalisation described in this thesis predominantly apply to Western industrialised countries as part of an uneven process (Sawyer, 2013).

2.3.2 Defining financialisation

Within the academic literature, there is ambiguity and a lack of consensus over the definition of financialisation. Epstein's (2005: 1) frequently referenced definition cites financialisation as 'the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies'. This thesis will take a broader view of financialisation, recognising the processes involved from within the economic mainstream that Epstein (2005) cites, while also using the lens of the diverse economy to recognise the full range of financial forms that exist in the economy, and the broader outcomes of these processes. The following sections will outline the three elements that this thesis contends are central to financialisation, which are separate although related to processes of neoliberalism: the shift from productive industry to an economy predicated upon non-productive, speculative economic activity; the ways in which financialisation has transformed the financial services sector; and finally, outlining the ways in which people and society have become embedded into financial markets.

Characteristics of neoliberal financialisation: from 'productive' to 'speculative' forms of economic activity

A defining characteristic of neoliberal financialisation has been a shift from 'productive' to 'speculative' activity within the economy (Pettifor, 2006). 'Productive' activity is used here to refer to industries which support economic growth through creating new wealth within the economy. Whereas, 'speculative' activity refers to economic growth predicated upon wealth redistribution in which economic growth is increasingly reliant upon debt (Fine, 2011). The rise in speculative forms of economic activity has seen a significant increase in financial transactions taking place and a 'phenomenal expansion of financial assets' (Fine, 2011: 2). The expansion of speculative economic activity has happened at a much faster rate than more productive forms of growth in the economy (Fine, 2011). Speculative activity has been characterised as becoming the 'dominant activity of a global economy breaking free of its bearings in the real world' and has diverted investment away from productive forms of industry, as 'making money from money' has become more lucrative (Pettifor, 2006: 6).

The redistribution of wealth necessitates an economy that is predicated upon growing inequality in order to achieve growth. Pike and Pollard (2010), however, caution against differentiating between speculative financial activity and the productive, 'real economy'. As they argue, it is only through an understanding of the impact of speculation that 'the social relations of finance and the ways in which its forms of calculation affect economic processes can be understood' (Pike and Pollard, 2010:35). This will be crucial for understanding the nuanced ways in which financialisation processes are impacting on spaces of alternative finance.

Characteristics of neoliberal financialisation: contradictions in competition

Financialisation has created a complex picture of competition across financial services. On the one hand, financial services within the global economy have become more competitive. New actors have emerged within financial services as engaging in financial markets has become more lucrative (Pettifor, 2006). This includes organisations that had primarily been focused around other sectors of industry moving into financial services. This shift encompasses a range of activity from the introduction of store credit cards within the retail sector, to supermarkets establishing banks focusing on retail markets. Growing competition has also arisen from new financial service intermediaries offering services facilitated by innovation in ICT. New players within financial services have created heightened levels of competition for banks and other more traditional financial service providers. Indeed, Lapavitsas (2009) questions what role there is for large banks in the present era of financialised capitalism. As he argues, the ‘picture that emerges for commercial banks is bleak’ (Lapavitsas, 2009: 140).

However, as the crisis saw widespread disruption and damage to financial services, for the banks that survived, it also served to consolidate and strengthen those that remained. The financial crisis precipitated a wave of mergers and acquisitions among banks, often supported by significant state intervention (Froud et al, 2010), which went against calls for more diversity following the financial crisis (Hutton and Lee, 2012). Indeed, following institutional theory, DiMaggio and Powell (1983) suggest that in sectors in which there are fewer visible alternative organisational models, homogenisation processes occur at a faster rate. Therefore, despite calls for diversification, the institutional conditions appear to have hindered these visions from becoming a reality. The remaining amalgamations of banks has led to declining levels of competition and a narrowing of values. This process also resulted in geographical consolidation, particularly for ‘regional’ banks that came closest to failing during the crisis (Marshall et al, 2012). The result was that the dominance of ‘world cities’ (Massey, 2007) was reinforced by the financial crisis, as these places recovered from the crisis most quickly at the expense of peripheral regions in the global economy (Marshall et al, 2012).

Characteristics of neoliberal financialisation: the inclusion of people and society as subjects of financialisation

One of the defining characteristics of a neoliberal form of financialisation provides an explanation as to why it has had such negative impacts on wider society. Polanyi (2001) originally argued that a market economy can only operate in a market society. Under neoliberalism, however, this has been taken further as ‘markets and market-oriented thinking have reached into spheres of life traditionally governed by nonmarket norms’ (Sandel, 2012: 48). This particular trend became more apparent during the second phase of roll-out neoliberalism, in which states reconfigured their role within society to further spread neoliberal ideals and propagate market values such as individualism and competition (Peck and Tickell, 2002; Erturk et al, 2007). The further embeddedness of market values within society has been facilitated by financialisation processes, to the point that it has been argued that within society, 'ethical issues are *conditioned* by the era of finance capitalism that we now find ourselves in' (Beverungen et al, 2013: 106).

As 'people's positions, financial practices and articulation within the financial system' have been reconfigured (Pike and Pollard, 2010: 37), the spread and dominance of financial markets has created new access to greater proportions of society for a sector of the economy that has become increasingly lucrative under neoliberalism. This access to finance and ability to engage in financial markets has been described as a 'democratization of finance' to denote a 'broadening and deepening of access to the capital market for ordinary, moderate income individuals and households' (Erturk et al, 2007: 554). However, this 'democratization of finance' has been called into question by Erturk et al (2007). Indeed, in exploring the ability of the working and middle classes to effectively engage (and compete) in the market economy, their conclusions are pessimistic in terms of levels of financial capability, and the self-awareness required to identify any deficiency in this area (ibid). Furthermore, despite having access to participate in financial markets, engagement tends to not lead to fair and equitable outcomes. As Galbraith (2009) points out, markets are subject to skilled manipulation. Finance sits at the centre of neoliberal economy, and elites operating from financial capitals play a major role in orchestrating the workings of the global economy.

Third way politics[1] has sought to universalise access to financial markets and reconfigure the relationship between people and the state. From a system of collective responsibility, financialisation has been used as a means of shifting responsibility onto individuals (Erturk et al, 2007), and to promote market engagement based on unproductive, speculative activity (Pettifor, 2006). As a greater number of people engage in the market economy, the propensity for wealth redistribution increases. Debt is identified by Hodgson (2015) as one of the key enablers of capitalist growth. However, financialisation, and continued economic growth in the era of a neoliberalised form of financialisation, has become dependent on consumption fuelled by credit (and accompanied by growing levels of private debt) (Pettifor, 2006; Fine, 2011). The result of this has been that society has become embroiled in financial markets and networks of global capital that have been demonstrated by the crisis to be part of a volatile economic system.

[1] This refers to the accommodation of globalised market economies and neoliberalisation by centre left political parties from the 1990s. In the UK, it emerged under the New Labour administration in 1997.

A clear outcome of financialisation has been growing inequality within neoliberal market economies. Indeed, Arestis et al (2014) take a broader definition of financialisation that reflects the centrality of growing inequality. This allows for an analysis of financialisation processes on income distribution and based on this, the authors argue that the past 30 years has marked a shift from financial exclusion to financial exploitation. The economic and political rise of neoliberalism has enabled this exploitation as new financial institutions and actors that are minimally regulated and able to make use of innovative technology, have been able to meet the demand for credit from low income communities that may otherwise be financially excluded. Inequality created by financialisation has increased at a range of scales (Pike and Pollard, 2010).

It is this embeddedness of society into financial markets through a neoliberal form of financialisation that led to the significant social disruption of the financial crisis. As has already been outlined, the market economy has been theorised as disembedding the economy from society. Instead, the economy has become an end to itself, prioritising growth that has not been accompanied by improved social outcomes. Financialisation has led to neoliberal values further harnessing a 'market society' (Sandel, 2012), in which mainstream values have been crucial for enabling growth based on escalating levels of debt (Pettifor, 2006). The financial crisis has been described as an intersection of two outcomes of financialisation and neoliberalisation: inequality, and financial liberalisation and the exploitation of society (Arestis et al, 2014). The crisis as a possible turning point in the global economy, and the experience of alternatives in the wake of the crisis, will be the focus of the final section of this chapter.

2.4 Neoliberalism in the post-crisis economic and political landscape

Even before the financial crisis, Saad-Filho and Johnston (2005: 5) contended that neoliberalism would 'destroy its own conditions for existence' due to growing wealth polarisation. Following the crisis, there was some hope that this event would lead to the retreat from neoliberalism (French et al, 2009). Failings in economic approaches have led to a loss of legitimacy and culminated in structural change in the past. For example, following the Great Depression, greater financial regulation was put in place to constrain the activity of financial markets. Keynesian demand management became the new dominant economic paradigm that survived until the 1970s inflationary crisis (Crouch, 2011), from which neoliberalism emerged.

Optimism for a new, fairer economic order was articulated by Amin (2009: 3):

> ‘Questions are being asked about what will follow. Even mainstream opinion, so sure about the market economy, is asking whether capitalism can survive in its present form. There is increasing talk of stringent economic regulation and the need to temper greed and individualism, make the economy work for human and social development, return control of the economy to states and stakeholders, and harness economic progress to social and environmental sustainability’

This kind of change would have seen a fundamental shift away from the values and activities that have become characteristic of the ‘mainstream’ in neoliberal economies. Optimism for transformative change within the economy following the crisis was reiterated by French et al (2009: 288) who suggested that there has been a ‘significant breakpoint in the trajectory of the global financial system, so that we can fairly say that we are now entering a new financial epoch’.

However, this optimism was shortlived. French and Leyshon (2010: 2550) noted:

> ‘The financial crisis was indeed a catalyst for change, but rather than developing a form of capitalism wherein the state exerted more control over the economy it seems conversely to have heralded an age of austerity and an emboldened form of hyper-neoliberalisation… in the UK at least it is the poorest families that will be expected to pay the highest price. At the same time, financial markets have rebounded’

Instead of the values and economic ideology underpinning neoliberalism being discredited, an even more intense form of neoliberalism seems to have emerged from the financial crisis. To understand this counterintuitive move, the power dynamics of neoliberal economies, including the capture of the state by elite groups and in particular the rising influence of the financial elite (Galbraith, 2009; Crouch, 2011; Mirowski, 2014) that was set out in 2.3, must be fully realised. Despite the clear flaws of neoliberalism, there has been no transformational shift within the economy, and suggestions of alternative economic and political approaches have failed to gain traction. Indeed, the experience of the financial crisis suggests that by continuing on this economic path, more volatility and widespread economic and social disruption is to be expected.

In the political domain, the financial crisis marked an end of the second phase of neoliberalism in which the state had adopted a 'third way' approach (Peck and Tickell, 2002). Blame for the financial crisis shifted from the activities of the financial elite to the other side of the socioeconomic spectrum, as austerity was deemed necessary to reduce state spending following the rise in the UK public sector deficit that came as a result of bailing out banks (Froud et al, 2010). Neoliberal states played a crucial role in this shifting narrative of blame (Mirowski, 2014; Sandel, 2012), as the social justice element of roll-out, third way neoliberalism was replaced with a new version that resembled the roll-back, more socially damaging approach (see Peck and Tickell, 2002) through austerity. As will be explored in the rest of this chapter, this has had an important influence on the role of alternatives within the economy. A weakened economy and the withdrawal of state support has necessitated people to seek out alternatives to meet their economic and social needs.

2.4.1 Economic alternatives in the aftermath of the financial crisis

Within the mainstream, the financial crisis has served only to further transform (and intensify) the neoliberal processes that have been causing, and will likely continue to cause, negative outcomes in society. At the same time, however, Jonas (2013: 24) writes that following the financial crisis, the 'proliferation' of economic alternatives 'offers a hopeful message about the capacity of people and communities to take control of their own economies and means of securing livelihoods'. This could represent a growing role for a grassroots effort as part of the double movement in the context of further neoliberalisation. In turn, this could offer a means of empowering individuals and communities to develop a more stable and equitable economy. Indeed, following the financial crisis there appears to be support for greater diversity within the economy, including non-market forms of economic activity (see, for example, The Ownership Commission, 2012). A key part of this thesis will involve interrogating the nature of the support from the mainstream, and the particular role that non-market forms are being expected to fill in the post-crisis economic and political landscape.

As will be demonstrated in the empirical chapters of this thesis, maintaining a close relationship with the state may not be of benefit to the social economy, as the state acts as a key facilitator of neoliberal processes and has increasingly come to represent private interests (Galbraith, 2009). Indeed, Cumbers (2012: 132) notes a 'commonly held distrust of the state as a vehicle for radical reform'. In this sense the purpose of the social economy is 'directly to satisfy human needs' in a way that is not 'subject to the discipline of profit-maximization or state-technocratic rationality' (Wright, 2010: 141).

In the post-crisis context, this could be perceived as an impossible utopian vision but Wright (2010) suggests that with a clear strategy, there is an opportunity to bring elements of utopian visions into fruition through strengthening the role of alternatives within the economy. In order to do this, Wright (2010) suggests a framework for developing alternatives based around desirability, viability and achievability. This ensures that alternatives have the moral principles that align with the utopian element of Wright's (2010) vision, but also and perhaps more importantly, that alternatives could actually become a sustainable reality. Evaluating alternatives using each of these three dimensions enables the creation of 'hard-nosed proposals for pragmatically improving our institutions' so that instead of 'indulging in utopian dreams we must accommodate ourselves to practical realities' (Wright, 2010: 6). Although not all alternatives have a radical mission to challenge or replace the mainstream (Jonas, 2013), their presence in the economic landscape strengthens the role of institutions that could lead to greater human flourishing and a fairer society. Wright's (2010) framework is used throughout the empirical sections of this thesis as a means of evaluating the credit union sector according to viability, achievability and, ultimately, desirability.

2.4.2 The double movement and role of alternatives within the economy

Neoliberal ideology contends that markets are the most effective solution to a diverse array of problems, including in relation to the environment and society as well as within the economy (Mirowski, 2014). However, within any system in which markets exist, the double movement (Polanyi, 2001) means that a totalist market economy is not possible. This resonates with Durkheim's 'impurity principle', which Hodgson (1996: 403) applies to economic systems, noting the infeasibility of one mode of production becoming so comprehensive that it drives out all others. Therefore, while market activity may dominate, and the institutional environment may hinder diversity by favouring markets, a purely market economy is fundamentally an impossible dystopia. Indeed, as is set out in 2.1, the economy is inherently diverse and as is noted by Wright (2010: 123) 'no actual living economy has ever been purely capitalist or statist or socialist'. This creates the potential for a diverse array of varieties of capitalism that was noted in 2.2.

In this sense, the type of activity conceptualised as alternative in this thesis will always have a role in the economy. These 'alternatives' may be situated within the mainstream, as was possible before the emergence of neoliberalism (even including within financial services), or as alternatives taking on a more niche role in the economy. This resonates with Fuller and Jonas's (2003) categorisations of alterity, which will be explored in the context of alternative financial spaces specifically in the next chapter. At this point, however, it is important to note that types of alternative can be a reflection of the broader dynamics of the economy. For example, in the less competitive coordinated market economies (see Hall and Soskice, 2001), it is likely that spaces of alterity will exist in the economy as 'alternative-additional' (Fuller and Jonas, 2003). This means that alternatives can feasibly be viable and exist as an additional choice to market-based, mainstream sections of the economy. For example, pre-neoliberalism, for most consumers, building societies were an alternative option to banks in the financial services sector. Whereas in the more competitive liberal market economies (Hall and Soskice, 2001), alternatives are more likely to take the form of 'alternative-substitutes', to denote alternatives that have emerged to replace mainstream organisations either because the mainstream organisations are no longer there or because the consumers seeking the services of the mainstream economy lack access (Fuller and Jonas, 2003). The third and final type of alternative that Fuller and Jonas (2003) conceptualise is 'alternative-oppositional'. This type of alternative takes a more pro-active approach to envisioning a new type of economy. Organisations situated within this space are consciously in opposition to the values of the mainstream and have a more radical vision.

Recognition from the mainstream of the full potential of alternatives as part of the double movement coincided with the third way roll-out neoliberalism that emerged in the (Amin, 2009; Peck and Tickell, 2002). During this phase, alternative economic forms that emerge as part of the double movement were welcomed by the mainstream and co-opted to more formally fulfil an economic and social function. As part of this, organisations within the social economy became part of government strategy and policy, particularly to work with disadvantaged communities. Through co-optation by the neoliberal state from the 1990s, alternatives lost their radical edge, and their mission as part of a broader social economy shifted. Indeed, the support from the government and broader mainstream that Amin (2009) makes reference to, can be seen as part of this move towards incorporating alternatives as part of the governance strategy of roll-out neoliberalism.

2.4.3 Situating alternatives within the post-crisis economic landscape

Conceptualisations of how the social economy is situated within the economy, and specifically in relation to the mainstream, has real influence in shaping the role of alternatives (Amin, 2009). This in turn has an impact on values (see 2.2, above). Amin (2009: 10) distinguishes between the social economy being conceptualised as part of a 'three-system' interpretation of the economy, or as an indistinct form as part of a heterogenous, more diverse and less easily defined economy.

In the former conceptualisation, the social economy plays a role, either between or beyond the state and the market. Situated between the state and market, the social economy seeks to address the shortcomings of the public and private sectors (Amin, 2009). This is a particularly crucial role in economies in which neoliberalism is more dominant and the market system has created higher levels of social dislocation and exclusion in the context of state withdrawal. However, by operating beyond the market, the social economy can seek to develop a different kind of economy, that is attuned to alternative values.

On the other hand, Amin's (2009) second conceptualisation recognises that the social economy is not a distinct separate entity espousing a single set of purely progressive ethical values. The complexity and diversity of values extends to the public and private sectors of the economy. This conceptualisation reflects the real life diversity of the social economy, and the tensions that can create multiple and conflicting value sets. These conceptualisations were made reference to in 2.2, and both will be useful for understanding alternative financial spaces in this thesis. The first approach provides a theorised set of alternative values that the case study can be compared to as a means of evaluating change in the post-crisis neoliberal landscape. It will also be important for understanding the role of alternatives in regard to their ultimate purpose: whether they exist to offer a vision or foundation for creating a new and fairer economy, or as a stopgap for communities that are economically excluded from the mainstream, particularly in the context of austerity. Whereas, the conceptualisation of the economy as heterogeneous and diverse, which resonates with Gibson-Graham's (2006) work, will be useful for recognising the multi-scalar diversity within the credit union sector in Scotland.

A more intense form of neoliberalism has emerged in national contexts following the crisis through austerity politics (French and Leyshon, 2009). This suggests that the role of socially-oriented alternatives will expand as part of the double movement to moderate against the impacts of a growing role of markets (Polanyi, 2001), and the economic insecurity created by the financial crisis. This links to Amin's (2009) first conceptualisation of alterity, which as he notes, has repercussions for the role of the social economy. In this sense, the social economy exists to address the limitations of the market and the state (Amin, 2009). However, as Sayer (2004: 4) notes, the 'state is involved on both sides, that is both in supporting the establishment of self-regulating markets, and as one of the actors defending society against their negative effects'. Association with the state in its role within the double movement has engendered a close relationship between state agents and the social economy.

A welfare market for private and third sector organisations to compete for government contracts for welfare provision emerged as part of roll-out neoliberalism (Bondi and Laurie, 2005). This fostered an opportunity for the spread of values from the mainstream economy into spaces of alterity. Although the social economy is being supported in its expansion, it has also been co-opted to replace the role of public services as an 'alternative-substitute' (Fuller and Jonas, 2003). Even pre-crisis within financial services, Fuller and Jonas (2003) argue that alternative financial organisations were being encouraged into a role that would allow banks to focus on middle and higher earners. From co-opting the social economy during the second phase of neoliberalism, the current retreat of the state in the context of austerity will impact on the role of social economy organisations, that could in turn influence values. This will be explored in greater detail in later empirical chapters in the context of the credit union sector in Scotland.

Through introducing market relations to the social economy, market norms in the form of efficiency and competition have come to the fore. New economic pressures have the potential to compromise, override, or even potentially reinforce, the underpinning values of alternative economic activity (Sayer, 2004). This moral economy approach demonstrates the ways in which structural change instigated by neoliberal processes can interact differently with economic actors to produce a range of outcomes. This thesis will demonstrate how economic pressures post-crisis have reshaped the values of the credit union sector in Scotland, and in turn, the impact that this may have on the viability of one of the few remaining alternative financial models.

While this clearly constitutes a growing role for the social economy, it lacks the transformative power to evoke widespread change and a fundamental reconsideration of the values and ideology that neoliberal economies are predicated upon. It also questions whether alternatives can continue to work with the state post-crisis amid austerity and state withdrawal, and still retain alternative values. Particularly in terms of retaining a more radical approach in line with Fuller and Jonas's (2003) 'alternative-oppositional' categorisation. This will be contingent upon how the state continues to evolve as neoliberal contradictions develop further.

2.4.4 Alternative financial spaces post-crisis: a foundation for change?

The cyclical tendencies towards crises of capitalist, market systems have become more frequent in the context of neoliberalism (Harvey, 2005). These periods of crisis, and the accompanied widespread economic and social disruption elicit a stronger protectionist response as part of the double movement, and subsequently, renewed interest in economic alternatives (Cumbers, 2012). Specifically in the context of neoliberalism, in which financial services sit at the centre and financial markets have become the key instigator of crises (Dumenil and Levy, 2005), this leads to periodic heightened interest in alternative financial spaces from wider society. These spaces of alterity may have at one point been situated within the economic mainstream, such as in the case of building societies, but within the neoliberal economic landscape have transcended the boundary to become 'alternative'. In the UK, this was facilitated by a changing institutional environment, specifically the 'Big Bang' in 1986 (Davis and Walsh, 2016). The state has traditionally taken a nuanced role in market economies, both encouraging a growing and more expansive role for markets within the economy, while seeking to build social protections at the same time to moderate the negative impacts of neoliberalism (Sayer, 2004). However, in the context of political change in the wake of the crisis, it appears as though the protectionist element of the double movement must increasingly come from the social economy. This is important, not just for providing social protection, but also in supporting economic recovery following crises (Birchall and Ketilson, 2009).

Finance sits at the centre of the neoliberal system (Dumenil and Levy, 2005). In neoliberal economies, financial services and speculative economic activity have emerged at the expense of productive industries (Pettifor, 2006; Epstein, 2005). Banks have had a particularly important role within neoliberal economies, and have been cast as a model of efficiency across the economy (Crouch, 2011). The financial crisis served to alter this view. From perceptions of efficiency and wealth creation, banks emerged as centres of corruption and incompetence, that as a last resort (Froud et al, 2010), had to be rescued by the state and taxpayer funds (Crouch, 2011).

The financial crisis was more intense than it may otherwise have been due to the lack of diversity within the financial services sector (Hutton and Lee, 2012). Financial organisations structured in a plc model are owned by shareholders, and as has become apparent, are highly vulnerable to the trends of financial markets. Indeed, the financial crisis has served to demonstrate the usefulness of Minsky's

Financial Instability Hypothesis (1992), even though Minsky believed his model to be no longer relevant, as he expected lessons to have been learned from the Great Depression (Jessop, 2013). As a result of deregulation that led to more intense financialisation during the 1980s, the plc model came to dominate as other models became discredited, as part of a broader trend of privatisation (Fine and Hall, 2012). Indeed, a focus on competition and an enabling regulatory environment, based on neoliberal ideals, led to a belief that organisational form was no longer of importance (Birchall, 2001). Within a global economy, alternative forms within financial services that had once been situated as part of the mainstream became 'outmoded' due to a perceived inability to raise the kinds of capital to compete effectively in the global economy, or provide the required incentives to attract the best managers from a global pool (Birchall and Ketilson, 2009).

New interest in alternatives has emerged following the crisis, particularly in financial services. For alternative financial spaces specifically, Cumbers (2012: 105) notes that 'there has been much new and innovative thinking' into considering how banking sectors could be 'transformed to more socially useful purposes with discussions of community banks, green banks and state regional development banks, to name but a few'. Instead of focusing only on the dominant forms within financial services, this recognises diversity, discursively creating a new imaginary of the economy that could further promote diversity and lessen the dominance of the capitalist mainstream (Gibson-Graham, 2006).

This importance of diversity is supported by arguments that alternative financial spaces have largely demonstrated resilience throughout the financial crisis (Butzbach and von Mettenheim, 2014: 30). In recognition of this, there has been a trend towards the reaffirmation of more 'traditional business models, corporate behaviour and values' with the result that the alternative banking sectors have retained or expanded market share since the crisis (Butzbach and von Mettenheim, 2014: 29). Despite the widespread damage to the financial services sector and economy as a whole, financial crises may not necessarily have a negative impact on the alternative financial sector. For alternative banks and financial institutions that emerged out of the crisis unscathed and with their reputation still intact, negativity towards mainstream banks can work in their favour. For example, in the USA in 2011, $4.5 billion in new deposits was transferred from banks to credit unions on a day promoted as 'Bank Transfer Day' following widespread public anger towards commercial banks (Gibson-Graham et al, 2013: 183). It could therefore be argued that the negativity directed towards mainstream financial services in the immediate wake of the crisis prompted a shift in consumer thinking, creating heightened interest for alternatives. However, it appears as though this trend is cyclical – following the crisis tendencies of capitalism (Harvey, 2005) – and therefore may be limited to periods of economic disruption and downturn (Butzbach and von Mettenheim, 2014; Birchall and Ketilson, 2009).

Strengthening the role of the social economy within financial services in neoliberal economies is particularly challenging. The 2008-9 financial crisis marked a temporary halt to neoliberal processes, as a number of banks required expensive bailouts and were subsequently nationalised or part-nationalised (Lee et al, 2009). This level of intervention by the state into the market has only been a temporary measure, with Cumbers and McMaster (2012: 172) arguing:

> 'A return to private ownership is intended whenever "normal" market conditions resume. Consequently, there has been very little debate about the meaning, status and function of public ownership as an alternative strategy to the failed utopia of deregulated markets in the context of globalisation and advanced capitalism'

As bailed out institutions once again return to private ownership, it creates a playing field even more weighted against financial alternatives that have not received any of the state funding that mainstream financial services have benefitted from (Birchall, 2013). Despite interest in alternatives, and a proliferation of new alternatives emerging post-crisis, it should be questioned whether the institutional environment of neoliberal economies will allow the conditions for the kind of radical change that Wright (2010) seeks to emerge.

The dominance of neoliberalism creates an environment in which alternative economic values are increasingly marginalised within financial services. This comes in contrast to other sections of the economy. Jonas (2013: 26) writes that in the post-financial crisis economic landscape, alternatives are flourishing 'in many spheres of social and economic life'. It is likely within this more optimistic context that North (2014) argues that the focus of academic work should shift from identifying possible alternatives, to exploring the potential for already existing alternatives. This thesis will focus on an already existing alternative, one of the few remaining in financial services (and certainly one of the very few not already in a state of decline) to explore alternative financial spaces through the changing role of the credit union sector in Scotland. This will focus on the role for alternatives within the economy, in the context of the neoliberal economic structures that have emerged even more intensely following the crisis (French and Leyshon, 2010).

2.5 Conclusion

This chapter set out a conceptualisation of the values and characteristics of alternatives, relative to the mainstream, within a diverse economy. The third and fourth sections sought to outline some of the key processes shaping the economy, in terms of both the mainstream and economic alternatives. This was used to develop an understanding of the role of alternatives in the context of further neoliberalisation and other key processes, notably financialisation. The ways in which the social economy has become co-opted into the wider neoliberal process through the ‘third way’ approach of roll-out neoliberalism was outlined (Peck and Tickell, 2002). This co-optation of the social economy has been supported by a crowding out of alternative values due to the increasing dominance of mainstream values within a market society, and a redefining of what it means to be ‘alternative’.

Finally, this chapter highlighted that there is new interest in alternatives following the financial crisis (see for example Cumbers, 2012), particularly in financial services (Tischer, 2013; Birchall, 2012; McKillop and Wilson, 2011). However, the lack of structural, fundamental change in the economy has meant that it is unlikely that there is a more transformative role for alternatives beyond providing a strengthened social protectionist function within the double movement in the context of a more intense form of neoliberalism. The financial crisis has demonstrated that an unstable global economic system has emerged from neoliberalisation, and financialisation has embedded larger tranches of society into financial markets. In a neoliberal economic context, where inequality is growing, opportunities for individuals to access financial services on fair terms are shrinking, and as the decline of state provision puts more responsibility on the individual, one might expect alternative forms of finance to grow as part of a Polanyian double movement. However, to use Fuller and Jonas’s (2003) typology, this would increasingly take the form of ‘alternative-substitute’ as opposed to the ‘oppositional’ variety of alternatives that seek to challenge the mainstream. In this sense, alternatives can be seen to be enabling the conditions for further neoliberalisation, despite in the post-crisis period there being fewer opportunities for continued co-optation by the state. In the long term, this could fundamentally weaken the role of the social economy. Indeed, this would suggest that to regain a radical approach in order to challenge the mainstream, alternatives should have a declining level of interaction with state actors.

This chapter will be used as a conceptual framework for alternative financial spaces that will inform and explain the underlying structures effecting the changes taking place in the credit union sector in Scotland, which will be outlined in the empirical sections of this thesis. The concepts outlined in this chapter will be built upon in the next chapter by introducing credit unions as spaces of alternative finance and building an understanding of the ways in which the values of the movement have evolved.

3. The Emergence of Credit Unions as Alternative Financial Spaces

3.1 Introduction

For this research, the credit union sector in Scotland is used as a case study for alternative financial spaces. This chapter explores the evolution of the credit union sector globally before focusing in on the emergence of credit unions in Britain. Although part of a global movement, existing in a diverse range of cultural contexts, there are clear similarities in the role that credit unions have emerged to fulfil. This chapter builds on the conceptual framework set out in the last chapter by demonstrating the geographical and historical emergence of credit unions as a means of mitigating the impacts of economic hardship or exclusion. As was highlighted in Chapter 2, interest in alternative forms of financial services increases during periods of turmoil among mainstream financial services (Butzbach and von Mettenheim, 2014; Birchall and Ketilson, 2009). In the post financial crisis economic and political landscape, it could therefore be expected that credit unions in Scotland will have a growing role.

As cooperatives, this chapter will explore how the sector in Great Britain[2] is underpinned by an alternative set of values to mainstream financial institutions. These values have enabled credit unions to emerge locally in order to respond to the social needs of communities. This means that credit unions are directly, through the institutional environment and role of the public sector, and indirectly, through the negative outcomes that the private sector can create, responsive to a wide range of agents and social structures. This chapter will demonstrate the ways in which the dynamics of the credit union sector have been formed through an understanding of the context in which they have emerged and the values that they espouse. It will also highlight how the academic literature characterises credit unions, as part of an exchange that has implications for the evolution of the sector in Scotland. These themes will be returned to in later empirical chapters, as it will be shown that the ways in which credit unions have been theorised is crucial for understanding some of the key tensions in the sector in Scotland as a result of ideological divides.

[2] The focus of this chapter is the credit union sector in Great Britain. Credit unions in Northern Ireland and the Republic of Ireland have tended to follow a different tradition and their growth and expansion has been more rapid due to promotion from the Catholic Church (Dayson, 2002).

The chapter begins by setting out the emergence of the credit union movement, charting its beginnings in Germany and international expansion. It will then outline the establishment of the movement in Great Britain, identifying the key influences in shaping the movement and the geography of its expansion. The focus here will be on the emergent values of credit unions linking to the cooperative tradition, and the role of the state in shaping early credit unions, with some comparisons to the ways in which the movement developed in Northern and the Republic of Ireland. The chapter then explores the defining features and values of credit unions in Great Britain according to McKillop and Wilson (2015): the common bond, economic democracy, the ethos of 'not for profit but for service' and the wider social responsibility that credit unions have come to practice. Focus will then turn to the typologies that have been created as a means of theoretically making sense of the credit union movement. This will highlight sector level categorisations that have been used at a national level to compare international movements, and subsector categorisations that primarily have been created as a theoretical underpinning to British credit unions. The chapter then presents credit unions as a dynamic and evolving alternative financial space drawing on the work of Fuller and Jonas (2003). Finally, the theoretical contribution of this thesis will be outlined as an exploration of the ways in which the case study of the credit union sector in Scotland practices alternative values.

3.2 The global emergence of the credit union movement

The earliest forms of credit union can be traced to credit cooperatives in mid 19th century Germany. In 1850, Hermann Schulze-Delitzsch founded the first urban credit cooperative, and in 1864, Friedrich Wilhelm Raiffeisen established the first credit cooperative in a rural locale (McKillop and Wilson, 2011). These credit cooperatives were founded to support workers of different trades, but both were set up as a self-help mechanism to support workers and their families during a period of famine and industrial change. The growing role of markets as a result of industrialisation in German society led to socio-economically structured exclusion from the mainstream economy, as a lack of collateral and low income levels meant that mainstream financial providers tended to exclude these groups (Birchall, 2013).

In response to this, credit cooperatives were set up at a local level to minimise knowledge deficiencies as a means of managing risk and create a sufficient level of social pressure to minimise the likelihood of members defaulting on loans. Through this, local cooperatives maintained a ‘detailed knowledge of local economic conditions which allowed these credit cooperatives to more efficiently screen potential members and thus more easily and quickly identify borrowers who might default’ (McKillop and Wilson, 2011: 82). The impact of these credit cooperatives in mitigating the negative repercussions of transitioning to a market economy is thought to have been significant. For example, Birchall (2013: 13) describes these early credit cooperatives as ‘an astonishing achievement that got the urban and rural workers out of debt to moneylenders and enabled them to survive in the new market economy’. Through these institutions, the expectation was that the poor would be able to access capital and thus potentially have the means to improve their own circumstances and escape poverty.

In Germany, the credit cooperative movement was led by two powerful individuals, Hermann Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen, who had been a politician and judge, and the mayor of an area in the western Rhineland respectively (Birchall, 2013). Responding to local needs, the credit cooperatives followed different models based on the capabilities and needs of each community. For example, Schulze-Delitzch set up a system of share capital among urban communities. Whereas the members of Raiffeisen’s credit cooperative in a rural setting were relatively poor compared with their urban counterparts, and Raiffeisen initially chose not to have a joining fee or a requirement to have share capital (Birchall, 2013). Although, it should be noted that share capital later became a legal requirement for credit cooperatives in Germany (Birchall, 2013). The rural and urban cooperative models also diverged in that Raiffeisen made the decision for all surpluses to become reserves, and in the event of a society being dissolved, all assets would be donated to a worthy cause (ibid). Whereas Schulze-Delitzsch attempted through his model to provide members with low dividends (Birchall, 2013). However, the latter model demonstrated a tendency towards the pursuance of higher dividends and eventual demutualisation in pursuit of even higher returns (ibid: 15). Schulze-Delitzsch’s model also differed from Raiffeisen’s in that Raiffeisen insisted on cooperatives being staffed by unpaid volunteers with solely the cashier-bookkeeper earning a wage. Schulze-Delitzsch decided that directors should be paid a salary and commission, which by 1885 had reached an average of 12 per cent of total turnover (Birchall, 2013).

Furthermore, the two models differed in terms of the types of loan being offered, as Schulze-Delitzsch’s cooperative model provided short term loans better suited to urban businesses

(Birchall, 2013). Raiffeisen's cooperatives offered loans to suit the longer term investments required in the farming industry (ibid). In addition, Raiffeisen's cooperatives were able to serve those on lower incomes as the cooperatives were limited to operating in one parish. This created a stronger sense of collective obligation to repay debts, and enabled the provision of low risk loans that required little in the way of collateral. Schulze-Delitzsch's urban cooperatives, on the other hand, tended to cover a larger area and required more collateral to manage risk, which arguably served to exclude the urban poor (Birchall, 2013). However, Raiffeisen and Schulze-Delitzsch took a similar approach by insisting on unlimited liability as a means of ensuring a commitment to repay loans through a collective sense of shared responsibility (Birchall, 2013).

These largely different models demonstrate that even at a national level, credit cooperatives can be shaped to meet the needs of different communities. The importance of scale is also highlighted here. To be inclusive, it is suggested that a strong sense of mutual social obligation is required to manage risk without requiring collateral that may exclude lower income groups. In situations in which credit cooperatives reach a size in which a sense of mutual social obligation can no longer be used to manage risk, the practices of credit cooperatives may inevitably result in the same kind of exclusion as the mainstream.

From Germany, the idea of cooperative financial institutions spread to other Western European countries, such as Austria, Italy, Switzerland, Belgium, the Netherlands, Spain and France (Birchall, 2013). This spread was often a result of the movement of Germans who had experience of credit cooperatives. However, it was thought to be especially a result of the work of powerful and influential figures that played an important role in the promotion of credit cooperatives elsewhere, as well as in the shaping of a model that was expected to best meet local needs (McKillop and Wilson, 2011). For example, credit cooperatives reached Italy through Luigi Luzzatti, an Italian scholar, who formed and promoted "people's banks" based on his experience of credit cooperatives in Germany. Unlike both Schulze-Delitzsch and Raiffeisen, Luzzatti decided that Italy's form of credit cooperatives should have limited liability (McKillop and Wilson, 2011: 82). It should also be noted that during this period in the 19^{th} century, credit cooperatives were further inspired by cooperative systems that emerged in Great Britain such as the Rochdale Pioneers and Robert Owen's cooperative manufacturing system

(McKillop and Wilson, 2011). This influence, particularly in terms of values, will be explored later in the chapter with a focus on the emergence of the British credit union movement.

In 1900, the credit union movement spread from Europe to North America with the creation of the first "caisse populaire" in Canada. Alphonse Desjardins had heard about the negative impacts of usury and was able to learn more about credit cooperatives directly from the leaders of the movement in Europe (McKillop and Wilson, 2011; Birchall, 2013). The concept of credit unions arrived in the USA through Canada. Desjardins met Edward Filene, a wealthy merchant from Boston, and Pierre Jay, the commissioner of Banks in Massachusetts, who in turn founded the American credit union movement (Birchall, 2013; McKillop and Wilson, 2011). As was also the case in 19th century Europe, credit unions in the USA expanded quickly as a result of financial exclusion. In this instance it was a result of credit constraints imposed by mainstream financial organisations and bankruptcies during the Great Depression (Dayson, 2002; Langley, 2008). More recently, McKillop and Wilson (2008) note that the credit union movements in the USA and Canada have facilitated further expansion by providing advice and financial support to create movements in Eastern Europe (McKillop and Wilson, 2008). Following the collapse of communism in Poland, financial support from the USA enabled the creation of a strong credit union sector, described by Birchall (2013: 59) as a 'real social movement that has grown faster and provided a wider range of services than any other movement in recent history'.

By the early 20th century, the idea of financial cooperatives had spread to the colonies of European countries. In India, British colonial powers perceived financial cooperatives to be a means of collecting taxes more easily without the need for loan sharks who were further increasing indebtedness and poverty in rural areas (Birchall, 2013). Despite previously being used to further the agenda of colonial powers, credit cooperatives and other microfinance initiatives arguably now have a more positive role in these countries. In the Global South, credit unions more closely follow the Raiffeisen system in that they have tended to emerge among long income groups in rural areas with strong social networks, enabling low risk mutual access to financial services (Birchall, 2013).

From their founding in Germany, the principles of credit cooperatives have spread around the world, emerging in common sets of circumstances but adapting to, and finding relevance in, a diverse range of local conditions. Understanding the history of how the credit union movement has evolved provides key insight into the current state of credit unions in terms of organisation and principles. Tracing the global evolution of the movement highlights how the principles currently associated with credit unions were founded and have adapted to meet local needs, as well as highlighting how the geography of the expansion of credit union principles has influenced national movements. The history of the founding and evolution of the credit union movement is also significant as it raises a number of issues that still have relevance today for ensuring the future sustainability of the movement.

In modern day Britain, the economy and society have become increasingly market-driven through the dominance of neoliberal governance and policies (French et al, 2011). The dual purpose of credit unions in providing economic empowerment and mitigating against the negative impacts of market economies is clearly still pertinent. Furthermore, the development of different models of credit union to best meet local needs suggests that there is not one optimal model for credit unions across different contexts, and instead these organisations should be responsive and adaptable to the evolving needs of communities. For long term sustainability, this puts an emphasis on credit unions operating at a local level in order to fulfil a specific economic (and social) role. However, in the context of growing competition in the financial services sector that has come about as a result of the processes outlined in Chapter 2, this ability to retain a local focus has been challenged. This will be explored in greater detail in later empirical chapters using a case study of the credit union sector in Scotland.

3.3 The emergence of credit unions in Great Britain

The way in which credit unions have evolved in Britain has shaped the principles and values of the movement. This in turn has implications for how the sector is situated within the economy. The previous section demonstrates that economic precarity, industrialisation and the expansion of a market economy are common traits in the various contexts in which credit unions have emerged internationally. This section will explore the specific context of the emergence of credit unions in Britain as a prelude to an investigation to their development in Scotland. Therefore, this section reviewing credit union literature will examine in more detail the key influences and values of credit unions that have resulted in some commonly shared characteristics within the British sector and differentiate credit unions from mainstream financial providers.

3.3.1 Credit union values: the legacy of cooperation in Great Britain

Credit unions are financial cooperatives whose values and organisational characteristics are influenced by the legacy and continued evolution of the cooperative movement in Britain. Cooperatives first emerged in Britain in 1844 as weavers in Rochdale, faced with poor living and working conditions, adopted a model of mutual co-operation as a means of communally improving their circumstances (Birchall, 1994). This system was based around principles including social equality, independence and self-help. It is recognised as pioneering cooperation in the UK as an alternative system that developed alongside capitalism to mitigate against the negative repercussions for the working classes (ibid).

Since the founding of the Rochdale Equitable Pioneers Society in 1844 (Birchall, 1994), cooperatives have continued to flourish in Britain as ‘self-help entities to combat economic and social inadequacies’ (Ward and McKillop, 1997: 8). It could be expected that the current failings of the mainstream economy would create fertile spaces for cooperatives to flourish in the context of the traditional capitalist class antagonism. However, in a neoliberalised society in which market-based capitalist values have permeated into societal norms, the ability of cooperatives to thrive may be inhibited, even within systems in which there are highly negative economic and social outcomes.

Being cooperative means that in theory, the purpose of credit unions is ‘to attain the economic and social goals of the people who comprise its membership’ (Taylor, 1971: 207). Cooperatives have traditionally followed guidelines referred to as the Rochdalian principles, named after the first successful cooperative in Rochdale (Taylor, 1971: 208). These principles include: open membership; democracy in the form of one vote per person; distribution of surplus as a dividend; fixed and limited interest rates for borrowing; political and religious neutrality; cash trading; and the promotion of education (Taylor, 1971: 208; Birchall, 1994: 54-62). These traditional principles have been adapted as the cooperative movement in Britain has continued to evolve. The International Cooperative Alliance (undated) has since updated these principles to include: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community. There are evidently a number of different pressures that cooperatives currently must be responsive to and, in consequence, different areas of focus have emerged as is reflected in the updated principles. These principles provide a useful conceptual benchmark from which cooperative status can be evaluated based on the nature of adherence. In addition, they can provide guidance and direction for cooperatives seeking to retain an alternative set of values.

Among cooperatives, credit unions have traditionally been noted for their uniqueness (Taylor, 1971; Black and Dugger, 1981). Taylor (1971: 207) notes that the credit union has ‘been called the purest form of all cooperatives since it deals exclusively with its members’. Therefore, the ‘economic behaviour of a cooperative can be viewed as an extension of the economic behaviour of the membership’ and the overarching aim is ‘to engage in economic activities in a manner most advantageous to its members’ (Taylor, 1971: 207). However, despite a cooperative model, members still have to contend with ‘the impersonal forces of the market through the cooperative itself’ as the economic interests of savers and borrowers are in conflict (Taylor, 1971: 212). These tensions may intensify as a credit union increases in size, which may in turn encourage a sense of self-interest over self-help (Taylor, 1971). The way in which credit unions negotiate this tension is likely to become increasingly challenging when trying to attract a broader range of members in a more competitive financialised environment, particularly as the values underpinning market relations have come to dominate within broader society (Sandel, 2012).

Cooperative principles are closely linked with mutuality. Birchall (2011) notes that the terms cooperative, mutual and economic associations are often used interchangeably, yet are not synonymous. Mutuals are described as having less of a strong social identity compared with cooperatives (Birchall, 2011). However, Birchall (2011: 6-7) identifies the key difference as being that the term mutual is usually applied in the financial services sector through ‘recycling money within a closed system that does not include – or need – outside investors’. In addition, mutuals can have different stakeholders that play a role in governance (referring to savers or borrowers or both). Mutuality also means that consumers of services are members, whereas cooperatives may have customers who are not members. In contrast to mainstream organisations, mutuals are owned, and in theory, controlled by members as opposed to investors that are purely seeking a financial return (Birchall, 2001). Birchall and Simmons (2001: 203) argue that the two Rochdalian principles most significant to mutual organisations are democratic control and economic participation, in the form of receiving member benefits. As only members can use credit union services, it could be suggested that credit unions are actually more closely aligned and following in the tradition of financial mutuals. However, the distinct social focus of credit unions in Britain, and the clear alignment with cooperative principles, differentiate credit unions from other financial mutuals, such as building societies.

3.3.2 The founding and early expansion of credit unions in Great Britain

The strong social focus of credit unions comes as a result of the ways in which the movement emerged in Britain, particularly in terms of geography. As was noted in section 3.2, the founding of credit unions in Germany and beyond highlights a tendency for sectors to develop to serve the otherwise financially excluded or socially marginalised. Credit unions in Ireland have flourished due to structural financial exclusion from mainstream, commercial financial providers, and strong social networks among marginalised communities. This early success led to legislative recognition much earlier than in Great Britain with the Irish Parliament passing the Credit Union Act in 1966 (Dayson, 2002). This was replicated by the UK Government to apply specifically to credit unions in Northern Ireland as part of the Industrial and Provident Act 1969 (ibid). In Northern Ireland, as well as the Republic, there has been a religious element to credit union membership. In Britain, the Catholic Church has also been instrumental in establishing credit unions - albeit to a far lesser extent (Dayson, 2002).

Credit unions in Britain have nevertheless emerged among marginalised groups. The first credit union in Britain was founded in London by immigrants from the Caribbean in 1964 (Dayson, 2002). These organisations have predominantly emerged in urban areas reflecting immigration patterns and social divides at a city level (McCarthy et al, 2001: 47). Dayson (2002) attributes the growth of the earliest credit unions in Britain as a result of the benefits that the movement brought to marginalised groups, drawing links to early building societies:

> ‘Both formed in urban areas and among ‘outsider’ groups, whether because of their religion (non-conformism for building societies, Catholicism for credit unions) or social status. It is likely that the Caribbean community faced racism, while the immigrants to

> eighteenth century Birmingham were excluded from available housing and credit' (Dayson, 2002: 67-68)

British credit unions took longer to become established than their Irish counterparts (Dayson, 2002). Towards the end of the 20th century, the British credit union sector began to expand more rapidly, with Jones (2008b: 5) writing that in ten years (1997-2007), 'credit unions increased membership by 170%, savings by 318%, loans by 298% and assets by 351%'. By the end of 2007 there were a total of 501 British credit unions with 607,400 members, and total assets amounting to £599m (ibid). Although there were more credit unions in 1997 (596 in total), membership levels were considerably lower at only 224,674, with assets of just £124m (Jones, 2008b). A decline in the number of British credit unions has since continued although average credit union membership continues to increase. This reflects a tendency towards an increase in average credit union size as mergers and restructuring activity have become a more common occurrence within the British credit union sector. In 1997, only 3.6% of credit unions had over 2000 members, yet by 2007 this figure had increased to 23% (Jones, 2008b). Jones (2008b) attributes this to credit unions merging in order to benefit from economies of scale, leading to a steady decline in the number of credit unions from 2001. Birchall (2013) notes that, at the time of writing, several credit unions had membership levels exceeding 20,000 members. This may reflect a more competitive environment for British credit unions. However, Fuller and Jonas (2003: 59) make reference to a number of national studies that argue that there is significant potential for further growth and expansion of the credit union movement across Britain. Nevertheless, the trend towards fewer and larger credit unions has continued. There is some concern that this could threaten the role of smaller, more community embedded credit unions as growing competition creates new challenges, as well as posing a risk to the diversity of the sector and the social values of the movement (Jones, 2008b).

Credit union growth, however, has encouraged the provision of a more diverse range of products and services. Traditionally (and still currently as a whole) the credit union sector in Britain has offered a 'fairly homogenous' range of products and services, tending to comprise of basic savings and loans products, and insurance cover for these products (Ward and McKillop, 2005: 463). There have been calls for credit unions to broaden the range of products and services on offer. A number of credit unions, particularly the larger ones, already provide a more diverse range of products that are believed to be more aligned with the needs of modern consumers (HM Treasury, 2014).

As has been argued in this chapter, credit unions have traditionally emerged as a self-help mechanism (although often with support from philanthropic individuals), in which members can collectively fulfil their own financial needs (Birchall, 2013). However, the state at various scales has played a significant role in the early formation and expansion of the credit union movement in Britain. This challenges the notion that credit unions in this context are 'self-help'. Jones (2008a: 2142) writes that by 1999, '83% of all community credit unions had been formed with the support of the local authority and the express purpose of tackling poverty and providing services for disadvantaged people'. As a result, the expansion of the credit union sector in Britain has largely come as a top-down initiative. However, it should be noted that the level of state involvement has been highly uneven at different scales. For example, the credit union movement in Scotland has been described as 'stronger' than in other parts of Britain (Ward and McKillop, 2005: 481), largely due to closer links with Ireland where the movement has flourished as a grassroots initiative. Within Scotland, however, the level of state interaction with the sector has also been highly uneven, as local authorities have sought to strengthen the movement particularly in Glasgow and the West, even though this is where credit unions as a grassroots endeavour have been by far the most successful (Sinclair, 2014; Goth et al, 2006). This approach has not been replicated in all local authority areas. This will be explored in greater detail in Chapter 5.

The role and involvement of the state in supporting the emergence and continued expansion of the credit union sector challenges Fuller and Jonas's (2003: 57) assertion that the traditional community credit union is 'in many respects… an ideal example of a locally alternative-oppositional financial institution'. Alternative-oppositional denotes a consciously alternative ethos in opposition to mainstream values. In light of the role of the state in shaping the credit union movement, even in its early stages, it could be suggested that the movement in Britain should not be theorised as being an autonomous alternative to the mainstream. While credit union evolution involves an element of bottom up alternative community democracy, the emergence of the movement has also been informed by dominant agendas and values played out through the state in different guises. Again, this will be explored in the context of the credit union sector in Scotland in Chapter 5.

The expansion of the credit union movement in Scotland coincided with economic downturn in the 1970s and then a growing role of markets at the expense of democracy within financial services. The broader context during the 1970s was of economic crisis, from which Britain emerged with ‘profound changes in the political economy’ (Froud et al, 2010: 25). The ‘chief political function’ of this crisis has been described as an opportunity to insulate markets from the influence of democratic government through privatisation, market-oriented reform in the public sector, deregulation, and the creation of new regulatory bodies outside of the realm of democratic governance (ibid). During a period in which democracy in financial services was being severely hampered by processes attached to neoliberalisation through deregulation and diminishing state oversight of financial matters (Froud et al, 2010), credit unions provided a democratic alternative that operated according to social need. However, during this period, credit unions remained in the margins and were portrayed as a ‘poor person’s bank’ (McKillop and Wilson, 2015). This was partially a result of the intervention of local authorities. It is also believed that early credit union growth in Britain was hindered by an inappropriate institutional environment (Baker, 2008). The changing legislative and regulatory environment will be outlined in Chapter 5, and the impact of these changes will be explored in Chapters 6 and 7.

As a whole, it is estimated that in the UK currently less than 2% of the economically active population is a credit union member (WOCCU, 2017). In comparison, 48.8% of the economically active population are credit union members in the USA, and for Australia and Ireland, the penetration rates (credit union membership as a percentage of total adult population) are 71.65% and 74.47% respectively (ibid). Birchall (2013: 59) argues that the credit union movement in Great Britain cannot be considered a success, although there have been promising signs of growth and relatively high (although uneven) levels of state support. However, despite being criticised for slow growth and a perceived lack of success (Birchall, 2013), credit unions have emerged in Britain at a time when other financial mutuals have declined. It could therefore be suggested that in the wider context of alternative financial spaces in Britain, the growth of the credit union movement has been relatively impressive. During the 1980s and 1990s in Britain, financial mutuals, most notably building societies, were in an overall phase of decline, primarily as a result of demutualisation. As McCarthy et al (2001: 47) write, 'the credit union movement is now the fast-growing fully mutual co-operative sector in Britain… Their mutual status is in sharp contrast to that of the building societies, which have been demutualising since the end of the 1980s'. Indeed, the emergence and expansion of credit unions may have come in response to the decline of other, traditionally more established mutuals as a result of pressures arising from financialisation.

3.4 The characteristics and role of credit unions in Britain

Credit unions have been linked to a broad range of definitions, usually based around their unique features, central values or common characteristics. However, these definitions tend to be temporally and spatially distinct, even if not explicitly stated. For example, Black and Dugger (1981: 529) define credit unions as a 'unique financial depository institutions in that they are consumer cooperatives and are limited to serving the market for consumer credit and savings'. This definition makes reference to the distinctiveness of credit unions, the mutual nature of the sector and the (relatively basic) services that credit unions have traditionally offered, in light of a distinct institutional environment. Another definition of a credit union contends that they are 'non-profit organizations relying on volunteer management, elected by the members using the one man vote principle' (Taylor, 1971: 212). This identifies credit unions as organisations that are not profit-seeking, governed by volunteers, and operated democratically. Taylor's (1971) definition also appears to be spatially and temporally specific, as the case will be made later in this thesis that this is not wholly characteristic of credit unions in Scotland.

Definitions of credit unions within the literature also tend to be reliant on the theoretical underpinnings of credit unions, and often to fail to take into account how credit unions evolve in specific contexts. For example, McKillop et al (2007: 37) provide a detailed description of a credit union:

> 'Credit unions do not operate for profit; have a public purpose in that an aspect of their underlying rationale is that they provide basic financial services to individuals of modest means; are limited in their membership to those sharing a common bond; their governance structure is based on one member–one vote; and directors are unpaid

> volunteers. The common bond requirement is particularly important. It is a common interest that the members share and is there to ensure that the credit union committee making loan decisions has knowledge of the character and personal record of the member seeking credit and can make a quick credit assessment based on an applicant's reputation and savings profile, rather than on income and assets'

This definition emphasises the not-for-profit nature of credit unions, their social ethos, and the democratic nature of the movement. It also makes reference to the common bond; a unique feature of credit unions that enables them to be more inclusive in their approach compared to commercial banks. As will become apparent in the empirical chapters, this definition is highly simplified and generalised, and may not be representative of the sector in Scotland.

More recently, Lee and Brierley (2016: 348) have provided a more general description of credit unions based on their cooperative ethos and specific values and purpose: '[c]redit unions encourage their members to save regularly, promoting thrift and self-help, to allow those members to borrow money subsequently at lower rates than charged by some other financial institutions, recycling funds within a population that shares a common bond and promoting the financial health of that community'. This definition refers to the fundamental attributes, purpose and values of credit unions and only hints at credit union governance through referencing the common bond. It promotes an understanding of a diverse reality without relying on theoretical generalisations that are inconsistent with the experience of credit unions in Scotland, or indeed in Britain.

The way in which credit unions have evolved globally as locally-rooted financial cooperatives means that finding a detailed definition of a credit union applicable to each of the various models that exist in a wide range of contexts is challenging. Defining credit unions is also complicated by the disparity in terms of how credit unions are represented in the literature and the reality of their underpinning values and emergent practices (see Figure 2.1). In light of this, credit unions are defined in this thesis as alternative financial institutions, in which capital is primarily raised through the membership, of whom the credit union exists to economically empower. This is achieved through financial education and access to financial services underpinned by a sense of economic democracy, referring to both channels for inclusive decision making and the sharing of the economic benefits. This general definition captures the fundamental attributes that make credit unions 'alternative', while at the same time recognising diversity and differing objectives that are not only shaped by local community needs but also by internal organisational dynamics.

As financial cooperatives, credit unions are underpinned by an alternative set of values to the mainstream. National credit union movements operate in a range of economic, social and cultural contexts (McKillop and Wilson, 2011) creating a diverse global movement. Yet, these organisations still have some commonly shared characteristics that broadly differentiate the movement from mainstream financial providers. The common contexts within which credit unions have emerged mean that credit union values tend to sit in contrast to the values underpinning the mainstream financial sector where profit, competition and individual rent-seeking are paramount (McKillop and Wilson, 2015). Instead the focus is on collectively meeting the needs of members. As a result, any income accrued to a credit union is returned to members as dividend or reinvested internally to improve services or support long term viability (McKillop and Wilson, 2015). This has been argued to have created some ambiguity over what the ultimate purpose of credit unions is or ought to be (ibid), as it goes against wider accepted societal norms and values.

3.5 The particularities of the British credit union sector

Although the credit union sector in Britain is highly diverse, credit unions have a unique set of characteristics among financial service providers. These distinct credit union features have been identified by McKillop and Wilson (2015: 102) as the common bond, economic democracy, the ethos of 'not-for-profit' but for service, and a wider social responsibility.

Common Bond

A defining characteristic of credit unions is the common bond, which denotes the association through which membership is defined and is unique to the credit union movement. Geographical location is most commonly used to define membership in Britain. This is either through the traditional community credit union, which is based on residence, or the more contemporary 'live/work' common bond, which allows membership for anyone living or working within a specific geographical community. Common bond can also be defined by employer or industry, or by another type of association (such as a faith group) (Birchall, 2013; Sinclair 2014). Within the common bond, member-owner status allows individuals to come together to meet their economic needs directly so that 'members, who include both savers and borrowers, use the cooperative to recycle money from those who have it to those who need it, without anybody outside taking a profit and with interest rates so that the system works in everyone's interest' (Birchall and Ketilson, 2009: 3). Although the common bond necessarily deviates from Rochdalian principles of open membership, it is argued that the common bond provides 'a built-in spirit of co-operation' (Allerton and Dunbar, 1978: 5). This is thought to increase accountability amongst members. By having something in common such as the same employer, or residing within the same neighbourhood, the social connection is expected to increase the likelihood that members will know and trust each other (Fuller and Jonas, 2003). The common bond has been described as 'the social glue which binds credit union members together' (McKillop and Wilson, 2015: 97), enabling them to effectively serve the otherwise financially excluded by reducing the risk of serving low income groups that tend to be in more precarious financial positions (McKillop and Wilson, 2015: 97).

Birchall (2013: 44) notes that common bonds tend to begin as relatively exclusive, and then expand to enable a higher potential membership as a credit union increases in size or develops aspirations to grow. Larger, 'new' model credit unions are expected to create the conditions for longer term viability by benefiting from economies of scale and the perceived greater level of resources required to meet the needs of lower income groups, while also being able to attract a more balanced membership (Goth et al, 2006; McKillop et al, 2002). However, growth in common bond size could weaken the sense of social obligation and increase information asymmetries with implications for both values and the ability of credit unions to manage risk, and in turn provide services to low income groups (Sinclair, 2014).

As a result of the mutual sense of social obligation that is created by the common bond, credit unions have traditionally used a unique lending policy among financial services in that 'individual membership is determined not by creditworthiness or previous financial "health", but by the ongoing ability and willingness to save' (Fuller and Jonas, 2003: 58). Credit unions are therefore well-suited to providing financial services to lower income groups, who may lack a credit history or have a low credit score and would therefore be unable to secure financial services from mainstream financial providers.

The linking of loans to savings means that for traditional credit unions, new members have to save for usually a twelve week period before being able to access credit, and limits the loan to two or three times the value of savings. This may exclude the most financially precarious or needy from accessing credit union services (Jones, 2008a: 2148). Jones argues:

> ‘These restrictive practices, which were neither legal nor regulatory requirements, arose from traditional custom and practice in most credit unions. It might be argued that the obligation to save, and the linking of loans to savings balances meant that, in reality, credit unions equally prioritised saving. However, this was not the case. For the most part, people saved only to borrow. The widespread policy of not allowing a savings withdrawal, if savings were exceeded by a loan balance, actively deterred borrowers from saving more than they needed to access a loan. In addition, many people saved only the amount they needed to access the size of loan they required’ (ibid)

As Jones (2008a) notes, this policy may not be attractive to lower income groups that lack the means to save. However, it could equally be argued that the underpinning purpose of credit unions is to help members become financially independent and to promote empowerment, not solely to provide loans. The traditional credit union lending policy would seem to adhere to this objective. Furthermore, as Jones (2008a: 2147) points out, borrowing in the short term from a credit union cannot in itself build financial stability, and may instead lead to a longer term dependence on borrowing. Whereas, building a savings habit can ‘directly contribute to moving people out of poverty, both economically and psychologically’ by ensuring access to affordable loans if necessary, while enabling members to plan for their future and experience improved health and wellbeing (ibid).

It still remains, however, that this traditional lending policy could serve to negatively prolong and heighten financial issues (Jones, 2008a). Some credit unions in Britain have moved away from the traditional lending policy in favour of adopting more mainstream lending practices, such as by offering instant loans to members, irrespective of savings. This has been argued to have 'enabled credit unions to develop lending policies that are more flexible, efficient and responsive to member needs', and particularly those of low-income members (Jones, 2008a: 2148). There are, however, other implications to modernising the lending policy for members and credit unions as organisations and the sector as a whole. This debate links to the way in which credit unions are situated in the broader economy (Amin, 2009). The sector can either form alternatives that seek to develop ethical and socially-oriented economic spaces, or seek to mitigate against the worst impacts of the market economy (ibid). This latter approach may inadvertently facilitate further neoliberalisation.

Economic Democracy

Democratic processes are a defining feature of cooperatives and argued to be at the centre of the credit union movement (McKillop and Wilson, 2015). Much of the alternative nature of credit unions comes from their cooperative ownership structure. Being member-owned is possibly the only overarching characteristic that unifies credit unions in a highly diverse, global movement as credit unions evolve based around member needs and institutional context. In Britain, the democratic nature of credit unions is exercised through members having equal voting rights and electing a board of directors to govern (McKillop and Wilson, 2015). This enables credit union members to have influence in, and ultimately shape, the way in which the credit union, and by extension, local economy functions. This is particularly significant as credit union members tend to represent marginalised groups whose participation in the mainstream economy may lead towards negative outcomes, such as financial exploitation, through financialisation processes (see Arestis et al, 2014).

The democratic element of cooperatives has been questioned due to the 'difficulties of getting a widely dispersed set of members to govern' effectively (Birchall, 2013: 151). Birchall and Simmons (2001) argue that the participation of members is necessary for enabling a sense of democracy. However, they describe a key issue in mutuals as a "democratic deficit" as a result of governing boards having 'very little incentive to foster democracy' beyond the elected board members (Birchall and Simmons, 2001: 207). Furthermore, there are logistical challenges to creating and maintaining effective communications channels in larger mutuals for enabling meaningful participation and fostering democracy (ibid). Generally, credit unions tend to increase in complexity as membership grows, particularly as interests may become more heterogeneous, which should be reflected by the board as a means of democratically representing member interests (Birchall, 2013). In this sense, the extent to which credit unions are directly and inclusively member governed is highly variable and more complex than the presumption that size has an inverse relationship with democratic member control (ibid). As users and owners, members are (in theory) in control and able to enjoy the associated benefits that come as a result of part-owning their credit union (Birchall, 2013). However, the democratic participation of members is described as essential to the survival of a cooperative, with larger cooperatives particularly at risk of management pursuing their own interests as opposed to the broader interests of the membership (assuming that the two sets of interests diverge).

Not for profit but for service

Both alternative financial institutions and commercial banks function to provide benefits to their owners. As a cooperative, the central aim of a credit union is to benefit members. This is in contrast to commercial banks where providing a benefit stream to shareholders is of primary concern (Birchall, 2013). Credit unions are able to avoid pressures to maintain certain levels of growth, usually demanded by shareholders, allowing them to engage solely in low-risk financial practices that are socially beneficial (McKillop and Wilson, 2015). In addition, credit unions act in the interests of members and are therefore unlikely to adopt the sales culture that is common in mainstream financial services, and attempt to persuade people to engage in financial services that may not be to their benefit (Birchall and Ketilson, 2009). The loans offered to members are other members' savings within the common bond community. As noted above, this acts as a 'moral constraint' and lowers the risk of members failing to repay loans (Birchall and Ketilson, 2009). Furthermore, compared with mainstream financial institutions, credit unions have less access to 'easy money' and therefore any surplus or profit is more likely to be retained as savings and subject to less risky activity (Birchall and Ketilson, 2009: 16).

A mutual ownership structure prioritises long term survival over short term gain as cooperatives are uniquely able to benefit from the alignment of economic roles through members who are 'both investors and consumers of the cooperative' (Birchall and Ketilson, 2009: 12). This in turn creates 'loyalty, commitment, shared knowledge, member participation, underpinned by strong economic incentives' (ibid). However, in the context of financialisation and neoliberalisation, credit unions in Britain have become more focused on financial matters in order to ensure long term viability. The way in which credit unions have responded to this will be addressed in Chapters 6 and 7.

Wider Social Responsibility

McKillop and Wilson's (2015) inclusion of wider social responsibility as a unique feature of credit unions is perhaps most contentious of those identified. The cooperative nature of credit unions suggests that they should only be concerned with benefiting members, which is reflected in a number of definitions of credit unions. Yet, the inclusion of wider social responsibility suggests that credit unions have a wider duty to non-members. Indeed, McKillop and Wilson (2015) argue that that the benefits of a credit union extend beyond the membership to include the local community that credit unions are situated within. The tension between the cooperative nature and perceived wider social purpose is argued within the literature to have created conflict and division within the sector, particularly in regard to whether credit unions should potentially go against the interests of their own members in order to make a more concerted effort to tackle financial exclusion (Sinclair, 2014).

This again links back to the way in which alternatives are situated in the broader economy. A wider social remit suggests that it is the responsibility of credit unions to address wider economic and political failings. In the post-crisis economic and political landscape, there is a clear social need for credit unions within wider society, particularly in the context of the withdrawal of the state through austerity. However, this would necessarily impact on the focus on providing economic and social benefits to members, which as cooperatives has been traditionally theorised as the top priority for credit unions (Taylor, 1971).

This raises the question of the way in which the social economy has been appropriated in the context of post-crisis public sector reform in line with austerity politics. Although cooperatives are clearly situated within a third sector social economy, this does not necessarily conflate credit unions with a social remit that extends to all of society. This in turn questions the ways in which the trajectory of the credit union movement is being shaped, and ultimately what the role of credit unions is within the economy and society. This latter point was not initially identified as a central area of focus within this research. However, its frequent recurrence during data collection and the way in which it has prompted debate within the sector has demonstrated the importance of this tension, and its potential significance in shaping the future trajectory of the credit union sector in Scotland.

3.6 Credit unions in Britain: making sense of a diverse movement

The diversity of the movement in Scotland, and Great Britain more widely, has prompted attempts in the literature to categorise credit unions in order to develop theoretical insights. As Sibbald et al (2002: 400) note, the benefits of categorising credit unions based around a typology enables ‘easier recognition of the fundamental structure and relationships and the provision of a platform for theory development’. Sibbald et al (2002) recognise, however, that there is a balance to this, in that oversimplification can lead to meaningless tautologies in which theory bears no resemblance to the real world. The typologies that have been developed and applied to credit unions within the literature draw upon a broad range of characteristics for categorisation purposes. Generally, typologies are used to describe national movements, as well as sub-sector categorisations that refer to individual credit unions.

3.6.1 Sector level categorisations

At a sector level, Ferguson and McKillop (1997) theorise three key stages of credit union development: a nascent stage, a transition stage and a mature stage. The common attributes of each stage have been detailed in Table 3.1.

McCarthy et al (2001: 43) provide examples of a mature sector as operating in countries such as the USA, Canada and Australia; the UK and Ireland as typifying movements at the transition stage of development; and nascent movements in countries within Central and Eastern Europe. This typology refers to a credit union sector that may encompass a diverse array of forms at an organisational level. Sibbald et al (2002) recognise that individual credit unions at a subsector level may not all be, and indeed may not all wish to be, at the same stage of development that typifies the sector as a whole. Further limitations of this model include the implicit assumption that credit unions follow a linear path of evolution, and seek to progress to the mature stage. There could also potentially be a further stage of development for credit unions beyond their cooperative form, such as through demutualisation, that is not represented in this model (Sibbald et al, 2002). The ability of this typology to provide a clear and distinct classification

Table 3.1: Common attributes of a nascent, transition and mature credit union sector

Sector at nascent stage	**Sector at transition stage**	**Sector at mature stage**
Small asset size	Large asset size	Large asset size
Highly regulated	Shifts in regulatory framework	Deregulation
Tight common bond	Adjustments to common bond	Loose common bond
Strong emphasis on voluntarism	Shifts towards greater product diversification	Competitive environment
Serve weak sections of society	Emphasis on growth and efficiency	Electronic technology environment
Single savings and loan products	Weakening of reliance on voluntarism	Well organised, progressive trade bodies
Requires sponsorship from wider credit union movement to take root	Recognition of need for greater effectiveness and professionalism of trade bodies	Professionalisation of management
High commitment to traditional self-help ideals	Development of central services	Well developed central services
		Diversification of products and services
		Products and services based on market rate structures
		Emphasis upon economic viability and long term sustainability
		Rigorous financial management of operations
		Well functioning deposit insurance mechanism

Source: Sibbald et al, 2002: 403.

of credit union sectors should be also be questioned. Birchall (2013) categorises the British credit union sector as in the transition stage, but contends that the role of trade associations and closer cohesion within the sector may have set the conditions to develop into a mature credit union sector.

As alluded to above, these stages of development can be influenced by trade associations (Birchall, 2013). For example, Birchall (2013: 45) argues that it's possible for credit unions in early stages of development to progress by 'a combination of small, local unions and an effective national body'. This demonstrates the importance of internal structural linkages at a sector level in credit union development. Desrochers and Fischer (2005) classify cooperative banking systems as atomised, consensual or strategic based on how interlinked a system is and where control lies within that system (Birchall, 2013). In a strategic system, there is a central bank that provides essential services, often working alongside a national body that attends to political interests. However, there is also a possibility that the primary organisations 'cede real powers to the centre' (Birchall, 2013: 45). Although in a strategic system the sector as a whole becomes more "developed", there is a danger of accountability and democratic capacity shifting away from members to a more top-down system of organisation. It is also the case that cooperative financial organisations, or credit unions more specifically, may be able to still retain a strong local community presence while building capacity to promote sustainability. Yet even with a strong centre, some credit unions integrated into a strategic system may still be too small in size to be financially viable and seek to merge (Birchall, 2013: 63). This suggests that despite the structure and level of connectedness of the broader system, there is still a minimum size threshold for sustainability. This is highly relevant for the changes taking place within the credit union sector in Scotland currently, particularly in regard to the Credit Union Expansion Project, which will be explored in Chapter 5. Atomic and consensual credit union systems according to this model rely more on the capabilities of individual credit unions due to weaker linkages within the system (Birchall, 2013).

3.6.2 Sub-sector level categorisations

At a sub-sector level, the most common categorisation seeks to classify individual credit unions based on their overarching characteristics as either 'old' or 'new' model credit unions. The reasons behind the prevalent use of these categorisations will be explored in more detail in

Chapter 5. This section will provide an overview of the key characteristics that typify ‘old’ and ‘new’ model credit unions according to the literature (see Table 3.2).

Table 3.2: Characteristics of ‘old’ and new’ credit union models in the UK

	‘Old’ Model	‘New’ Model
Common bond	Community-defined within a geographic area	Work and live: not tied to a specific place
Membership	Mainly low income residents	Mixed: employees and all residents within community
Transactions	Save and borrow only	Savings, loans, credit, insurance, shares
Enterprise structure	Volunteer member operated	Professional cooperatives
State support	Grant-dependent	Self-funded
Spatial scope	Residential estates and city wards	City-wide and regional
Regulatory authority	Register of Friendly Societies	Financial Services Authority
Organisational philosophy	Serving the poor and financially excluded	Financially sustainable and socially inclusive
Form of alterity	Alternative substitute	Alternative additional

Source: Jonas, 2013: 37

As the name suggests, the ‘old’ model typifies credit unions that still resemble the earliest forms of credit unions in Britain, particularly in terms of being locally-rooted. These credit unions tend to be small, with a relatively limited common bond based on geographical location and operate as self-help initiatives in poorer communities by volunteers. Although categorised as 'alternative substitute' in the table, Jonas (2013) also argues that the 'old' model community credit union typifies alternative-oppositional organisations, that have a tendency towards a more radical opposition to the mainstream.

Recently, however, a number of issues have been identified with the 'old' credit union model in the present context. Jonas (2013: 41) summarises these challenges:

> 'Most community credit unions remain very small in size, have failed to generate sufficient income or surpluses to achieve financial self-sufficiency and stability, and are staffed by overworked, stressed and ageing volunteers. Many can only ever hope to serve a fraction of their potential common bond membership. Such credit unions have experienced difficulties in developing into sustainable alternative sources of credit and finance for *all* potential members and are close to insolvency.'

Clearly there are concerns over the long term viability of this model in the UK. However, drawing on his own research from Hull, Jonas (2013: 41) suggests that despite these issues, there exists real resistance to change from within the sector due to concerns over the implications of scaling up that could subsequently mean providing a less personal service to members. This could potentially lessen, or even risk losing, the social focus of credit unions, particularly in terms of the ability to serve the most in need members. It also raises a broader question in regard to the extent to which an organisation encompassing alternative values can retain a strong social focus without having to rely on external financial support, which could in turn come attached with conditions that would shift focus and weaken a social ethos.

In contrast, it is argued that the 'new' model of credit union:

> 'has the aim of being commercially successful and socially inclusive, in addition to retaining credit union mutuality, and will involve: the redefinition of the concept of 'small' within the credit union context (that is, the development of larger common bond applications, and consolidation of smaller credit unions through mergers, take-overs, and closures); a reworking of the roles of credit union volunteers; and understanding

> how to run a fully-professional financial service; and the introduction of paid staff to carry out day-to-day activities' (Fuller and Jonas, 2003: 62)

This 'new' model is credited with setting the conditions for viability. McKillop et al (2007: 37) suggest that the idea of being socially inclusive is particularly important, as they write that the 'long-term success of credit unions depends on attracting a wider cross-section of people from local communities'. However, critics of this model would argue that adopting the new model risks prioritising other agendas over existing member needs (Sinclair, 2014). For example, the 'new' credit union model has been identified as a potential solution to financial exclusion, following the limited success of traditional credit unions in tackling the issue (Chambers and Ryder, 2008). Following encouragement from local authorities and government, the 'new' model is being actively promoted both within the literature and from within the sector itself in Britain. Although, it should be noted that there is also a distinct lack of academic research to suggest that 'new' model credit unions are able to demonstrate greater success in tackling financial exclusion. It could also be questioned whether tackling financial exclusion is the responsibility of credit unions. Indeed, the lack of evidence to demonstrate the impact of credit unions in tackling wider financial exclusion may be because this is something that credit unions, as cooperatives, do not set out as a priority.

The rising popularity of the 'new' model has led to a number of credit unions to more closely resemble commercial profit-oriented businesses in approach (Jones, 2008b). This 'professionalisation' is argued by Jones (2008b) to be necessary for the future development of the credit union sector, as he notes:

> 'The social model of development had steadily given way in most credit unions to a business model of development. Participants related that it was now generally accepted that to succeed, credit unions had to develop solid business plans that target growth and success, adopt clear management and financial standards, develop the leadership of the board, open accessible premises and begin to employ trained professional staff' (Jones, 2008b: 49)

Jones (2008b) does not elaborate on what he means by ‘success’ but the focus on targeted growth suggests that some of the literature on credit unions may be uncritically examining the underlying values that are informing research on the sector.

In Britain there has been a ‘gradual shift’ towards the ‘new’ model approach (McKillop et al, 2007: 40). This has led to division based around ideological differences of what the purpose and identity of credit unions ought to be in modern Britain. Agents in the credit union sector that favour the ‘old’ model, as noted by Forker et al (2014: 106S), argue ‘that the pursuit of a management model that is more for-profit in nature risks crowding out the philanthropic and community-based commitment historically enshrined in credit union management practices’. Whereas, agents favouring the new model argue that the values of the credit union can be retained and even enhanced by adopting the new model as credit unions pursuing a commercial approach ‘are better able to do more for their community as they improve on their financial sustainability and self-reliance’ (Forker et al, 2014: 106S).

Tischer et al (2015: 21) reiterate this point, arguing that ‘credit unions in the UK are essentially split into two camps’ divided on ethos and purpose. The literature tends to favour the ‘new’ model approach due to the perception of this model being more economically viable with the proclivity to have a higher social impact. Indeed, criticism that larger credit unions unavoidably lose their social focus seems to be misplaced. From quantitative analysis of the credit union sector in Northern Ireland, Forker et al (2014: 119S) suggest that adopting new model characteristics in regard to an emphasis on growth and financial efficiency does not in itself diminish the role that credit unions can have in the community and indeed new model credit unions ‘may still play an important role in developing and supporting their communities’. Furthermore, adopting a for-profit management approach may provide financial security and still allow a commitment towards community involvement and development (Forker et al, 2014). The expected improved financial performance in turn may enable credit unions to offer ‘more and better services to their members’ (Forker et al, 2014: 120S). The ability of larger credit unions to retain a social focus in Scotland will be explored in greater detail in Chapter 7. Clearly more analysis of this kind would be helpful in order to explore the social impact of ‘new’ model credit unions compared with the ‘old’ model in different contexts.

3.7 Credit unions as alternative economic spaces

In response to the kind of typologies outlined above, Jonas (2013: 42) argues against 'binary thinking' as it 'forecloses knowledge of alternative social structures which evolve relationally and territorially'. The focus for Jonas (ibid) is to provide a meaningful means of creating theory which represents the 'inherent spatial diversity of economic forms in the landscape that can be applied to alternative economic spaces' at a range of scales and in regard to a broad range of organisations. In reference to credit unions specifically, Jonas (2013: 26) reiterates that the alternative nature of credit unions is not fixed but has 'evolved, transformed and hybridised' in response to spatial expansion and societal change. Therefore, fixed binary categorisations are ill-suited to adequately capture the dynamic processes at work within the credit union sector.

Fuller and Jonas's (2003) categorisations of alternative-oppositional, alternative-addition and alternative-substitute can be applied to both individual credit unions and credit union systems at different scales. At an organisational level, these categories refer to credit unions as: 'oppositional' meaning that they were formed to have deliberately alternative values to mainstream financial institutions; as 'additional' through their use as a savings and loans facility to be used in conjunction with mainstream financial services; or alternatively as a 'substitute' for mainstream financial institutions particularly for those who would otherwise be financially excluded. Jonas (2013: 26) contends that 'the credit union movement is entangled in a tension between mainstream and oppositional economic and political forces operating around the national and local scales'. In this sense, credit unions should be thought of as 'evolving processes rather than fixed taxonomic categories' (Jonas, 2013: 29).

This also highlights that categorisations are not fixed and objective labels, but instead are shaped around perception and member needs. Members may have various reasons for joining and, therefore, each credit union could represent more than one kind of alternative in response to the needs and values of different members. Using binary categorisations fails to recognise the nuances of the credit union sector as evolving as a set of collectively owned organisations. Whereas, Fuller and Jonas's (2003) analysis better reflects the diversity of member needs and how this in itself shapes credit union identity, while reiterating their cooperative nature in the process. In reference to the sector in Britain, Fuller and Jonas (2003: 59) argue that credit unions have quickly shifted from a local alternative-oppositional financial institution to alternative-additional or substitute forms as they have become co-opted into the policy landscape. This shift could be perceived as a result of the dynamic processes reshaping the broader economy and redefining the roles of the private and public sector, and the demand for credit unions to fill a different role based on the changing needs of their members and broader society. The co-optation of credit unions as part of this process would inevitably shift values away from a more radical agenda.

Typologies of credit unions can be used as a means of making sense of the diverse sector and as a platform to help shape and build our understandings of the movement (Sibbald et al, 2002). These typologies can appear to suggest a natural progression in terms of development within the credit union sector, such as from 'old' to 'new' model, implying that the 'old' model is in some way outdated, whereas the 'new' model is more innovative and relevant in the modern context. This arguably represents a trend in the third sector more broadly, as Pearce (2009: 30) writes that there 'has been a shift from the idea of community enterprise as an entity for community action to an emphasis on social enterprise as a business model - viewed as not very different in its essentials from private businesses'. This has been characterised as necessary for long term sustainability. However, this may also set social economy organisations on a path that could lead to demutualisation if a commitment to alternative values is lost.

Each of the typologies discussed in this section has implications for the values and goals of the credit union movement at a sector and subsector level. However, while a useful lens for making sense of a diverse reality, the direct applicability of these stages of development and binary categorisations should be questioned. Whereas, Fuller and Jonas's (2003) categorisation provides a more useful conceptual tool to understand the territorial and institutional evolution of the credit union sector at a range of scales that emphasises the dynamism of the sector. It should also be noted that the way in which theory is created within the academic literature in turn informs the development of the credit union sector, and therefore epistemological concerns relating to credit unions should be given greater attention.

3.8 Constructing an alternative understanding of credit union practices

Section 4 demonstrates that the academic literature, in describing the nature and characteristics of credit unions, draws heavily on the theoretical underpinnings of these organisations. This is frequently inconsistent with how British credit unions have been classified in typologies, particularly in terms of the ‘old’ and ‘new’ model. Although these typologies are created as a means of building theory, they are often used in a way that is prescriptive, and have been co-opted into the agendas of external agents potentially to the detriment of the credit union sector by promoting homogeneity. As cooperatives, credit unions should continue to be responsive and evolve based on the needs of the membership. Alternative economic spaces are characterised as being locally distinct, as a product of place-specific dynamics and identity as a space of autonomy and resistance to the mainstream. However, much of the literature takes for granted that neoliberal values associated with efficiency and growth are inherently desirable for the credit union sector, without a detailed consideration of how this could impact on alternative values (see for example Jones 2008b).

This thesis will seek to develop a spatially distinct understanding of how alternatives, using the case study of the credit union sector in Scotland, ‘come to be defined, practiced and reproduced in distinctive ways across space and time’ (Hillebrand and Zademach, 2013: 14). Furthermore, the ways in which alternative spaces respond to neoliberal and financialisation processes will be explored. The aim of this thesis is, therefore, to explore the alternative values and practices of the credit union sector in Scotland, particularly in the post-crisis economic and political landscape.

In order to explore this aim, the following research questions will be addressed:

1. In what ways are governance structures and agents (including the state, civil society and private business interests) influencing the trajectory of the credit union movement in Scotland? (Chapter 5)
2. In the post-crisis economic environment, is the social mission of credit unions still viable? (Chapter 6)
3. Are credit unions in Scotland increasingly driven by the values of mainstream financial services and therefore losing their sense of alternative values and practices? (Chapter 7)

3.9 Conclusion

Following a cooperative tradition, credit unions have been established in a range of contexts with a common underlying theme: the need for a self-help means of providing access to capital among low-income groups who may otherwise face financial exclusion or exploitation. This has clearly been the case in Britain and Ireland, as the earliest credit unions formed within socially marginalised communities. Through an alternative ethos relative to mainstream financial services, credit unions in Britain have a unique model that has rendered them well-placed to offer financial services to groups that would be characterised by mainstream lenders as high risk. More recently, however, the credit union sector has come under pressure to adopt a more professional, business-oriented approach, characterised in the literature as the 'new' model. This is believed to be necessary to sustainably provide financial services to low income groups. Cato et al (2013: 541) summarise this debate, arguing that it 'oscillates between the two driving forces for credit unions – maintaining their social and community focus and mission while striving to enhance their brand and service provision as professionalised, financially viable and managerially sound financial institutions – the modern or new model credit union'.

Sibbald et al (2002) suggest that categorisations of national credit union sectors may fail to represent a further stage for credit unions that could involve demutualisation as the next phase of progression in the evolution of the movement. However, following the demutualisation of building societies and other financial service institutions, there are clear lessons to be learned in terms of shifting values and identity, in terms of long term sustainability. The credit union sector continues to grow in Britain and is arguably one of the few viable remaining alternatives to mainstream financial providers in the economy. Nevertheless, as a result of the changes taking place in the sector, there are argued to be 'many in the movement who believe that… the basic notion of what a credit union is in itself is being explicitly eroded' (Fuller and Jonas, 2003: 67). The question then becomes at what stage does professional development and growth mean that credit unions lose their purpose (which in itself is contested) and compromise their ethical values at the expense of meeting member needs, in the hope of securing long term viability.

4. Researching the Scottish Credit Union Sector[3]

4.1 Introduction

The purpose of this chapter is to outline, justify and reflect upon the methodological approach that is used to operationalise the conceptual framework (see Chapter 2) in the empirical chapters. A qualitative research design underpinned by a critical realist ontology was pursued to understand the changes taking place in the credit union sector, and crucially, why these changes were taking place, through an understanding of the causal mechanisms. Using the case study of the credit union sector in Scotland required an understanding of context, of which qualitative research methods are most appropriate for developing an understanding of (Basole and Ramnarain, 2017). Three research methods were employed (participant observation, semi-structured interviews and document analysis) to develop an understanding of the trajectory of the credit union sector in Scotland, and to triangulate findings as part of a robust qualitative research approach. The methodology employed enabled an iterative process to identify relevant and timely research questions (Basole and Ramnarain, 2017). The following research questions developed throughout the research process:

1. In what ways are governance structures and agents (including the state, civil society and private business interests) influencing the trajectory of the credit union movement in Scotland?
2. In the post-crisis economic environment, is the social mission of credit unions still viable?
3. Are credit unions in Scotland increasingly driven by the values of mainstream financial services and therefore losing their sense of alternative values and practices?

Based on these research questions, the aim of the thesis is to explore the alternative values and practices of the credit union sector in Scotland, specifically in the post-crisis economic and political landscape. The remainder of the chapter is divided into three sections. Section 4.2 outlines and justifies the ontological perspective informing the research. 4.3 sets out the three

[3] This chapter is written in the first person to critically reflect on the research process

research methods employed. The final section provides an account of 'leaving the field' at a point of theoretical saturation and a critical reflection of the methodological approach.

4.2 Researching credit unions in Scotland: adopting a critical realist ontology

As noted above, the aim of this thesis is to explore the changing alternative values and practices of the credit union sector. In doing so, the purpose of this thesis is to explain and provide an understanding of *why* changes are taking place. A critical realist ontology has been adopted to frame the credit union sector in Scotland to demonstrate the ways in which social structures and agents interact with each other to produce social reality.

In conducting social science research, Bhaskar (1989: 2) notes that '[i]t should be appreciated that all philosophies, cognitive discourses and practical activities presuppose a realism – in the sense of some ontology or general account of the world – of one kind or another'. Awareness of ontology is essential in informing methodological approaches and will ultimately shape the research questions being asked, the kind of data collected and the research findings. Critical realism forms a middle ground between positivism, which has been critiqued for failing to resemble reality (Morgan, 2017), and post-structuralism. Critical social theory has been influenced by post-structuralism in that it sets out not to discover 'an objective truth' but instead explores 'the multiple and coexisting interpretations of social problems' (Bardhan and Ray, 2008: 436). However, post-structuralism is applied on the presupposition that there is no one over-riding reality, as all aspects of life and experience are constructed entirely by our own interpretations. Whereas, a critical realist approach instead posits that reality does exist and 'puts forward a position based on causal powers inhering in entities (such as structures and agents), complex interactions between causal powers in terms of arising events, and a consequent account of systems as "open"' (Morgan, 2017: 15). These causal mechanisms and structures give rise to real life events that are in principle observable and knowable (Lee, 2012: 9).

Hodgson (2015: 57) defines a social structure as 'a set of social relations between interacting individuals' and suggests that institutions are substructures that provide integrated systems of rules to social interactions. The institutional environment extends beyond the legal and regulatory system to include behavioural norms and social conventions (ibid). This is important for understanding the credit union sector in Scotland. The formal institutional framework that the sector is situated in provides an enabling environment as well as legal and regulatory constraints to the activity that credit unions can engage in while simultaneously providing opportunities for agency. However, informal institutions in the form of social and cultural norms are also of considerable importance in shaping events. For example, this forms a partial explanation as to why a number of credit unions have retained a basic product and services offering, despite there being scope within the formal institutional framework to move beyond this. Ingrained ways of operating that become habitual have created informal constraints to the activities that credit unions are involved in. These are underpinned by a shared (and slowly evolving) understanding of what a credit union is and the services that should be provided.

The emergent properties of structures mean that they can constrain and enable agency, yet structures can be transformed through agency (Morgan, 2017). Through critical realism, Bhaskar founded a medium between 'the hyper-structuralist view of people as the mere effects or dupes of structures over which they have neither knowledge nor control to the "new realist" view which effectively empties the social world of any enduring structural dimension' (Bhaskar, 1989: 3). Thus, Bhaskar contends that reality is shaped by social structures, yet these social structures are also transformed by human agency. Instead of viewing society as being constructed by fixed social structures, Bhaskar's (1989: 2) critical realist approach conceives 'the world as being structured, differentiated and changing'. This perception of society as dynamic is a prerequisite for the possibility of social change. Utilising this ontological approach is therefore of considerable value for understanding the credit union sector as a dynamic and evolving system (Jonas, 2013).

Key to this is the understanding of systems as 'open', moving on from positivist notions of the social world as closed and predictable, showing clear and consistent conjunctions. As Morgan (2017: 23) argues:

> 'An open system is one in which there are many generative mechanisms and thus the continual possibility that similar events are brought about through different mixes, and where there is also the converse possibility that variations in events may occur because of different mixes. An open system is one that allows for the possibility of both relative

> stability in events but also degrees of irregularity; it allows for the possibility of complex causation; it recognizes the possibility of basic uncertainty of outcomes; and the possibility that there can be qualitative changes to aspects of the system that then result in transformations of that system, so there can be change within and change from a given system to something else.'

Using a critical realist ontology recognises that as part of open systems, the complex interaction between structures and agents produces a reality that is unpredictable. Even with common causal powers, consistent event regularity is recognised as not possible in the social world (Downward, 2003).

4.3 Locating the credit union sector within a critical realist ontology

Critical realism focuses on relations, as opposed to individuals or groups of individuals. Bhaskar (1989: 71) argues that 'the social is radically misconceived: sociology is not concerned, as such, with large-scale, mass or group behaviour, conceived as the behaviour of large numbers, masses or groups of individuals, but (paradigmatically) with the persistent relations between individuals (and groups), and with the relations between these relations'. In order to adequately explore social relations, it is useful to adopt a whole system approach to understand the ways in which relations produce empirical events. This provides a means of enabling a greater focus on 'the way in which the system as a whole brings together mechanisms' to avoid theory that is 'piecemeal' in nature (Brown and Roberts, 2014: 308). Adopting the credit union sector in Scotland as the case study enables an understanding of the structures shaping the sector in greater detail, as well as how the agency of key organisations and individuals interact with wider structures to produce particular outcomes.

Critical realism emphasises the social world as an interconnected open system, defined by Dow et al (1997: 90) as 'one whose boundaries are not predetermined'. However, for 'meaningful examination', segments of society can be isolated to create boundaries of theoretical significance based on the research design (Cronin, 2017: 243). The boundaries of the system for this research were selected based on an intention to conduct research that would be of interest and relevant to the credit union sector as a whole in Scotland, and to enable some comparison of the ways in which political agendas have shaped the credit union movement at a local level (as part of research question 1). As the ‘credit union capital’ of Great Britain (Glasgow City Council, 2015), from an early stage of the research process Glasgow was selected to form at least part of the case study. From here, early findings based on interview data were utilised as a means of delineating theoretically significant system boundaries.

I had anticipated credit unions to work most closely with others in closest geographical proximity. However, it became clear that these expectations were overly simplistic and did not take into account the diversity of the sector and the unpredictable role of agency. For example, when I asked the Chief Executive of a large live/work credit union in Glasgow which credit unions they worked most closely with, he described being a part of the National Credit Union Forum (NCUF), which comprises the largest credit unions in Britain, as well as recent association with a credit union in the USA (Interview E). Similarly, other credit unions network and collaborate based on factors such as type of common bond or shared membership of a trade association. Indeed, some deliberately avoid working closely with neighbouring credit unions based on rivalries, feelings of competition or personality clashes. Following this discovery, I opted for a case study of the entire credit union system in Scotland.

The sector in Scotland emerged separately to the sectors elsewhere in the UK and Ireland, although it has been highly influenced by the movement in Northern Ireland and the Republic of Ireland. While there is some cross-border collaboration among credit unions at a UK level, there is also a distinctness to the Scottish sector that can be partially attributed to the role of trade associations, as well as the influence of Scottish Government and other state agents, in addition to geographical proximity. It should be noted, however, that the common bond of some employee credit unions based in Scotland extend into England, such as the NHS Credit Union and 1st Class Credit Union. Due to the linkages that exist at a UK level, as well as even further afield, I maintained an awareness that the credit union sector acts as an open system, and it would not be not representative of reality to posit the sector as a distinct entity with self-contained relations limited to Scotland.

At a Scotland level, I had initially intended to choose three case study credit unions based on a typology identified from the literature, such as selecting case study credit unions with a different type of common bond or a comparison of old versus new credit unions (see Fuller and Jonas, 2003). The rationale here was to compare experiences in order to identify common structures and explore how these structures interacted with different credit unions in the context of their unique evolutionary context. However, I was able to begin my fieldwork earlier than anticipated and I soon realised that the typologies identified in the literature, while a useful theoretical lens, did not reflect the diverse reality (Sibbald et al, 2002). During the research process, I felt that agents working within credit unions did not generally seem to identify themselves with the categories that they would have been designated in the literature. Instead, the diversity of the sector was reiterated frequently by research participants. Similarities clearly exist within the sector based on values, the type of common bond and the products and services on offer as a result of how the movement has evolved in Scotland. Yet, agents within the credit union sector tended to perceive each credit union as a unique element within the system. As a result of this, choosing three case studies based on these typologies from the academic literature would have been able to make little theoretical contribution when taking into account that social science ‘ought to be about reality’ (Morgan, 2017: 15).

To inform the research process, I mapped the key governance agents shaping the credit union sector. This reiterated that to understand the broad and varied influence of these agents, using three individual credit unions as case studies as originally intended would have been theoretically limiting compared to an analysis of the sector as a whole. Indeed, this may have provided a misleading picture of the ways in which governance agents shape credit unions as a result of the varied, and diverse relations between each of these agents and their emergent influence at an individual and system level. As will be demonstrated in Chapter 6, I chose to focus primarily on the role of the state due to its long term interaction with, and decisive influence, on the sector. Through the methods employed in this research, I was also able to gauge an understanding of the role of other stakeholder groups in shaping the trajectory of the credit union movement in Scotland. It should be noted that the mapping of key stakeholders represents a snapshot in time. Particularly in the post-crisis context, the key influences on the credit union sector are subject to change and becoming redefined. For example, state agents at a local authority level have played a key role in the formation and early expansion of the credit union sector in Scotland, and have since maintained a close relationship with the sector. However, following the crisis, the changed political context (and particularly austerity) is likely to redefine the relationship between credit unions and state agents.

Although credit unions are concentrated in Glasgow and the West, using Scotland as a case study allowed for some spatial comparison and to evaluate the system as a whole. This was particularly useful for gauging how the state at different scales shaped the institutional environment, influencing local credit unions and the geography of the movement. At a Scottish level, the structural impact of national state governance is more constant, although agency impacts on how the structures enacted by Scottish and UK Governments are shaped into real life events. Whereas, at a local authority level, structures at this scale can be more easily compared by an investigation into local context and public policy responses to local issues.

Using the credit union sector in Scotland as the unit of analysis in this research created a case study that could balance the in-depth and specific nature inherent to a case study methodology, while at the same time exploring structures and causal mechanisms that could shed light on the experience of other alternative financial organisations in Scotland. Critical realist research has been criticised in the past as being limited in providing a conceptualisation of ‘the theory of the system as a whole’ and therefore providing little scope for insight beyond the research subject (Brown and Roberts, 2014: 307). The unit of analysis here contributes towards a broader synthesis of alternative financial spaces based on the generative mechanisms identified in this context. For example, as will be explored in later empirical chapters, changing regulation by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) was highlighted in some interviews with credit union representatives as being overly demanding, disproportionate to the size and scale of their operations, and limiting the activity that these organisations can engage in. By using a case study approach at the sector level, it could be suggested that this level of abstraction generates rich data that both highlights the experience of the credit union sector specifically, while also illustrating the broader structures shaping other alternative financial organisations. This provides an indication of the common challenges experienced by other alternative financial providers in Scotland. However, Brown and Roberts (2014) argue that the ability of critical realist ontologies to generalise beyond the object of study is still disputed as a result of the historical and spatial contingencies of empirical events and causal mechanisms.

4.3.1 Developing research questions

The original aim of this research was to explore how the social purpose of the credit union sector has been balanced with retaining economic viability in the Scottish context. The rationale here was to analyse how the social purpose of credit unions was currently being manifested through particular value systems and could have entailed the identification of a credit union model that would be viable for the Scottish socioeconomic and political context. However, upon examination of the credit union literature, I found a number of research studies that had already grappled with this as a central research aim (see, for example, Dobcheva, 2015). By considering the existing work in this area at an early stage of data collection, I was able to identify gaps in the literature and develop timely and relevant research questions, without being limited (as is sometimes the case in quantitative research) by having the 'research agenda predetermined by available data' (Basole and Ramnarain, 2017: 136). Through early immersion in the field as part of the observational element of the research, I sought to take a more iterative approach to formulating the aim and research questions of this study. A critical realist ontology emphasises that '"reality" is primarily subjective, unique to the subject and the context' (Downward and Mearman, 2008: 389). Based on this, the aim and research questions attempted to highlight the uniqueness of the credit union sector in Scotland based on its economic and social history and context, and the spatial dynamics of the sector's evolution, while addressing an under-researched area of literature.

As I began data collection, I realised that the credit union sector was being shaped by more than the tension between economic and social factors. I therefore decided to broaden the remit of the research with the aim of understanding the changes taking place more generally in the sector (to more explicitly take account of political influences), and the mechanisms and structures precipitating these changes. My initial aim to explore the balance between the social values and the economic realities of the sector became incorporated as part of the research questions, as it is still of fundamental importance in the Scottish context. Although, I attempted to take this a step further by seeking to critically assess the role of governance structures and agents that influence the balance between social purpose and economic constraints as the first research question. My second and third research questions explored the impact of this in terms of economic viability and the practicing of alternative values respectively. Although primarily addressed in separate chapters, the balance (and relationship) between values and viability is a recurring theme throughout the empirical chapters.

4.3.2 Research methods

In forming a critical realist approach, Bhaskar (1989: 3) argues:

> "Realism is not, nor does it license, either a set of substantive analyses or a set of practical policies. Rather, it provides a set of perspectives on society (and nature) and how to understand them. It is not a substitute for, but rather helps to guide empirically controlled investigations into the structures generating social phenomena" (Bhaskar, 1989: 3)

In consequence of this, there are no prescribed set of research methods for a critical realist ontology. However, Brown and Roberts (2014) suggest that this approach is more suited to qualitative methods. More specifically, Del Casino et al (2000) suggest participant observation, structured and semi structured interviews, as well as descriptive statistics as appropriate research methods for this ontology. Critical realists pursue an 'intensive research strategy' in order to explore the internal structures and mechanisms that are in themselves not directly observable, but still real in that they give rise to observable events' (Brown and Roberts, 2014: 306).

A concern with ongoing processes within the sector and understanding the relations between actors and structures (as opposed to a more surface level mapping) led me to pursue a qualitative research design. Moreover, a lack of publicly available quantitative data, combined with the access I was able to negotiate with key informants in the sector (who were themselves experts in the history of the credit union movement and at the forefront of the changes taking place), created a persuasive pragmatic case for qualitative research. Through using a qualitative approach, I sought to gain an 'insider' view, that could elucidate and explain how 'human actions, meaningful beliefs, and symbolic practices that individuals and groups attach to their everyday lives, objects, and social relations' (Brown and Roberts, 2014: 304-305) play out and influence the movement.

Three qualitative research methods (semi-structured interviews, participant observation and document analysis) have been utilised in this research to engage with different aspects of the object of study and as a means of verification of different sources. Using three research methods enabled triangulation as a means of producing more robust data through being able to correct potential errors and fill in any theoretical gaps (Dow, 2017; Downward and Mearman, 2008). For the data collected in this research, which has been partially reliant upon the narratives of social agents, this seemed to be particularly important in attempting to build a persuasive account of 'reality'.

Participant observation

Participant observation has been utilised in this research as a valuable means of exploring social structures by enabling a context-dependent understanding of social relations that can be used to 'explain rather than merely describe social phenomena'. (Rees and Gatenby, 2014: 132). My first point of contact with the credit union sector was at the annual Scottish conference of the main trade association, ABCUL. At this event, I was able to gain an up to date insight into the sector in Scotland through meeting a number of stakeholders and participating in various discussions. While there, I met a member of the Board at Cambuslang Credit Union[4] who invited me to their upcoming Annual General Meeting with the purpose of finding out more about this credit union specifically and understanding how democracy is fostered. At the AGM, a Board Member suggested that I should volunteer as a teller to develop my understanding of the distinct ways in which credit unions operate. This led to six months of participant observation where I was able to observe the ways in which structures influencing the sector interacted with agents within a specific credit union. While gaining an understanding of the workings of this credit union, it also informed my understanding of the relations within the wider sector.

Cambuslang Credit Union is a medium-sized credit union with a common bond delineated by geographical location (a 'community' credit union) in South Lanarkshire. It was first established in 1995, and has around 3500 active members (Cambuslang Credit Union Limited, 2016). The credit union in a number of ways fits with theorisations of the old model by focusing

[4] The General Manager of Cambuslang Credit Union gave explicit permission for me to refer to the credit union by name.

on having a physical presence in the community and relying on the support of volunteers (while having a limited online presence), and offering traditional basic savings and loans products with free life assurance. Although Cambuslang Credit Union featured heavily in the data collection phase of my research, it does not dominate in the analysis beyond shaping my understanding of the norms, culture and values of the sector. Thus, my understanding of the sector more broadly benefited from knowledge of the 'local culture and systems of meanings' based on a specific historical context (van Staveren, 2001: 111).

I also engaged in participant observation through attending a number of credit union events that were organised across the Central Belt (see Figures 4.1 and 4.2) over a period of approximately two and a half years (see Table 4.1). These events included annual conferences organised by trade associations, academic workshops, Scottish Parliament events and credit union AGMs.

Although these events provided an opportunity to engage with a number of different credit unions and stakeholders, and observe the social relations at a broader level, they tended to be frequented by the same core group. This led to some repetition of ideas, and overstated the experience of a relatively small number of individuals. However, I was able to balance this through my own personal interactions at these events, as well as through interviews. Participant observation at credit union forums offered a unique opportunity to investigate social relations at a sector level. Based on this, it was used as a means of exploring relations by immersion in a social environment in which to observe and record interactions (Cronin, 2017).

While conducting participant observation at Cambuslang credit union, the data collected included observations relating to the research questions and my interpretations of these events to identify causal mechanisms. I tended to make notes in my field notes diary immediately after leaving the credit union while travelling home on the train, and then took more reflective notes later on that day. At credit union events, there was ample opportunity to take detailed notes throughout the day. However, each evening, I made time to note general reflections, conversations that I had been involved in at break times, and contacts or points to follow up on. These notes were reviewed the following day, and further reflection was added where I felt that key points required additional detail to enable me to make sense of the notes later on. Notes from my field note diaries were typed up fortnightly and thematically coded (see 4.4.1).

Figure 4.1: The approximate location of Scotland's Central Belt. ArcGIS.

Figure 4.2: An overview of towns and cities located in the Central Belt. ArcGIS.

Table 4.1: Credit union events attended

Event/Activity	**Date**	**Organiser**
ABCUL Scottish Conference	3rd December 2014	ABCUL
Credit Union AGM	26th January 2015	Cambuslang Credit Union
Volunteer Teller at Credit Union	June 2015 – December 2015	Cambuslang Credit Union
Credit Unions Consultation Event: Sustainable Development of Credit Unions	27th August 2015	Scottish Universities Insight Institute
ABCUL Scottish Conference	2nd October 2015	ABCUL
2015 International Credit Union Day Celebration at Scottish Parliament	8th October 2015	ABCUL
Launch of report on Community Credit Unions and Payroll Deduction	20th October, 2016	Academic research event
Achieving Sustainable Growth in Credit Unions: Delivering on Membership Value	26th June 2015	Scottish Universities Insight Institute
Achieving Sustainable Growth in Credit Unions: Managing Transformation	28th August 2015	Scottish Universities Insight Institute
ABCUL Scottish Conference	9th December 2016	ABCUL

Semi-structured interviews

While observation formed an important research method for developing an understanding of the dynamics of the credit union sector, interviews proved crucial for honing my research questions, following up on specific themes, while at the same time providing the opportunity to explore other emerging themes relevant to my research. Lam and Ostrom (2010: 14) describe interviews as 'an important complementary research methodology to capture the changes and unfolding events in the system'. This proved relevant for my own research as I could ask questions specifically to seek in-depth explanations for the dynamics and relationships that I had observed. At times this validated my understanding of what I had observed while conducting participant observation. However, it also challenged where I had perhaps misinterpreted, and drew links that I had not intuitively made based on my own understanding of the sector. Particularly for contentious issues, interviews provided a useful means of filling in gaps and exploring topics in more detail that would only be alluded to within public forums, or neglected entirely. This was often the case for the Credit Union Expansion Project, which has been a divisive and controversial topic within the sector. Thus, interviews were used as a 'purposeful conversation' in order to gather data that through triangulation was demonstrated to be valid and highly reliable (Saunders et al, 2012: 372).

I interviewed a wide range of stakeholders involved in the credit union sector (26 in total, see Table 4.2). From within credit unions, I mostly spoke to General Managers and Chief Executives. For some credit unions, these individuals were often the only member of paid staff and were likely to have the most insight into how her/his respective credit union operated, how the credit union fitted into the broader sector in Scotland, and the history of the movement. Due to the way in which the sector in Scotland has evolved, the vast majority of interview participants were able to both share their knowledge and experience relating to their own credit union while at the same time acting as a key informant on the history and dynamics of the sector as a whole. Multiple key informants were interviewed, contributing towards data reliability and aiding in the triangulation of research findings. Nevertheless, there were issues due to the relatively small size of the sector and the tendency for the types of individuals who acted as key informants to be in close contact and share similar perspectives. However, interviewees often described similar histories of the sector but offered slightly different interpretations with regard to specific elements. This proved to be highly insightful for understanding the ways in which values were shared within the sector and how the credit union ethos has been constructed. In this sense, in-depth qualitative interviews proved vital for understanding the specific context in which opinions and perspectives have been formed.

I conducted interviews with each of the three largest credit unions in Scotland, and then approached a sample of medium and small size credit unions both in the Greater Glasgow area, where the sector is concentrated, and throughout Scotland. By using this approach, the sample of credit unions from which I interviewed a volunteer or staff member is over-representative of credit unions outside of Glasgow and of larger credit unions. This is partly due to my intention to speak to a range of different 'types' of credit union (based on credit union size, common bond type and size, location and values). However, I got the impression that larger credit unions were more likely to agree to an interview due to having more resources, and considered themselves in general to be more outward looking. I also felt that credit union representatives outside of Glasgow were more willing to participate. For example, some agents in credit unions in rural localities felt isolated and were actively trying to expand their network, while not always being able to justify the travel costs of coming to larger events that tended to take place in the Central Belt. Interviews with credit union agents outside of the Central Belt were carried out over the phone, with initial contact being made via email. These interviews proved to be highly insightful and often provided a new and unique perspective on the sector in Scotland.

Interviews with agents working (either as a paid staff member or volunteer) at a credit union located in the Central Belt were conducted in person and at the credit union. In addition, I was invited by two of the larger credit unions in Glasgow to interview their Chief Executive and then conduct a series of shorter, more informal interviews with staff members. This enhanced the rigour of my data, as it provided the opportunity to compare perspectives from different parts of the organisation, and provided theoretically relevant insight particularly from member services employees. These interviews frequently made reference to the 'credit union difference', and what this meant for members, which proved highly relevant as part of investigating credit union values. It also provided an opportunity for non-participant observation, in that I felt that I could get a better sense of the social relations of each credit union based on their location and the feel within their offices. Interviews that took place at credit unions offices often enabled me to meet and have informal discussions with other credit union staff, volunteers, and board members who happened to be in the office at the time of interview, and these individuals demonstrated enthusiasm to share their perspective of the sector. For example, at a credit union in Glasgow, I had arranged to meet the General Manager, but I also had the opportunity to collect data from another employee as well as a long-term Board Member. In light of this, Table 4.2 refers to 'interview A', for example, as opposed to 'participant A' in recognition of the social dynamics of the interviews that took place.

Compared to the observational element of my research, I had lower levels of control over the research process while arranging interviews. Although I had a sense of who it would be useful to interview, it was often difficult to persuade these individuals to agree to participate. It did seem to help that I had been volunteering at a credit union, which I think suggested a degree of personal interest and investment in the sector. Interview participants were mostly recruited through making contact with credit unions, or other key individuals, via email. Attending credit union events proved highly useful in making initial contact with agents within the sector, which I followed up with an email shortly after the event requesting an interview.

Given the state's important role in influencing the credit union sector, I was also keen to conduct interviews with local authority actors. I conducted three interviews with employees from three separate local authorities including a Policy Officer, a Credit Union Development Officer and an Economic Development Officer. I also attempted to get the contact details of other local authority actors through credit unions. However, a number of credit unions agents seemed to know of no one with a specific remit covering credit unions, or had no contact with their local authority. Interviews were also conducted with representatives from each of the two main trade associations in Scotland, ABCUL and the SLCU. Each of these interviewees were each able to provide a general overview of the sector in Scotland and talk about their member credit unions more specifically, as well as their perspective of the future of the credit union sector. Based on this, my sampling approach involved a combination of volunteer (both through self-selection and snowballing), haphazard and purposive sampling based on an element of convenience through the networks that I had developed, and the agents I believed to be in a position to engage with my research questions (Saunders et al, 2012).

Table 4.2: Interview Schedule

Interview reference	**Role**	**Organisation[5]**	**Scale of Operation[6]**
A	Economic Development Officer	Local authority	Local authority area
B	Credit Union Development Officer	Local authority	Local authority area
C	Policy Officer	Local authority	Local authority area
D	General Manager (+3 unstructured interviews with staff)	Large employee credit union	National (Scotland and the North of England)
E	Chief Executive Officer (+4 unstructured interviews with staff)	Large live/work credit union	Regional
F	Board member	Medium sized community credit union	Local authority area
G	General Manager	Medium sized live/work credit union	Local authority area

[5] In reference to credit union size, 'small' refers to organisations with fewer than 1500 members. Medium-size refers to credit unions with a membership of 1500-10,000, and large refers to credit unions with a membership of greater than 10,000. As membership numbers were often approximated during interviews, these size divisions are intended to give a general overview of credit union size only and do not reflect the 'type' of credit union in terms of model or aspirations.

[6] 'Local' denotes a scale of operations at a smaller scale than a local authority area

H	Marketing Officer & Marketing and Communications Executive	Large live/work credit union	Regional
I	Chief Executive	Former Savings Bank	National (UK but customers mostly local)
J	Policy Manager	Trade Association	National (Great Britain)
K	Manager	Small employee credit union	National (Scotland)
L	Contractor	Cornerstone Mutual Services	National (Great Britain)
M	Assistant Manager	Medium sized community credit union	Local authority
N	Regional Development Officer	Small community credit union	Local
O	General Manager	Medium sized community credit union	Regional
P	Head of Member Services and	Large live/work credit union	Regional
Q	Former MSP and Convener of the Cross-Party Group on Credit Unions		

R	Project Manager	Small community credit union	Regional
S	General Manager	Medium sized live/work credit union	Local authority area
T	General Manager	Medium sized community credit union	Local
U	General Manager	Medium sized employee credit union	National
V	Chief Executive	Medium sized community credit union	Regional
W	General Manager	Medium sized community credit union	Regional
X	Civil Servant	UK Government	National
Y	Chief Executive	SLCU	National
Z	Consultant working with credit unions		National

The original intention while planning my methodological approach was to use semi-structured interviews to enable some comparison, while allowing space to explore new themes. In practice, this generally worked well. I interviewed a range of stakeholders for this research, of which a number had considerable experience in meeting and interacting with researchers and other interested parties. They often already had a narrative prepared of the history of the movement in Scotland, the nature of their involvement and their perspective of the sector based around a set of self-selected themes. This created a challenge in terms of moving the interview towards the themes that I was most interested in discussing in line with the research questions. However, these interviews did prove to be crucial in terms of becoming aware of other interesting areas of research that I had not yet come across in the academic literature, or issues that were a point of contention within the sector and infrequently referenced at public events (such as the Credit Union Expansion Project). Equally, a number of credit union General Managers had no experience of speaking to researchers, or even engaging much outside of their credit union or local community. They often appeared quite hesitant and nervous at the prospect of participating in an interview. Before meeting, I often sent further detail of the themes that I would be looking to explore, and interviews tended to be shorter and more structured. Although I collected less data from these interviews, they proved useful in engaging with different types of credit unions, particularly the 'quieter' ones whose staff either did not attend, or were not outspoken, at public forums. For these interviews in particular, I was reminded that 'an interview is and should be an interactive and reflexive exchange wherever possible' (McDowell, 2009: 162).

Document analysis

Document analysis is described by Basole and Ramnarain (2017: 148) as a research method designed to 'systematically examine and evaluate documents [in] order to elicit meaning, gain understanding, and develop empirical knowledge'. To explore the changes taking place in the credit union sector, document analysis has been used in this research to explore the history of credit unions in Scotland, and allow for a comparison with the kind of documents being produced for and about the sector currently. Digitised archival data provided a highly insightful means of exploring the history of the movement, by both eliciting new data and verifying and adding to historical accounts of the sector provided in interviews. Document analysis is an important means of verification in organisational research, as Dellheim (1986: 20, in Rowlinson, 2004) argues:

> 'Without extensive research in corporate records it is all too easy to accept one's informants' statements at face value or to mistake an external façade for an internal reality. Documentary research provides an excellent means to test the accuracy of

> different images and perceptions of the organization and to compare espoused and actual values' (Dellheim, 1986: 20, in Rowlinson, 2004)

As well as a means of verification, archival data has been used comparatively in this research to highlight the changing language and terminology that suggests an evolving value system within the credit union sector. For example, one early document created by a trade association notes that "[t]here are no profits. Any surplus is returned to the members or used for their benefit as they themselves decide at the annual general meeting" (Allerton and Dunbar, 1978: 2). Whereas now within the literature, 'surplus' is more commonly referred to as 'profits' indicating a shift towards a more mainstream focus and values in line with the professionalisation of the sector.

Although document analysis has proved useful in this research, a key limitation is that there is a lack of credit union archival material that has been digitised, and there are no Scottish archival credit union collections. Thus, documents from the early stages of the movement in Scotland are limited in number. In contrast, there are now a high number of interested parties in the credit union movement in Scotland that have produced their own literature that is easily accessible online. In addition, the trade bodies that represent the movement can be considered in themselves as professional organisations that produce extensive documentary material on the sector. With the election of 'New Labour' in 1997 and the focus on tackling financial exclusion, research and policy documents relating to credit unions increased significantly from this period. These documents were produced with the purpose of seeking to develop a deeper understanding of the sector as well as exploring how credit unions can be used to tackle poverty and promote growth in some of the UK's most deprived communities (see for example, HM Treasury, 1999; the Scottish Executive, 2000; the Scottish Executive, 2001; The City of Edinburgh Council, 2004, HM Treasury, 2004). Massey (2007: 103-104) describes government documents in particular as 'vital' in that '[i]t is, in part, here that takes place the working-out of the new rules and logics that will be rolled out to mould behaviour and, eventually perhaps, thinking'. This is highly relevant for the credit union sector, particularly in demonstrating the emergence of the 'new' model.

Due to the high number of documents pertaining to credit unions produced within the past few decades, I selectively chose to analyse documents that I had identified as particularly relevant in addressing the research questions. For this research, I used document analysis primarily as a tool for deepening my understanding of the history of the credit union sector in Scotland, and as such, I used the texts in a literal sense (Mason, 1996) as a means of supporting other data.

4.3.3 Sampling approach

Observation was a key source of data collection in itself, and also facilitated the use of other research methods. As I began the research, I was keen to immerse myself in the sector, both to learn more about credit unions and also to develop contacts. I, therefore, searched for credit union events that would be taking place in the near future. Having begun the PhD in October 2014, I was fortunate in that the annual Scottish conference of ABCUL was scheduled to take place in December. At the event, I was able to begin to develop an understanding of how credit unions work, and how the sector operates in terms of culture, norms, relations, and values. I also managed to begin to form a network of contacts within the sector. As noted above, a conversation at this event led to a separate tranche of participant observation, through volunteering as a teller in a credit union. In this instance, the sampling approach was pragmatic in that I took advantage of various opportunities that emerged as I became more immersed in the sector. In terms of attending credit union events, I attended all major events open to the public and in Scotland over the course of approximately two and a half years. These events took place a couple of times per year and I was keen to ensure that I attended as many as possible.

Throughout the research, I sought to balance an intensive approach that could allow for the collection of a rich set of data, while developing a system-wide understanding of the sector. To achieve this, stratified sampling was used to identify, and collect data from, the key groups of actors involved in the movement. To this end, I was keen to interview local government officials, trade body employees and agents from within different 'types' of credit union. These formed the three main groups of interviewees. Yet I also conducted interviews with other actors that I came across while conducting participant observation and that I felt could bring a slightly different perspective based on their situation within the sector. From within the subgroups that I had identified by using a stratified approach, sampling was often random (for example, by approaching credit unions and asking whether a member of staff / volunteer would be willing to participate in the research), and pragmatic (where I had access to potential research participants).

As noted above, within the credit union subgroup, I attempted to recruit participants from a range of different types of credit union. This was primarily informed by size, location, trade body membership, and common bond type. In terms of size, I created categories of ‘small’, ‘medium’ and ‘large’ sized credit unions, which had been informed by descriptions of credit unions from each of the three research methods employed. For location, I was keen to interview credit unions in Glasgow and the West to understand the evolution of the movement and discover why a concentration of credit unions had emerged in this area. However, I was also mindful that by taking a sector-wide approach I also had to engage with credit unions from further afield, including those based in rural locales. To do this, I used an online database (accessed at www.findyourcreditunion.co.uk) that I verified using the Financial Services Register, which is maintained by the FCA, to map out credit unions across Scotland. This ensured I was collecting data that could speak for the sector as a whole. This was also supplemented by the data that I had collected during participant observation. For example, if I had engaged with representatives from a credit union in the north east at an event, for interviews, I prioritised making contact with other credit unions in the same geographical area.

The sampling approach meant that I disproportionately engaged with credit unions outside of Glasgow and the West, and with larger credit unions, as these are fewer in number yet were represented in the sample. Figure 4.3 provides a breakdown of who interviews were carried out with. As noted above, a degree of pragmatism was used to conduct interviews based on access. For example, I had met two of the local government officials that I interviewed at a credit union event. There appeared to be little networking between local authorities, unless officials attended events such as these, and I was therefore unsuccessful in my attempts to build my networks through local authority contacts for their counterparts from across Scotland. I also asked for a local authority contact during interviews at credit unions. Again, this approach was not successful. Although, one of the interviewees from a credit union outside of the Central Belt was funded as a Development Officer by the local authority to work across the two credit unions in that area. Eventually, I used an online search and was able to make contact with one other local authority official dedicated to supporting and promoting local credit unions.

Table 4.3: Interview Sample

Type	Number of Interviews
Interviews with state actors	
Local government officials	3
Civil Servant	1
Politician	1
Interviews with credit union representatives	
Trade body employees	2
Interviews with credit union actors	
Small	3
Medium	9
Large	4
Other	
Private consultants	2
Chief Executive at alternative model of financial provider	1

In the Central Belt, the sample of credit unions in which interviews were carried out was mostly random. I had heard about a number of credit unions that I was keen to visit and interview a member of staff. Often these credit unions agreed to an interview, however, in some cases I was unable to make contact. Where I had been able to arrange an interview, I also got in touch with neighbouring credit unions with the purpose of attempting to schedule as many interviews as possible while I was in the area. This approach worked well, particularly for credit unions that were smaller in size and did not tend to interact outwith their local community, in that they seemed reassured that other credit unions in the area were taking part in the research.

The sampling approach for selecting documents to be analysed partially followed an iterative approach. For example, documents that were mentioned during interviews or at events were selected to become part of the sample. For example, Scottish Government's (2016) report, Scotland's Credit Unions: Investing in our Future, was published during the data collection phase of the research and mentioned in an interview. The Credit Union Expansion Project Feasibility Study was also mentioned in an interview and identified as a document for analysis.

This approach was supplemented by a search on both UK and Scottish Governments' websites. In addition to policy documents, I searched online for British credit union archival material. As is noted above, this provided a useful snapshot of a point in time from which to compare the description of the credit union movement to that of those currently.

4.4 Theoretical saturation

I reached a clear point of theoretical saturation while volunteering at Cambuslang Credit Union as increasingly the data collected served only to support recurring themes already identified and offered little fresh insight. Having already collected a rich set of data, I felt that continuing would have been driven more by a sense of commitment to volunteering than obtaining more data for research purposes. Recognising that this is a dilemma faced by all researchers as participants, but aware of the time constraints I faced in the primary task of completing my thesis, I made the decision to not return after completing an internship that I had already taken a break from volunteering for. While I also felt that I had reached a point of theoretical saturation in attending credit union public events, I still continued to attend these well into my writing up phase as they were relatively infrequent. I also thought that it useful to maintain a presence within the sector to retain the contacts and relationships that I had developed throughout fieldwork.

Reaching a point of theoretical saturation while conducting interviews was more difficult. On a couple of occasions, I felt that I had gathered and exhausted the different perspectives and interpretations of events. However, every so often, I would conduct an interview that shed new light on events, or from which a new theme could be discerned. However, of the 101 credit unions in Scotland (at the time of conducting fieldwork), I had not intended to conduct interviews with all of them, and as my unit of analysis is at the sector level, interviews with every credit union and all stakeholders was never part of my research strategy. Based on this, I concluded interviews when I felt that I had enough data to understand the structures and causal mechanisms at work in the sector to provide an explanation of events taking place. From this, I was able to create a coherent argument based on the reality that I had understood (Olsen and Morgan, 2005), despite knowing that there were likely to be other perspectives and interpretations that I had not heard.

4.4.1 Data analysis

To aid in the analysis of semi-structured interviews, I recorded the audio of all formal interviews except for those that were carried out by telephone. In these instances, I explained that I would be taking notes. Interviewees maintained an awareness of this throughout each interview, allowing me to take a detailed record of the conversation. While conducting more informal, unstructured interviews (such as when I was being shown around offices), I tended to take a few short notes during and then write up in more detail immediately after leaving the field. I transcribed fully as soon as possible after each interview and was able to supplement transcripts with my own notes and reflections from interviews, particularly where these also involved participant observation. This enabled an iterative approach to data collection as I could follow up on emerging themes and select participants based on gaps in my data.

I kept a diary throughout the research process, in which I took notes while in the field, after leaving the field and generally throughout the data collection process to note observations, as well as ideas and reflections. On a weekly basis, I typed up notes from my field diary containing data from participant observation, and again, used these notes to inform future data collection.

Transcripts were colour coded by hand. Codes were based on themes that were informed by the three research questions. Coding was used to highlight and differentiate between data relating to influences on the credit union sector; issues relating to viability; and where values were referred to. From here, coded data was collated in a word document and grouped. For example, a heading was created for regulation, and data discussing the impact of regulation was listed here. A number of these groupings in the analysis phase became headings in the thesis. Reviewing the content building under these headings enabled me to spot common topics and interpretations emerging, and also to begin to identify new themes. The Credit Union Expansion Project became an emerging theme for which a heading was created early on in the research process. This was possible because of the iterative process that I had developed, and meant that I could quickly spot new themes and seek further insight as I progressed through data collection.

The same codes were used for document analysis. However, coding could be challenging for this research method. In situations in which whole documents were written about a code, I analysed the documents by considering the overarching purpose of the document and identifying points that I felt either challenged or supported my other data. These documents were also useful sources of background information.

In creating a series of categories, my notes transformed into a rich source of data. Data from different sources was compared throughout the research process to test my theoretical understandings (Lee, 2012). This meant critically examining my notes and transcripts, and through my own reflections, deciding which information could be classed as relevant and valid, as well as the information that my other data suggested did not truly reflect reality (ibid). I endeavoured to take an iterative approach to data collection, by familiarising myself with the emerging evidence and using this to inform my research strategy.

4.4.2 Ethical considerations

Ethical approval for this research was granted by the University of Glasgow in April 2015. This was early in the research process as I was keen to begin the data collection phase as soon as possible due to having little previous practical insight into credit unions. I therefore considered possible ethical implications at an early stage. The sector in Scotland is comprised of a number of agents who have been involved in the sector for a considerable period of time. These agents in particular are well-known and have well-established social connections. While recognising that these individuals were likely to act as key informants, I was equally interested to engage with agents who were new to the sector and could provide a different perspective. In each of these cases, I was aware that this could create sensitivities during the empirical sections of this research.

While the credit union movement in Scotland on occasions exemplifies cooperation, there are also divisions. As one interviewee described to me, ‘for a sector that’s often described as a movement, at times I’ve never met a more parochial and fragmented and judgemental bunch’. In light of this, I decided to offer anonymity to all interviewees. This was for practical reasons, as well as ethical issues. I was concerned that if I did not offer anonymity, agents would be reluctant to give me the kind of in-depth insight that I was trying to access in interviews. Interviewees were provided with a plain language statement, providing background on the project, and a form to sign to demonstrate informed consent.

However, there were drawbacks to providing anonymity. Using a critical realist approach creates a focus on social relations and the research methods were therefore selected to explore social interactions. The identity of agents, and how they are situated within a system, is important for understanding the nature of relationships (Cronin, 2017). As is noted by Hodgson (2015), the nature of social relations impact on how agents think and behave. Providing information on the identity and background of interview participants would have been able to create useful context. I also considered whether to anonymise local authorities. However, this would have made much of my empirical evidence less impactful. Furthermore, the information I was sharing was not confidential (some of it was already in the public domain) and could be of benefit to actors involved in the credit union sector. Managing the balance between collecting in-depth data and conducting rigorously ethical research, while seeking to include relevant context that could enhance impact, led me to seek permission to refer to Cambuslang Credit Union by name, where I had conducted significant participant observation.

This also created difficulties in writing about some credit unions in the empirical chapters. There are a number of relatively small, community-based credit unions in the Greater Glasgow area. In describing these credit unions, anonymity can be easily assured. However, for credit unions outside of this area, adequately describing the credit union while retaining anonymity proved more difficult. In light of this, the role of the person being quoted is noted along with only basic information about the credit union in Table 4.2. For interviewees not working within a credit union, their role is noted and where relevant, the geographical scale of their involvement is also provided.

Credit union events I attended as part of my observations tended to be attended by a large number of actors involved in the sector. For this reason, it would have been impractical to have asked each attendee to explain my research and ask for their consent to participate in the research. This was also the case at Cambuslang Credit Union, where I sought permission from the General Manager. As I had not received permission from the majority of attendees while conducting participant observation, I tended not to focus on the views of individuals while collecting data. Instead, I focused on the dynamics and relationships that I was witnessing, as well as making note of the key topics of discussion.

4.4.3 Reflections on research design

Despite knowing little about the credit union sector before I began my PhD, it was still the case that I approached this piece of research with a set of beliefs and preconceived notions that have been present throughout data collection and shaped my analysis (Lee, 2012). By immersing myself in the sector from as early a stage as possible, I attempted to maintain reflexive and critical throughout the research process, by attending different types of events, listening to different voices, and being aware of the underlying structures and mindful of the role of agency. Throughout the research process, I made an effort to stop and take time to reflect about my actions as a researcher and the active role that I have in the research process, and subject this to the same level of 'critical scrutiny' that I applied to the data that I was collecting (Mason, 1996: 6). While collecting data, particularly among the smaller credit unions based in more deprived areas, I was very aware of my own positionality in regard to socioeconomic status and not being from the area. Throughout interviews, I remained open-minded and empathetic to the challenges facing credit unions and spent time during the interview to hear about some of the history of the local area and the evolution of the credit union. Using participant observation and semi-structured interviews provided an opportunity to collect data that could build situated knowledge (Rose, 1997). While recognising that no research can have complete or absolute knowledge of a research setting, this approach did enable a deeper understanding of context, which supported my ability to be reflexive and understand my own positioning within the research process.

While conducting participant observation, my role as a researcher shifted between both actively participating and primarily observing. Volunteering at Cambuslang Credit Union necessarily meant that I had to participate in my role as a teller. Although becoming a part of the object of study, I felt that I was still able to retain enough critical distance from the other volunteers and the staff at the credit union. Although everyone at Cambuslang Credit Union was aware that I was a PhD student researching credit unions, when I first started volunteering, I was still not yet familiar with the culture, values, history, and standard operational procedure of the credit union sector in Scotland. Enhancing my basic understanding of how credit unions operate became my first priority. Indeed, this was ultimately why I had started observational field work earlier than I had originally planned. As I became more accustomed to credit union practices and values, I attempted to keep a more critical distance and observe the kind of structures and causal mechanisms that both reproduced and, at varying rates, influenced and transformed the credit union sector. For this, I adopted a retroductive approach that identified key events and then worked backwards to investigate the role of structures and agency that enabled these events to take place (Easton, 2010).

During observations in which I was primarily observing, I attempted to adopt a more critical perspective. However, it still proved impossible to maintain a complete sense of critical detachment. Furthermore, it was clear that my presence, particularly while being shown around offices, created an 'observer effect' that undoubtedly impacted on the data that I was collecting (Saunders et al, 2012). At larger conferences and even events organised by academics working in the sector, I felt a perceptible change in atmosphere in some interactions after introducing myself as a PhD student, and felt that I was thought of as an 'outsider'.

At credit union events, I received a number of suggestions as to who I should interview and met a number of gatekeepers and key contacts that were able and willing to facilitate interviews. Beyond suggestions of who I should interview, I had a range of interactions with agents involved in the sector. On occasions, I perceived that some agents were deliberately being evasive. While at other times, I was able to participate in some casual gossip at sector-wide events. A number of agents have been active in the sector for a number of years, some of whom are even founders of credit unions or early proponents of the movement in Scotland. It proved highly useful to engage with these agents as they took on the role of key informants based on their 'expert' knowledge of the sector. However, it also created some difficulty at public events early on in my research as I was an unknown face, had no contacts in the sector to help gain access and was still getting to grips with how credit unions work and how the sector in Scotland operates. Yet as I attended more events, I became more familiar, which in turn seemed to engender greater trust as I got to know several key agents in the sector. This led others in turn to become less wary of my presence, and proved fruitful for creating opportunities for interviews. This may also have contributed to the collection of more reliable and valid data as I became a more familiar presence, thereby moderating the 'observer effect' (Saunders et al, 2012). Furthermore, the high number and frequency of public credit union events provided an opportunity to develop a more rigorous analytical approach by enabling sufficient time to immerse myself in similar settings with the same groups of people to develop a more complete understanding of the social dynamics within the sector.

4.5 Conclusion

This chapter set out the methodological approach that was selected in pursuit of addressing the central aim of this research and provided a reflective account of the process. A critical realist ontology guided the research process and informed the research methods selected based on the research questions set out in the Introduction. Three qualitative research methods (document analysis, semi-structured interviews and document analysis) were used as a means of investigating the social structures and causal mechanisms that shape the credit union sector in Scotland. These were selected in order to fulfil the aim of this research, which is to explain the changes taking place in the sector. Using this methodological framework, the following chapters set out an empirical analysis in synthesis with the conceptual framework set out in Chapter Two and the key literature as outlined in Chapter Three.

5. Shaping the Trajectory of the Credit Union Movement in Scotland: The Influence of the Political Economic Environment

5.1 Introduction

As is demonstrated in Chapter 3, leadership in the credit union sector in Britain has been generally weak, especially in comparison to other movements internationally in which powerful agents have facilitated expansion. In Britain, the gap created by a lack of leadership has been filled by a strong governance role from the state. This top-down approach has been posited as providing some explanation as to why growth has been slow in Britain (McKillop and Wilson, 2008: 10). Compared with England and Wales, this is arguably less so the case in Scotland (Ward and McKillop, 2005). However, it could equally be argued that there is a large degree of geographical variation within Scotland in regard to the key governance agents shaping the trajectory of the sector. As will be demonstrated in 5.3, the movement emerged in Scotland in Glasgow and the West as a grassroots venture, yet the state at a local authority level played an important role in the emergence and expansion of the movement in other areas.

The role of the social economy 'ultimately depends on the economic, cultural and institutional context in which it develops' (Amin, 2009: 11). As set out in Chapter 2, context is particularly important for alternatives as they are locally constituted. Jonas (2013: 30) argues, 'alternative social enterprises actively embed their unique social and political values in specific institutions, laws, rules, places and regions'. In recognising the significance of the wider political economy, the purpose of this chapter is to explore the ways in which the economic and political landscape is influencing the trajectory of the credit union movement. The focus here will be post-crisis. However, the chapter adopts an evolutionary approach to understand current change within the historical context.

This chapter will begin by briefly outlining the role of trade associations within the sector, arguing that these organisations can act as 'gatekeepers' that influence the nature of the relationships between credit unions and other actors. Following this, the chapter will focus on the role of mainstream agents in shaping the trajectory of the credit union movement. 5.3 will outline the role of the state and the changing relationship between the state and the credit union sector during different phases of neoliberalism. This section will primarily draw on evidence from the academic literature to build an evolutionary understanding of the development of credit unions in Scotland. 5.4 contends that post-crisis a new phase of neoliberalism has emerged, and the impact of this on the credit union sector will be explored. This section will focus on the role of the state at a national level in terms of key policy objectives, as the role of local government will be looked at in more detail in the next chapter. Section 5 will investigate the role of other actors in shaping the credit union movement, including religious institutions and the mainstream financial services sector. The impact of the post-crisis evolving political economic environment will be explored in the final two chapters of the thesis, by considering the influence on credit union viability (Chapter 7) and the evolving values of the sector in this changed context (Chapter 8).

5.2 The role of trade associations

External funding and policy interventions in the Scottish credit union sector are commonly delivered through trade associations (Lee and Brierley, 2017; Tischer et al, 2015; Interviews S and T). In light of this, trade associations can act as gatekeepers and have a pivotal role in shaping the movement. This section provides an overview of the key trade associations operating in Scotland, and the role of these bodies in working with a range of governance agents to shape the trajectory of the movement.

Credit unions in Scotland are primarily represented by two main trade bodies: the Association of British Credit Unions Limited (ABCUL) and Scottish League of Credit Unions (SLCU). ACE Credit Union Services and UK Credit Unions (UKCU) also represent a small number of credit unions. The role of these bodies is to support the development of member credit unions. Larger associations tend to also have a lobbying role. At the time of writing, 30 Scottish credit unions are members of the SLCU, representing both urban and rural credit unions (SLCU, 2018a). The SLCU describe their key strength as:

> ‘supporting community-focused credit unions, at whatever stage of development is deemed appropriate by the members of each credit union. We recognise and respect the different needs and aspirations of individual credit unions and we do not seek to impose any particular model or development path’ (SLCU, 2018b).

Table 5.1: Data table highlighting themes in Chapter 5

Code	Theme(s)	Data
Regulatory framework	Regulation of credit unions viewed negatively – regulators lack of understanding of sector and limiting the aspirations of the sector	‘These proposals will kill the aspirations of all the big credit unions in Britain. There is nothing additional in the new regulations to allow us to do anything more, but there’s plenty that will stop us from doing what we’re currently doing in many respects. And also developing. So I am pessimistic about the future at the moment because the Prudential Regulation Authority has a history of consulting but not listening to consultations’ (Interview E). Regulation is disproportionate and resulting in more mergers. Don’t like being regulated by Bank of England. Banking industry collapsed in 2008, and belief that credit unions will be brought down next time. Should be regulated separately (notes from Interview V). Financial regulators work on the basis of ‘everyone’s a bank’. Lobbying role required to remind regulators that credit unions are not banks. Regulator creates hoops to jump through (notes from Interview N). ‘I think certainly in this case, the PRA has come up with some looney tunes proposals which come from a place which are other than helping the credit union movement so we’ll see what comes out of this’ (Interview J) ‘The PRA and the FSA they’re terrible, they don’t know about credit unions, they don’t know about how they work about credit unions, they’re terrible, honestly

		they are. It's not credit union people in there, they should have somebody that knows about them' (Interview T)
CUEP	Disappointment, lack of trust, growing division in sector as a result of project	At end of ABCUL's talk, question asked about CUEP. Questioner looking for update and finds it 'strange' that there has been no mention of it at the meeting so far. ABCUL employee responds with saying that they felt it best that CUEP was not focus of the day, that it had been discussed a lot recently and that they do not wish it to eclipse other work going on in the sector. Noted and set out justification for reason why CUEP is behind schedule (complex project, timescales set out at beginning of project were highly ambitious, transformation of this scale takes time. Feeling of tension, and sense that response has not assuaged doubts in the project (field notes diary, 9th December 2016). 'There is a certain issue, where to sign off the Cornerstone contract, you had to get ABCUL to approve your annual business plan. So we're here to serve our members and respond to their needs. So there's a slight conflict in there' (Interview E). Wanted to become part of Cornerstone, but did not have opportunity, ABCUL said no. Seems to be aimed at bigger credit unions. Working on IT platform, to be viable need to have 5000 members. Controversy as huge amount of money has been made available, but at the end of 2.5 years, what are the majority of credit unions seeing as coming out of that? [Credit union] won't get anything out of that. CUs benefiting is

		limited to those that are signed up. People in the sector knock it because of slow progress. Frustration at not seeing benefit of such a big investment, such a long time gone past. Brilliant that DWP wanted to get involved and support CUs, but real frustration at lack of results (notes from Interview N). 'I actually don't think they should dabble in anything to do with DWP, with government funding at all. I think it means you are no longer a financial co-op if you do… it's government manipulation, it's doing their dirty work' (Interview O). 'There's a lot of people that want it to fail, not a lot, some people want it to fail. And would like it to fail' (Interview J).

ABCUL affiliated credit unions cover Great Britain, and include 50 Scottish credit unions (ABCUL, undated a). They describe their role as providing 'a full range of advice, training and development services to help our member credit unions grow as sustainable, thriving financial co-operatives' (ABCUL, undated b). In 2013, it was announced that ABCUL a DWP contract of up to £38 million to deliver the Credit Union Expansion Project (CUEP) with the stated aim to 'modernise and grow the credit union industry to help more people on low incomes' (Department for Work and Pensions, 2013). In February 2012, Cornerstone Mutual Services was established as a trading subsidiary of ABCUL designed to 'take on the development of the more commercial aspects of ABCUL's credit union development strategy' (Cornerstone Mutual Services, 2012). The funds awarded to ABCUL from the Credit Union Expansion Project are being channelled through Cornerstone Mutual Services with the intention that credit unions, regardless of trade body affiliation, should be considered for participation in the CUEP. It is expected that CUEP funding will facilitate the creation of centralised back offices services and online services that will 'transform' the credit union sector (Interviews J and L).

Outside of the main trade associations, at the time of conducting research, four credit unions in Scotland are members of ACE Credit Union Services and a further five credit unions are members of UK Credit Unions (UKCU), both of which are UK level trade associations. While some of the larger credit unions in Scotland have no affiliation to a trade body, one is an had been awarded associate member of the Building Societies Association, which it joined in order to receive support on the provision of mortgages (Interviews E and P; Interview H).

The two major trade associations in Scotland, ABCUL and SLCU, are perceived as broadly promoting the 'new' and 'old' model[7] respectively (Goth et al, 2006; McKillop et al, 2007; Tischer et al, 2015). This distinction has been promoted largely by 'new' model credit unions, and other proponents of the model, who use this typology to suggest that the model is better suited to meeting the needs of modern day consumers and necessary for long term sustainability. ABCUL's promotion of the 'new' model has been described as 'a move that received both the support of Government and of municipal authorities' (Jones, 2008b: 19).

The SLCU portray the key difference in approach as ABCUL promoting a set model, which they encourage their affiliated credit unions to adopt (Interview Y). Whereas the SLCU encourage their affiliate credit unions to create their own vision, and their role is to provide the support to achieve the aims identified by each member credit union (Interview Y). The existence of four separate trade bodies that represent often contrasting beliefs of what credit unions are and should be, has been argued to have created a degree of 'tension' (Interview E). This tension has permeated throughout the sector and has implications for cooperation.

Representative bodies have been described as cooperative extensions of credit unions, as they are governed and funded by member organisations (Interview J). However, through the years, these associations have grown in size and resources as the sector has expanded. This has provided trade bodies with higher levels of influence and lobbying power, which has been of benefit to the sector (Jones, 2008b). However, due to the increase in size and resources of trade associations in their current form, it could be contended that some of these organisations are

[7] The 'old' credit union model refers to the traditional (and still popular) form of credit union in Scotland. These credit unions tend to be relatively small in terms of membership, with a narrowly defined community common bond. 'New' model credit unions tend to have ambitions for growth, have a professional paid staff, offer a greater range of products and services, and seek to offer a more 'professional', business-oriented service, which is perceived to be necessary for long term viability.

now more removed from working with individual credit unions, and instead can be thought of as organisations operating on behalf of the sector but also with their own agenda.

ABCUL is the most outward facing trade body, and plays an important role in representing and shaping perceptions of the credit union sector in Scotland. The role of their association has been described as 'twofold' in that, like other trade bodies, they provide membership services including training, support and guidance to credit unions. However, unlike other trade bodies, they also place a much greater emphasis on advocacy for the credit union movement 'by pushing credit unions' interests' with a diverse range of public and private stakeholders to seek to raise the profile of the movement (Interview J). The advocacy role that ABCUL provide externally is contentious within the sector. As the largest trade body representing the majority of credit unions, ABCUL tend to advocate on behalf of the whole sector. There have been concerns over the degree of external influence that ABCUL cultivates, particularly in terms of public sector initiatives that the sector has been linked to and some credit unions have been involved with. ABCUL defend this role by arguing that they are promoting the role of credit unions, and if they did not lobby for credit unions, then the funding would be offered elsewhere to the detriment of the sector. As one interviewee noted:

> 'It's… the whole challenge of what the advocacy work is. Because you have to, I've said we're a very small sector, so whether it's the media or politics… [in] both cases they already have an agenda, they already have a list of things that they're looking to push or promote. In order for you to be part of that you have to hook yourself to one of those. I think that's been the challenge and it's the challenge again with credit unions. They will sometimes object to the way that we're pitched. But we have to pitch ourselves in such a way that we get attention. And if something is happening anyway, we're either part of that or we stand back and let someone else do it. And if you stand back and let someone else do it, people don't come back to you next time.' (Interview J)

It is clear that credit unions have had considerable funding to grow and develop the sector over the years, and the lobbying of ABCUL has shaped the policies through which funding has been delivered. The same level of funding has not been provided to other financial alternatives. In one example, this was attributed to a lack of engagement with the state, as one interviewee noted: ‘ten years ago or so when the Scottish Government particularly was giving out a lot of money to help aid financial inclusion… I don’t think the [alternative financial provider] here made them aware of what they did’ (Interview I). This is despite the interviewee’s strong belief that the funding would have been useful (ibid). Furthermore, the model of the alternative financial organisation made reference to here may have been better suited to tackling financial exclusion compared to credit unions, as it is not a cooperative (and therefore deals with customers) and has traditionally had a strong philanthropic element. This organisation has since ceased operations. While ABCUL’s role in securing external funding is contentious, its role in lobbying for fair and proportionate regulation in the sector is generally welcomed and perceived as playing a vital role in providing a robust response to regulatory consultations to the benefit of the sector (Interview D).

ABCUL has used a sophisticated approach in dealing with the media and lobbying government that continues to evolve through political change, as part of a broader aim to raise the profile of credit unions. An employee of ABCUL explained:

> ‘If [journalists] come to us and say is there a credit union angle here, we either say no and don’t get a story or we say yes and get some attention to credit unions which helps us build our profile. That’s the challenge, it’s the same challenge with Government. If the Government have a particular line, we have to find a way of matching that. For example, when Labour was in power, we got a lot of good stuff out of Labour. Labour’s priority as you might imagine was all about strengthening some of the most deprived communities around the country. It was about addressing poverty, it was about building people up, giving them a platform with the strength and opportunity that comes from financial inclusion. So our pitch had to be in line with that. I think it was different with the Tory Government, they adopted a different approach of Big Society’ (Interview J)

Jones’ (2008a) research suggests that affiliated credit unions welcomed and valued the close relationship that ABCUL had developed with state agents, particularly at national levels. However, this was during a period in which a Labour government was receptive to ongoing investment in the sector. This changed from 2010 with the election of the Conservative-Liberal Democrat coalition government and the Big Society ideals led by David Cameron, that was once again strengthened in 2015 by the election of a Conservative government. From this period, the relationship between national and local government and the sector changed in that expectations of the role of credit unions remained, specifically around addressing policy concerns such as financial exclusion. However, as will be explored in Chapter 6, the funding that had previously been attached to support credit unions in tackling these issues can no longer be taken for granted (Interviews A and E). The geographical impacts of austerity have been uneven, and it is clear that local authorities covering more deprived areas have taken the greatest financial hit (Beatty and Fothergill, 2014).

In order to retain a close relationship with government and its positioning as the central organisation representing the credit union sector in Britain, ABCUL's approach has evolved in line with the changing political landscape (Interview J). ABCUL appears to have acted pragmatically to progress its core aims, which has had implications for credit unions. In 2015, ABCUL were quoted within a report by the Financial Inclusion Commission (2015: 33) as noting:

> '[c]ontinued subsidy and revenue support has not only stunted the credit union sector's development but it has also left the sector vulnerable to the withdrawal of support'.

Some agents within the credit union sector would likely refute the assertion that funding has had a negative impact. Indeed, it could be contended that financial support has been crucial for the strategic development of the sector, and to enable the provision of some of the highest impact products and services (Interviews K and Q). However, the dangers of forming a reliance on funding is also widely recognised in the sector (Interviews E and T). As will be outlined later in this chapter, ABCUL is delivering the £38 million Credit Union Expansion Project that aims to set the conditions for enabling the self-sustaining autonomy of the credit union sector, while still providing services to consumers unattractive to mainstream organisations.

5.3 'Roll-back' neoliberalism and the role of credit unions

Credit unions in Scotland first emerged in the 1970s (Interview J). The broader context at a national level during this period was of economic crisis, from which Britain emerged with 'profound changes in the political economy' (Froud et al, 2010: 25). Chapter 3 notes that the 'chief political function' of this crisis was to insulate markets from the influence of democratic government through privatisation, market-oriented reform in the public sector, deregulation, and the creation of new regulatory bodies outside of the realm of democratic governance (Froud et al, 2010: 25). This served an important role in facilitating the integration of global financial markets (Christophers, 2016). During a time in which democracy in the financial services sector was diminishing as a result of processes attached to neoliberalisation (Froud et al, 2010), credit unions emerged as an alternative to the mainstream. The movement formed a sector of democratic, accountable and inclusive financial institutions that operated according to collective social need. These values have become increasingly at odds with those of the mainstream in financial services.

In the context of neoliberalisation and financialisation, ‘the commodification of everything has sharpened the sting of inequality by making money matter more’ (Sandel, 2012: 9). Credit unions have enabled greater access to capital, allowing lower income groups to economically function in a market economy. However, in the early stages of the movement, credit unions remained in the margins and were portrayed as primarily a ‘poor person’s bank’ (McKillop and Wilson, 2015). This came as a result of the wider political economic environment. Jones (2008a: 2142) notes that in Britain, ‘the experience of poverty, particularly during 1980s and 1990s… motivated hundreds of volunteers to establish local community credit unions as a solution to the financial needs of the poor’. McKillop et al (2010) also contend that government initiatives, examples of which will be set out in this chapter, added to the perception of credit unions as for the poor and financially excluded. Consequently, the reach of credit unions was concentrated within lower income communities (Jones, 2008a) in response to exclusion from mainstream financial services (see Aalbers, 2009), which had a strong geographical dimension.

The credit union sector in Scotland began as a small grassroots initiative within low income communities as a means of providing a safe place to save and affordable access to capital for the economically marginalised. One interviewee argued that in Drumchapel, where the first credit union was founded in Scotland, as well as in other parts of Glasgow, there were ‘frankly horrific levels of deprivation’ (Interview J). Credit unions have used cooperation as a means of managing risk among low income groups and empowering members by promoting financial inclusion (McKillop and Wilson, 2015). The movement in Scotland took inspiration from the sector in Ireland as a grassroots means of tackling deprivation (Interview J).

From an initial grassroots movement, local authorities in Scotland began to recognise the impact that credit unions could have in tackling financial exclusion, which was believed, and still is, to have a knock on effect in tackling other social issues (Interview A). A local authority employee noted:

> 'we recognised as a council… quite quickly that credit unions had the potential to have a serious impact on financial exclusion in Glasgow. With financial exclusion, I think it's inextricably linked with social exclusion, the two of them go hand in hand. Then we had to get them to some sort of scale and get them to a level whereby more people would use them, more people would see them as an option, so they had the capacity to service more people' (Interview A).

This demonstrates the council's commitment to enable the expansion of credit unions as a means of tackling financial and social exclusion. Through this, credit unions have been able to benefit from funding and in-kind support. For example, since 2003, Glasgow City Council has offered credit unions as standard 100% non-domestic rate relief on premises (Lee and Brierley, 2017).

With support from local authorities, the principles of the movement and the potential social benefits gradually spread from where it emerged in Glasgow and the West as a grassroots movement to throughout Scotland. For example, the first credit union in Fife was founded in 1988, with Fife Council playing an instrumental role in establishing the movement in the area and training volunteers (Interview B). The council has employed a dedicated Credit Union Development Officer since 1988 (Interview B). The first member of staff in this role was recruited from the movement in Glasgow (ibid). In the early stages of the sector, it could be contended that credit unions have been perceived by local authorities as an inherent positive in the community. The spread of the movement was encouraged based on this, with a central aim being simply to offer as many communities as possible access to a credit union. Since this period, local authority support for credit unions has generally been ongoing, by providing grants and in-kind support such as discounted rent and rates, training for volunteers, and in some local authority areas such as Fife, a designated credit union development officer with a remit specifically to support local credit unions (Interview A; Interview B; Lee and Brierley, 2017).

At this stage, the interactions between credit unions and the state took place primarily at a local level between credit unions and local authorities. Although the earliest credit unions began as grassroots, locally-constituted enterprises, local authorities sought to geographically expand the movement by supporting the establishment of credit unions in other areas. During the 1980s and 1990s, the credit union movement expanded rapidly as a result of the interventions of local authorities (Jones, 2008a: 2142). By 1999 in Britain, local authority intervention meant that '83% of community credit unions had been formed with local authority support' (Birchall, 2013: 59). Despite this early intervention, Jones (2008a: 2142) argues that the early development of credit unions in low income communities had been disappointing as low membership members meant that these credit unions remained small and financially weak. This 'top-down approach' has been criticised for creating a 'less than self-sufficient movement' and forming a dependency on the state from an early stage both in terms of funding and support through locally funded development agencies (McCarthy et al, 2001: 47-48).

The early development of credit unions was also limited by an inappropriate institutional framework. Credit unions were provided with a 'clear legal basis' through the passing of the Credit Union Act in 1979 (Birchall, 2013: 59). However, this first piece of legislation specifically pertaining to credit unions was arguably late in its arrival considering the first credit union in Britain was founded 15 years previously (Baker, 2008). The delay of dedicated legislation has been 'at the centre of claims of why the credit union movement in the UK failed to take-off' (Baker, 2008: 303). The Act has also been criticised as being overly restrictive, thus inhibiting credit union growth (Sibbald et al, 2002; see also Jones, 2008b; Ward and McKillop, 2005 and Baker, 2008). The restrictive nature of this legislation was partially due to the inclusion of a cap on loan interest rates that meant that credit unions could charge a maximum of 1% a month (Baker, 2008). Nevertheless, Fuller and Jonas (2003: 58) suggest that the 1979 Credit Union Act set the conditions for the 'present structure and philosophy of the credit union movement in Britain', by demonstrating clear linkages with the cooperative movement and requiring attributes such as the common bond.

In 1996, a Deregulation Order was passed, easing some of the restrictions on credit unions that had hindered their expansion (Sibbald et al, 2002; McCarthy et al, 2001). This was 'generally welcomed as a step in the right direction' but was again criticised for not going far enough (Baker, 2008: 304). At the same time in the UK, significant deregulation in financial services more broadly was enabling and encouraging a growing shift towards markets and enabling new freedoms for mainstream financial service providers. The slow and restrictive institutional environment that credit unions were situated within demonstrates clear support for market-based mainstream financial services at the expense of alterity and diversity within the financial services sector. This period of roll-back neoliberalism from 1979 until 1997 arguably could have been a period of much greater expansion for credit unions in Scotland, against a backdrop of industrial decline, welfare reform and growing financial exclusion from mainstream financial services (Davis and Walsh, 2016; Coppock, 2013).

5.3.1 'Roll-out' neoliberalism and the role of credit unions

By the 1990s, roll-back neoliberalism appeared to have become politically unsustainable (Peck and Tickell, 2002). However, instead of state agents seeking a more paradigmatic shift away from neoliberalism as the dominant ideology informing the political and economic approach to governance, governments (from the centre left as well as right) developed new forms of neoliberalism. As termed by Peck and Tickell (2002), the earlier dismantling of the state and welfare system of 'roll-back' neoliberalism was replaced by 'roll-out' neoliberalism in which the state sought to construct a new role for itself in shaping society (see Chapter 2). The election of the 'New Labour' UK Government in 1997 marked a shift to third way politics, which retained a neoliberal underpinning but adopted a 'social justice' element (Driver and Martell, 2000). This meant a new role for the state to strengthen the neoliberal values within a market society, which could become embedded within, instead of excluded from, the neoliberal system. The social economy had an important role in this. Specifically, it was hoped that credit unions as ethical financial organisations would support communities to help build the financial literacy and other capabilities required to participate in the market economy. In addition, credit unions could provide a financial service to those unattractive to, and excluded from, the mainstream.

Finlayson (2009: 400) contends that New Labour's approach redefined the concept of social justice, by seeking to increase levels of social and financial inclusion as a means of enabling the 'opening up of routes through which a variety of state and non-state agencies may act directly on individuals with the aim of remaking them into people who will be willing and able to care for themselves in an open and financialised economy'. The emergence of the New Labour government did not mark a withdrawal of the state, but instead redefined its role through a policy agenda purported to be based around social justice and inclusion (Finlayson, 2009:

404). Although this was still framed within a mainstream perspective, which continued to promote the role of markets. Through this, Finlayson (2009: 403) argues that:

> 'This is not simply a matter of how national governments are complicit with 'global capital', securing its ideological legitimacy at the level of the subject. It is also how government reinvents and establishes new roles for itself, in the context of the reallocation of risk from collective to individual and the delegitimisation of interventionism'

Instead of focusing on the redistribution of wealth that would have been the purview of the Labour Party more traditionally, the New Labour government prioritised inclusion, by means of access and capabilities, to engage in labour and financial markets (Finlayson, 2009). This approach created a system of 'social justice' that shifted focus onto the individual, creating a sense of aspiration and opportunity in an ostensibly socially mobile society.

Credit unions have been identified as a key means of accessing lower income communities through their physical presence in more deprived areas. From 1997, credit unions became of interest at a national level as part of government strategy to tackle financial exclusion (Fuller and Jonas, 2002). This created new opportunities for funding aligned to policy objectives (Jones, 2008b) as an approach that has since continued. There remains a belief within government that credit unions 'have an important role to play in the provision of affordable credit' because of their linkages with low income communities and areas of high financial exclusion (Goth et al, 2006: 1). Sinclair (2014: 407) argues that '[s]uccessive UK governments have identified credit unions as potential providers of financial services in deprived communities and introduced several measures to assist them fulfil this role', with the first being the formation in 1998 of the UK Treasury Credit Union Taskforce.

The initial phase of state-led credit union expansion was deemed to be disappointing in terms of having a real impact on tackling financial exclusion. In light of this, Labour governments encouraged credit unions to professionalise to better serve lower income groups. At the same time, however, it was widely recognised within the sector that to be able to have a wider social focus and successfully make an impact on financial exclusion while remaining viable, credit unions had to attract a broader range of members on the socioeconomic spectrum (Interview R;

Sinclair, 2014). In 1999, the Credit Union Taskforce had already concluded that the traditional credit union model 'is far too small to be effective' in achieving their intended outcomes. It was recommended that the traditional loan policy should be changed, 'business management' skills should be prioritised, the role of volunteers should be supplemented by a core paid staff, premises should be become more visible in the community and changes to the common bond should be made to enable growth (HM Treasury, 1999). These recommendations adhere to 'new' model criteria and mark a significant change in direction from the approach taken by local authorities previously, which was to encourage the establishment of a series of small, community-embedded credit unions. This approach is still broadly the same in that credit unions are being encouraged to grow in size, and it has become increasingly difficult to form new credit unions. Constraints to the establishment of new credit unions could in turn limit the ability to create more alternative organisations, and enhance diversity of economic forms.

By creating 'new' model credit unions, it was (and still is) believed that failings in the early expansion of the movement could be resolved by relaxing the formal institutional framework to enable development in the sector and in turn, the ability of credit unions to provide services to the financially excluded (Jones, 2008a). Instead of developing a new solution to financial exclusion, Jones (2008a: 2154) argues that 'government sought a new strategic partnership with credit unions'. This has led to the promotion of the 'new' model credit unions in the literature, with Jones (2008a: 2144) citing Collard and Kempson (2005), Rossiter and Cooper (2005), the National Consumer Council (2005) and McKillop and Wilson (2003) as all concluding 'that the needs of the financially excluded were best served within strengthened new model credit unions'. Jones (2008a: 2145) also seems convinced by this conclusion noting that 'there is significant evidence that credit unions can succeed in prioritising the low income market so long as they have a robust commercial approach to development, have effective management systems in place and offer products and services that are attractive both to low income and moderate income consumers'. Collard et al's (2003, cited in Jones 2008a) research suggests that lower income groups prefer locally-based organisations for providing financial services due to ease of access and heightened levels of trust, but nevertheless still expect financial services to be delivered in a professional setting with highly trained staff. Furthermore, Jones (2008a) argues that credit unions *should* focus their attention on low income groups that are not a priority market for commercial banks based on there being 'little evidence that British credit unions are succeeding in the wider mainstream market' (Jones, 2008a: 2151). This suggests an underlying assumption that the social economy is solely for the economically disadvantaged, as opposed to an alternative that could potentially create an alternative beyond capitalism for the whole of society (Amin, 2009).

Much of the literature pertaining to credit unions has been influenced by public policy and frames credit unions as a means of tackling financial exclusion (see for example, McKillop and Wilson, 2008). However, Fuller and Jonas (2003: 65) argue that through the encouragement of the expansion of the 'new' model, credit unions 'are being groomed into a form of second-tier banking service' in order to enable mainstream financial service providers to 'continue to target the wealthier sections of society'. This is suggested by Fuller and Jonas (2003) to be in line with the trend towards fostering a sense of individual responsibility that can be supported by the social economy and enable the dismantling of collective state forms of provision.

Sinclair (2014), also, takes a more critical perspective on the ways in which credit unions have been co-opted into public policy as a means of tackling financial exclusion. He suggests that the high levels of funding both in Scotland and at a UK level leading to the emergence of 'small, marginal and barely viable community credit unions' has been a 'waste of resources' (Sinclair, 2001: 68). While recognising the policy shift from founding new credit unions to developing existing ones, Sinclair (2001) still seems unconvinced with the ability of 'new' model credit unions to achieve public policy goals. As financial providers that tend to exist in lower income areas, and comprise lower income groups as part of their common bond, credit unions are thought to be well-placed to tackle financial exclusion, and are assumed to have addressing poverty as a key priority. Based on the 'old' versus 'new' model typology, credit unions are theorised as either smaller community credit unions or larger employment-based credit unions. Sinclair (2014) argues that neither of these two models are geared towards tackling financial exclusion, as it is likely that they will not fall into the common bond of larger employment-based credit unions, while smaller community credit unions lack the capacity to provide the services that financially excluded households require.

It has been questioned whether the ability of credit unions to tackle financial exclusion has been overstated by local authorities and other public bodies. There is evidence to suggest that the proportion of existing credit union members who would otherwise be financially excluded is negligible (Scottish Executive, 2000). A Scottish Executive report notes that few local authorities have taken a strategic approach to the ways in which credit unions can be used for promoting financial inclusion and as such, 'there is a danger that local authorities and other public bodies overstate the potential of credit unions to solve the problems of financial exclusion' (Scottish Executive, 2000: 10). Despite New Labour's sustained intervention in the credit union sector as a means of tackling financial exclusion, it nevertheless remains a significant issue (House of Commons, 2012, cited in Sinclair, 2014).

5.3.2 Regulatory change under New Labour

In 2002, the credit union sector became part of the 'financial services regulatory revolution', by joining mainstream financial service organisations to come under the supervision of the Financial Services Authority (FSA) (Baker, 2008: 304). This enabled credit unions to benefit from membership of the Financial Services Compensation Scheme (FSCS), which was expected to enhance levels of trust, and increase the appeal of credit unions to a wider membership base (McKillop et al, 2010). The specific regulatory rules for credit unions were drafted in the credit union sourcebook, CRED, that also brought with it the two-tier classification system, categorising credit unions as either Version 1 or Version 2 (Baker, 2008). Version 1 credit unions are smaller and tend to be more community based, yet are more limited in terms of the value and time period for repayment of loans that they can offer (ibid). Version 2 credit unions are fewer in number, larger credit unions that face more stringent regulatory requirements yet are able to offer higher value loans (Baker, 2008; McKillop and Wilson, 2003). Creating a two-tier credit union regulatory framework was designed to allow regulation to be proportionate with credit union size to take into account the diversity of the sector (Lee and Brierley, 2017). However, Baker (2008: 305) highlights that the future of the credit union movement is believed to be limited to Version 2 credit unions as he writes that '[i]t is only from these Version 2 unions, it is submitted, that a long-term self-sustainable movement will emerge' (Baker, 2008: 305). Although the 'old' and 'new' models tend to be based on the characteristics of Version 1 and Version 2 credit unions respectively, actors from within credit unions may not necessarily identify with this typology.

State promotion of the 'new' model has arguably been perpetuated by the regulatory environment. The two-tier system has been contended to have given larger credit unions 'a competitive advantage' over smaller credit unions that are more restricted by regulation, enabling larger credit unions to compete more effectively with mainstream financial services (Tischer et al, 2015: 15). As is outlined in this chapter, government policy during the New Labour years, and subsequently, has promoted Version 2 credit unions that are believed to be more adept at tackling financial exclusion as a result of being larger and more professional. This has encouraged a number of mergers to take place within the sector, although this could have negative implications overall (Baker, 2008). For example, Baker (2008: 311) writes that it could threaten the credit union ethos as a 'self-help financial co-operative' as the two-tier split could result in 'self correcting' tendencies encouraging growth. Consolidation in the credit union sector does not necessarily deliver the intended outcomes as there is evidence to suggest that levels of service can decline following a merger, and that mergers alone cannot ensure sustainability (Baker, 2008). Furthermore, research conducted by Sibbald and McAlevey (2003) on the credit union sector in New Zealand suggests that there are efficiency gains to be made from economies of scale moving from small to medium size[8]. However, there is less evidence to suggest that there are efficiency gains from increases from a medium to a large size[9].

Later regulatory changes during New Labour governments included the cap on interest rates increasing from 1 to 2% per month in 2006 (Baker, 2008). Credit unions also became able to offer interest-bearing accounts and other savings products, and admit corporate bodies as members, while common bond requirements were relaxed (Lee and Brierley, 2017b). Baker (2008) argues that there have been both positives and negatives from the inclusion of credit unions into the financial regulatory regime. However, since 2000, Tischer et al (2015: 14) suggest that, 'all regulatory changes and government sponsored activity has had the sole aim of scaling up and professionalising the credit union sector so that the sector can provide alternative services to the public in an effort to increase competition in the landscape of retail banking'.

5.3.3 The Growth Fund

The Department for Work and Pensions (DWP) has traditionally taken the lead on government interaction with the credit union sector. In 2005, a £120 million Financial Inclusion Fund was announced, of which £36 million was allocated as a Growth Fund for credit unions and

[8] Small credit unions defined as total assets between $55,000 and $500,000, asset size of medium credit unions between $500,001 and $2,500,000 (Sibbald and McAlevey, 2003)
[9] Credit unions with assets over $2,500,000 (Sibbald and McAlevey, 2003)

Community Development Finance Institutions (CDFIs). As Jones (2008a: 2149) notes, the purpose of this Fund was to ‘expand lending in low income communities and to enable financially excluded borrowers to migrate from sub-prime loan companies into credit union or CDFI membership’. Participating credit unions received financial support from the DWP to enable the provision of smaller value loans to individuals deemed to be high risk from a mainstream perspective and thus encourage a growth in credit union membership. In terms of the targeted beneficiaries of this fund and the aims of the project including to build sustainability in the credit union sector, there are clear similarities in regard to the aims and expected outcomes with the Credit Union Expansion Project (see 5.4.1).

The Growth Fund can be understood as a means of the government influencing the credit union movement by encouraging the adoption of more professional business-oriented practices, as receiving funding necessitated the adoption of the ‘new’ credit union model (Chambers and Ryder, 2008). This included a shift from the traditional ‘old’ model lending policy that required a period of savings before members could apply for credit, as loans funded through this initiative were to be offered to new members instantly (Interview B). Evidence from the evaluation of the Growth Fund by Collard et al (2010) suggests that the Growth Fund was considered a success. Lower income groups benefited most from the Fund, while participating credit unions benefited from the interest payments accrued from loans and an increase in membership (ibid).

Chambers and Ryder (2008: 248) describe the Growth Fund as providing ‘a sort of start-up capital in order to encourage credit unions to expand and become sustaining’. By the end of the initiative, the cost of administering the Growth Fund totalled £40.8m (Collard et al, 2010). However, despite some success, the ultimate goal of providing capital to set the conditions for self-sustainability has not been accomplished. 60% of Growth Fund lenders interviewed by Collard et al (2010: 66) still ‘depended’ on grant funding to operate. Furthermore, Lee and Brierley's (2017: 20) research suggests that the Growth Fund created a situation in which the credit unions involved experienced a distortion in their loan book with high numbers of small loans, and a "disproportionate" increase in administrative charges to handle the processing of these loans.

From within the credit union sector, the Fund was met with a mixed response. One large credit union based in Glasgow pulled out of the Fund due to concerns that the initiative could be making some people's financial situation worse. There was concern over government funding facilitating individuals getting into (often further) levels of debt with very little consideration of their existing financial situation, or whether a loan was in the new members' best interests (Interview H). There was also concern within the sector that new members that were being encouraged to join a credit union to receive a funded loan disproportionately represented lower income groups that tended to be in financially precarious positions (Interview T). The sector as a whole has been attempting to broaden their membership base to attract groups from across the socio-economic spectrum to balance risk. Whereas, the Credit Union Growth Fund was designed to solely attract low income groups and specifically the financially excluded. This is clearly at odds with the strategy that a number of credit unions in Scotland have been attempting to adopt as a means of becoming independently financially viable.

Furthermore, a number of credit unions were reluctant to participate because the money would not be coming from other members' savings, which could in turn disincentivise repayment. One interviewee noted: 'people realised this is DWP money, [and therefore] they're not going to pay it back' (Interview A). Lending out other members' savings is believed to act as a key mechanism for encouraging a collective sense of responsibility and moral obligation that acts as an incentivise to repay loans (McKillop and Wilson, 2015; Ward and McKillop, 2005).

It should also be noted that the evaluation of the Growth Fund questioned the ability of credit unions to viably continue the provision of these types of loans at the interest rate cap at the time (2% per month) after the Fund ended (Collard et al, 2010). This later formed part of the evidence that led to the rise in the monthly interest rate to 3% per month. Although the evaluation recommended that an APR of almost twice this increased rate would be necessary to ensure a commercial return for credit unions providing this type of loan (Collard et al, 2010). The point is reiterated by Lee and Brierley (2017) who have suggested that even 3% a month interest rates could not support this kind of high risk lending, which is resource-intensive and has been shown to result in an increase of loans in arrears and bad debt. In comparison to mainstream institutions that through financialisation processes have come to exploit consumers (see Arestis et al, 2014), interest rates of 3% per month (42.6% APR) are relatively low. Modest increases should not impact affordability or create exclusion. Even taking into account recent restrictions that have capped what high interest lenders can charge in the UK, annual percentage interest rates are still at over 1000% APR (Jones, 2015).

It appears from this that as an 'ethical' lender, credit unions face restrictions that are preventing these organisations from becoming a viable alternative to high cost credit providers. This is despite government interventions that are attempting to support credit unions to enhance their social impact. Indeed, the fact there is now a similar level of funding being designed to achieve broadly the same aims, suggests that the Growth Fund has not been successful in creating a self-sustaining sector. The similarity of the Growth Fund to the Credit Union Expansion Project, which will be outlined in 5.4.2, is pertinent in the ways in which the state has encouraged the credit union sector to shift from their core focus and approach to fulfil public policy objectives in a way that has been identified as counterproductive to building the conditions for sustainability. The financial ability of credit unions to have a wider social role will be explored in greater detail in the next chapter.

5.4 The financial crisis and emergence of austerity neoliberalism

The financial crisis has been argued by Finlayson (2009) to have undermined New Labour's attempt to redefine the relationships between the state, the economy and individuals. This was intended to create 'an asset-owning society composed of responsible yet risk-taking, financially independent yet economically ambitious individuals' (Finlayson, 2009: 400). Significant state intervention was required to deal with the anomalous set of circumstances caused by the financial crisis. The run on Northern Rock, for example, has been described as 'deeply unwelcome' to the government, with the nationalisation of the bank characterised as a last resort (Gamble, 2009: 455).

The cost to the UK Government of buying banks and injecting the necessary capital to keep them afloat was estimated by the IMF to be £289 billion (Froud et al, 2010). The total cost of the bailout 'including undrawn guarantees and contingent liabilities' has been estimated as in excess of £1,200 billion' (Froud et al, 2010: 30). As the UK public sector deficit rose from 3 to 13%, the two major political parties in the UK agreed that 'large cuts in public expenditure and employment' would be required (ibid). The financial crisis and the political response to the crisis has been characterised as heralding 'an age of austerity and an emboldened form of hyper-neoliberalisation' (French and Leyshon, 2010: 2550). This served to change the focus of the crisis from the volatility of the neoliberal system and the implications of financialisation to a problem of government spending, that has been used to justify austerity. Indeed, the financial crisis seemed to discredit governments more than banks (Sandel, 2012). From 2010, UK Prime Minister David Cameron's emphasis on Big Society sought to further reform the relationship between the state and communities through narratives around social action, public service reform and community empowerment. However, this is argued to have been a 'ploy to cover a neoliberal-inspired fundamental withdrawal of state provision' in the context of austerity (North, 2011: 817). This involved a policy shift away from the previous Labour government's approach of centralisation towards shifting responsibility 'from the public sector, to social enterprises, community groups, the private sector and individuals and families' (North, 2011: 819). Although Big Society demonstrates a continuation of the underlying philosophy of New Labour in regard to shifting risk from the state to the individual (Finlayson, 2009), austerity has created a new spatial dynamic to governance.

For credit unions, the 2010 Conservative-Liberal Democrat government continued with a broadly similar approach to that of previous New Labour governments. This meant a focus on developing 'new' model credit unions, but with an even greater emphasis on creating a self-sustaining movement that could provide professional financial services to the financially excluded and other lower income groups lacking financial capabilities. The post-crisis political relationship with the credit union sector has been characterised as a 'reliance on the third sector to help manage austerity' (Lee and Brierley, 2016: 348). Lee and Brierley (2016: 351) highlight the two central influences on the credit union sector as the Credit Union Expansion Project and increasing the monthly interest cap from 2% to 3% per month to enable credit unions to more effectively compete with high interest payday lenders. Shifts in welfare provision, particularly the rolling out of Universal Credit, will likely also influence the credit union sector in the post-crisis political landscape. These themes will form the focus of this section.

5.4.1 The Credit Union Expansion Project

The Growth Fund that was established in 2005 by the New Labour government was designed to enable credit unions to adopt the 'new' model and eliminate the need for public sector funding and a reliance on (or indeed culture of) volunteer labour (Sinclair, 2014). The Fund came to an end in early 2011. Following this, a Credit Union Feasibility Study was published by the Department for Work and Pensions (DWP) in May 2012. The study brought together research demonstrating levels of financial exclusion and the impact of high cost money lenders, with an identified need from within the credit union sector for ‘change’ (Purtill et al, 2012),

Based on the assumption that banks would be unlikely to expand further into the low income market, the report identifies credit unions as the ‘only other realistic’ option for enhancing financial inclusion (Purtill et al, 2012: 6). The study estimates that as many as 7 million people could benefit from the expansion and reform of the credit union movement (Purtill et al, 2012). Assuming that the DWP’s interests in this regard are aligned with the credit union movement, the report identifies the key obstacles in regard to achieving these aims, by noting that the credit union sector:

> ‘has expanded with DWP support but their costs are high, some of their processes and their systems are not currently fit for your purpose, and a major programme of cultural and behavioural change would be required to achieve the modernisation and expansion needed’ (Purtill et al, 2012: 6).

The inclusion of “your purpose” (ibid) in a document intended for the Ministers for Pensions and Welfare Reform provides an indication of the extent to which credit unions have been co-opted into playing a central role in delivering public policy. This highlights governmental pressures on credit unions and demonstrates the challenges, in light of these pressures, of retaining alternative values.

The DWP-funded Credit Union Expansion Project (CUEP) set out to provide £38 million in funding to ‘transform’ credit unions in Britain, while at the same time committing to ‘remove unnecessary legislative barriers to their sustainable growth’ (HM Treasury, 2014: 3). In April 2013, the largest credit union trade association in Britain, ABCUL, was awarded the contract to deliver the project (McKillop and Wilson, 2015). The central aim of the CUEP is ‘to help credit unions modernise and become sustainable’ (HM Treasury, 2014: 4). The objectives of the CUEP are to:

- Enable credit unions joining CUEP to reduce costs and become financially sustainable by March 2015
- Eliminate the need for further government funding of credit unions

- Increase access to financial services (including affordable credit, bank and savings accounts) to 1 million more people on low incomes
- Save low income consumers £1 billion in loan interest repayments (ibid)

These ambitious objectives have been called into question within the literature (see Sinclair, 2014) particularly in light of the current regulatory constraints (Financial Inclusion Committee, 2015). Indeed, the ability of credit unions to attract one million new members would require a much more rapid membership increase relative to previous growth rates (Sinclair, 2014). In addition, the automated lending tool that is being developed as part of the CUEP is expected to 'cause a small, but significant, rise in average loan size, as some of the smallest and most risky loans are refused' (Purtill et al, 2012: 25). While this could disadvantage existing members who in the past have relied on their credit union to provide low value loans, it also seems contradictory to the government's key objectives to increase financial inclusion and save on loan interest repayments. Indeed, as Sinclair suggests (2014: 410), '[t]he UK government's aims for credit unions to become both sustainable and serve financial excluded and marginalised groups may... be mutually contradictory'.

The project has proven to be highly contentious within the credit union sector in Scotland, or as one interviewee described it, 'a political hot potato' (Interview N). Distrust in the government agenda, particularly that of the DWP, meant that interest from within the sector in Scotland has been limited. One interviewee called the project 'government manipulation' and noted that involvement would have meant 'doing their dirty work' (Interview O). She also shared concern about how the project could serve to redefine the role of the public sector, and ultimately lead to a loss of jobs (ibid). Another interviewee shared dismay at how the funding was being used, as he did not believe it would bring any benefits to the sector (Interview W). These themes will be returned to in Chapter 7 in exploring the co-optation of credit unions through state agents and the impact on cooperative values. ABCUL's role in the project has also proven to be controversial. As is noted by Sinclair (2014) and reiterated in this research, other key trade bodies and actors within the sector in Scotland fundamentally disagree with the way in which credit unions have been portrayed by the DWP Feasibility Study and the Credit Union Expansion Project.

This project has been billed as transformational for the credit union sector in Britain. However, while £38 million is being invested, this is clearly substantially less than the £289 billion that the IMF estimates the UK Government invested in banks during the financial crisis (Froud et al, 2010). Furthermore, in the same way as the Growth Fund, the CUEP is not an initiative open to all credit unions, and only a very small number of already reasonably large credit unions will be able to benefit from the investment. Indeed, Tischer et al (2015: 16) note that 'there is a chance that small, local credit unions with limited services will receive limited benefits from this type of government sponsored expansion project'. This has been justified based on a lack of confidence that some (smaller) credit unions could take public funds and deliver the outcomes anticipated by the DWP (Interview J). The exclusionary nature of the project has led to tension within the sector. As it stands, there has been relatively little interest among credit unions in becoming part of the project (Lee and Brierley, 2017), and of those interested, some have been turned down (Interview N). For one credit union that has aligned its approach with that of government policy by adopting a wider social focus and even implementing new services to support the roll out of Universal Credit, to be rejected for the CUEP has proven to be a source of frustration (ibid).

This could have wider implications in the sector, with Tischer et al (2015: 22) noting concern among smaller credit unions in being able to 'sustain their local focus in a market that is becoming more dominated by larger credit unions'. The DWP has indicated an expectation that the number of credit unions will decline due to mergers and closures as a result of the changes being encouraged (Sinclair, 2014). In light of this, ABCUL's role in the project has come under further scrutiny, particularly from their smaller member credit unions. Indeed, there is hope among a number of agents within the sector that the CUEP will fail (Interview J), as well as a number of others interviewed as part of this research that do not think the CUEP will actually result in any benefit to the credit union sector in Scotland as a whole.[10]

[10] The CUEP was wound down in late 2017 due to a shortage of willing and suitable credit unions to participate in the project. Three credit unions in Scotland remain on the newly created platform, however, the project came to an end when the DWP decided not to release further funds. While a number of credit unions did not support the project, the decision was described as 'hugely disappointing to so many people' (follow up communication with participant from Interview D).

5.4.2 Universal Credit

As part of austerity, state actors have been seeking to co-opt credit unions to support the delivery of UK Government welfare reform. Universal Credit is currently in the process of being rolled out throughout the UK as a means of transforming the benefits system (Financial Inclusion Commission, 2015). The new system will bring about significant change in terms of the way in which people receive welfare payments as six different benefit payments will be combined into one to be paid monthly and in arrears (ibid). The Financial Inclusion Commission (2015: 13) states, 'households will have to budget their money monthly and manage their own rent payments, possibly for the first time'. The rationale for these changes appears similar to New Labour notions of creating a society comprised of financially capable and individually responsible citizens (Erturk et al, 2007).

Credit unions have a clear commitment to provide financial education to strengthen the capabilities of the membership. In light of this, credit unions could be well placed to deliver policy objectives in this area. However, for credit unions, the purpose of providing financial education is to economically empower members, through the avoidance of debt and development of a savings habit. Where this extends to capabilities to participate in the market economy, however, it could be perceived as an attempt to instigate further financialisation as part of post-crisis neoliberalism.

The DWP expects credit unions to play a significant role in the rolling out and delivery of Universal Credit. In addition to local authorities, citizens advice bureaux, social landlords and other charities, credit unions have been identified as potential 'local support providers' (Department for Work and Pensions, 2014). This would entail a data sharing arrangement in order to 'assess and provide support to vulnerable people' (Department for Work and Pensions, 2014: 1). The assessment function suggests that credit unions could become an integral part of the Universal Credit framework. In addition, the support element is expected to include wide-ranging guidance 'in connection with claims and awards, managing their financial affairs, and accessing and using online services' (Department for Work and Pensions, 2014: 3). Credit unions, therefore, will be expected to support welfare claimants in regard to both financial management and digital capabilities. Universal Credit is designed to simplify the benefits process and provide cost savings by providing 'a new single system of means-tested support for working-age people who are in or out of work'. However, its introduction necessarily means that claimants must have access to the internet, as well as a bank account for benefits to be paid into (Department for Work and Pensions, 2014).

The digital element of Universal Credit could prove particularly challenging as Anderson et al's research (2015) demonstrates a link between levels of deprivation and digital exclusion. Data collected from areas in Glasgow with high levels of deprivation highlight that 42% of respondents had never used the internet, almost half did not have a computer or internet connection at home, 35% of respondents lacked any basic computer skills, and almost seven in ten respondents in receipt of benefits 'would either be unable, or would need help, to claim benefits online' (Anderson et al, 2015: 3). Although this research was conducted in Glasgow, it can be expected that these findings could speak more broadly for other deprived areas. As the public policy agenda pushes towards digitisation, the role of credit unions in supporting the rollout of Universal Credit would likely include a substantial workload requiring significant resources, particularly in deprived areas.

As a local support provider, credit unions would be expected to share data with the DWP pertaining to welfare recipients. The type of information exchanged between local support providers and the DWP would be determined by relevance on a case by case basis in line with data protection rules, meaning that claimants would be informed and would have an opportunity to object (Department of Work and Pensions, 2014). However, this raises significant ethical implications, as the Department of Work and Pensions (2014: 13) note that '[o]bjecting to information sharing may, of course, have the potential to undermine an individual's claim'. It should also be highlighted that this is a two-way knowledge sharing process and could impact on the relationship between social economy organisations, such as credit unions, and claimants who may need support but not necessarily want the state to have access to personal information. As Universal Credit is still at a very early stage at the time of writing, the ways in which credit unions will actually become involved with Universal Credit is unclear. It is likely, however, that the relationship between members and credit unions may be compromised by 'data sharing' with the DWP, and undermine the cooperative, autonomous values of the credit union. Some credit unions that were part of this research have demonstrated a willingness to support the transition to Universal Credit as part of a wider social purpose (Interview N), which will be explored in greater detail in Chapter 7. It is likely, however, that there will be significant costs attached to supporting the delivery of Universal Credit, that may not be viable for credit unions.

This is particularly the case for smaller, community credit unions in more deprived areas and will be returned to in the next chapter.

5.4.3 Institutional context post-crisis

The financial crisis has been perceived as a 'failure of regulation and, in particular, the shift towards market forms of regulation' (Lee et al, 2009: 741). Since the crisis, there has been a desire and increased momentum for stronger regulation of banking and financial services (Christophers, 2016: 139). Despite some more stringent regulation coming into effect it has been argued by Froud et al (2010) to have been a missed opportunity to deliver radical regulatory reform. Commitments to tighten regulations following the financial crisis, as argued by Birchall and Ketilson (2009: 35), should not punish credit unions by 'inclusion in a series of new rules designed to correct a problem they have not caused'. It is clear, however, that credit unions have not been insulated from regulatory changes following the crisis, as will be explored in this section. Indeed, within the credit union sector in Scotland, regulatory bodies tend to be viewed with distrust and, particularly since the financial crisis, a lack of confidence (Interview G).

The regulation of credit unions falls under the remit of the same regulatory bodies (now the FCA and PRA) as mainstream financial services, although credit unions have their own specific regulatory sourcebook. Financial regulation applicable to credit unions is designed to be proportionate (both within the credit union sector and among the broader financial services sector) to create an enabling environment for credit union growth (Lee and Brierley, 2017). However, there is a shared view within the sector, based on the size of credit unions and the type of activities that they are able to engage in, that regulation is not proportionate. A number of interviewees in this research shared the opinion that meeting regulatory requirements was becoming increasingly demanding, and remaining compliant could be a struggle. This appears to be particularly an issue among smaller, community-based credit unions that tend to have fewer employees, particularly with the professional skills associated with financial reporting, and access to fewer resources in general.

The lack of proportionality from the regulators has been attributed to a lack of understanding of the sector. There is particular animosity towards the regulators from credit unions that have struggled in the past to remain compliant. One General Manager of a small, community-based credit union in a low-income area explained:

> 'Well what happened with us… we had to meet a reserve, [and] couldn't meet the reserve. So up until then you could have a lot of savings, but we had to put a cap on it. So we capped it at 5000 for adults and 2500 for children… We had to find a way of having more income, so we started charging yearly for membership. So we managed to meet our reserves but... the PRA and the FCA, they're terrible. They don't know about credit unions, they don't know about how they work… It's not credit union people in there, they should have somebody that knows about them' (Interview T)

This insight suggests that to comply with regulatory requirements and meet certain conditions, credit unions risk limiting growth by deliberately reducing the value in shares that members can have. This could in turn impact on the amount that can be loaned to members. Indeed, Lee and Brierley (2017: 19) write that a lack of proportionality in regulation has 'limited the potential for some smaller credit unions to grow organically… The consequence was that some credit unions were artificially limiting their own growth simply to meet regulatory thresholds'. This is primarily relevant for smaller credit unions that are reaching the upper limits of their current regulatory categorisation. If they were to be recategorised based on an increase in asset size, it would require a significant increase in reserves to remain compliant. The extract from Interview T also demonstrates a belief that regulatory bodies are attuned to the culture, values and ways of working of the dominant mainstream financial services sector. This is to the detriment of credit unions and other alternatives in that the diversity and different ways of working of these organisations does not seem to be recognised as evidenced by the nature of financial regulations.

Regulatory changes have also had an effect on the traditional role of volunteers in the operating and management of credit unions. For example, a member's suitability to join the board of a credit union has come under greater scrutiny as a result of regulatory changes. This has meant greater scrutiny on governance within financial institutions following the crisis. The Senior Managers Regime announced in 2015 has been designed to combat ineffective governance through creating a system in which individuals in senior governance positions require pre-approval from the regulators (FCA, 2016). Financial institutions are also required to 'have procedures in place to assess their fitness and propriety before applying for approval and at least annually afterwards' (FCA, 2016). One interviewee reported that the implementation of this regime has served to actively discourage members from seeking to join credit union boards (Interview B). This may have an impact on the ability of credit unions as cooperatives to democratically represent the diversity of the membership. This issue will be returned to in Chapter 7.

Volunteers working in credit unions have also come under greater scrutiny. One interviewee noted that the threat of the repercussions of non-compliance with money laundering legislation has served to discourage members becoming volunteers (Interview Q). This interviewee anecdotally reported a number of credit unions who have lost volunteers due to these rules, and believes that the application of this legislation is undermining their role at a community level. This is supported by evidence from research carried out by Lee and Brierley (2017: 20) who note that 'the potential level of penalty for errors could result in people either not continuing to run credit unions or not coming forward to run them in the future'. Overall, this has led to a reduction in the number of volunteers and the types of roles being carried out by volunteers. A former Chief Executive of one of the largest credit unions in Scotland, and the UK, justified a complete end to volunteering as a result of regulatory scrutiny and the perception that having all paid employees would enhance consistency in terms of decision making and standardise levels of performance (Interview I). This pressure is likely to have a disproportionate impact on smaller, community-based, 'old' model credit unions that tend to rely more heavily on volunteers.

The impact of the institutional environment on larger credit unions should also be considered, as they have been affected by changing regulations, although in different ways. Some of the larger credit unions in Scotland could be perceived to have the most radical agenda within the sector, in that they actively seek to challenge mainstream financial service providers and imbue characteristics of 'alternative-oppositional' institutions (Fuller and Jonas, 2003). Interviewees from one large credit union stated that they perceived regulatory changes to be 'very welcoming', as it created the opportunity to strengthen their credit union and improve the service offered to members (Interview H). This could suggest that credit union regulations are more suited to larger credit unions that superficially more closely resemble mainstream financial services organisations. However, an interviewee from another large credit union disagreed. He argued that the most recent regulatory changes (at the time of interview) have the potential 'to kill the aspirations of the big credit unions in Britain' in that 'there is nothing additional in the new regulations to allow us to do anything more, but there's plenty that will stop us from doing what we're currently doing' (Interview E). Even for larger credit unions, changing regulation has created some pessimism within the sector.

The regulatory system post-crisis has arguably favoured larger credit unions at the expense of smaller ones. For example, Tischer et al (2015: 15) argue that 'growth ambitions for the sector in post-crisis Britain have turned into a growth for the selected few', referring to larger, 'new' model credit unions. From the regulators' perspective, there could be some justification for supporting the growth of larger credit unions at the expense of their smaller community counterparts. The list of financial institutions that have failed in recent years is predominantly made up of credit unions, and of these, it tends to be smaller, community-based organisations (Coen et al, 2017). Following the financial crisis, however, it may be more pertinent not to look at the financial institutions that have failed, but indeed, the institutions that the government felt it to be worthwhile saving. For example, if banks such as RBS and what was formerly Halifax Bank of Scotland (HBoS) had not been bailed out by a taxpayer funded capital investment, it is likely that the financial institutions that have failed in recent times would have included a few more banks.

In a recent report produced by the Bank of England, it is noted that 'the PRA must make decisions about how best to allocate scarce supervisory resources to help identify and curb emerging risks' (Coen et al, 2017). This supports the contention made by Lee and Brierley (2017: 20), that regulators have been attempting to reduce the number of credit unions purely to 'ease their own regulation burden'. The Bank of England report highlights that the credit unions that have failed since 2003 tend to have been 'smaller, less capitalised, and less profitable. They also tended to have weaker asset quality, as reflected by higher arrears rates, loan loss provisions and unsecured loans' (Coen et al, 2017: 8). However, unlike the banks that were rescued because they were deemed to be too big to fail, credit unions that have failed in recent years would likely have been small and collectively owned by members disproportionately situated within low income communities and in financially precarious positions. The economic circumstances of these communities were likely to have been made worse by the financial crisis, yet the credit unions in these areas may have been perceived by regulators as too insignificant in a competitive market environment to be concerned with saving. Despite credit unions not causing the financial crisis, they were evidently impacted by the wider economic disruption. In the period from 2002 – 2015, 85 credit unions failed in the UK (Coen et al, 2017). However, the timeframe in which these failures occurred is unevenly distributed with a third taking place during the financial crisis in the period from 2007-2009 (Coen et al, 2017).

As part of the broader shift to create a self-sustaining credit union sector, in 2012, HM Treasury recommended increasing the cap on credit union interest rates to 3% a month to enable a move into the short term and low value loan market (HM Treasury, 2012). For the otherwise financially excluded, this would still be much more affordable compared to obtaining a loan from a high interest payday loan company. However, the introduction of this 3% per month interest rate in April 2014 risks increasing the cost of loans to all credit union members, with Tischer et al (2015: 15) suggesting that it ‘challenges the objective of credit unions to provide cheaper loans to the financially excluded; yet on the other hand, it paves the way for credit unions to enter the payday lending market and make loans in this segment more affordable’. Neither of these objectives are the traditional remit of credit unions, yet the state’s co-optation of the movement has effectively shifted the debate to how credit unions can rectify the problems created by the mainstream financial services sector. As will be explored in Chapters 7 and 8, this could be detrimental to existing members, and potentially inhibit the alternative values of credit unions as they are encouraged to compete in the market against mainstream organisations.

Furthermore, in 2012, legislation was introduced to enable credit unions to offer loans to SMEs. In the post-financial crisis economic volatility, the amount of lending to SMEs through traditional channels reduced, creating a finance gap particularly for new businesses (Talbot et al, 2015). The rationale for the change in legislation was that, once again, credit unions were identified as well-placed, existing financial providers within communities that could reduce information asymmetries, identified as the ‘principal obstacle to an efficient debt market’ (Talbot et al, 2015: 114). However, despite a change in the formal institutional framework enabling credit unions to engage in this type of lending, it appears as though it has been insufficient for addressing the finance gap. In this example, informal institutional arrangements, in the form of organisational culture and norms, have prevented lending to businesses from getting the same level of traction as other government initiatives designed to shift the remit of credit unions. Talbot et al (2015) highlight minimal interest in lending to SMEs from within the Scottish credit union movement. The iterative approach to this research meant that despite a fairly significant change in legislation, lending to SMEs was not identified as a theme worthy of further attention reflecting the lack of activity in this area across the sector.

As a whole, however, the regulatory environment in which credit unions are situated within appears to be at odds with wider policy aims. As Kempson and Whyley (1999: 41) note, ‘financial exclusion is encouraged in a range of ways by government policy and practice’ through the ways in which ‘legislation and regulation can act to limit access to particular financial products or increase their costs’. State interaction with the credit union movement therefore may have been counterproductive as successive governments have sought to enable growth in the credit union sector, while regulatory bodies (particularly recently) have served to limit growth and reduce the number of credit unions to decrease their own regulatory burden (Interview O; Lee and Brierley, 2017). The impacts of the institutional framework that credit unions are situated in, in terms of both viability and values at a sector level, will be returned to in later chapters.

5.5 The influence of non-state mainstream agents

In addition to the state, other actors and institutions have played a role in shaping the trajectory of the credit union movement in Scotland. Considerable investment within the credit union sector has been made by mainstream financial service providers. Since 2014, Lloyds Banking Group has provided funding to credit unions through a Credit Union Development Fund that is managed by the Credit Union Foundation (a subsidiary of ABCUL) and is providing £4 million in grants over the course of 4 years (Interview D; Lloyds Banking Group, undated a). Through the Fund, credit unions can apply for awards of between £50,000 and £100,000, which are available to ‘help remove barriers to growth and innovation’. In addition, “seed funding awards” of between £10,000 and £20,000 are designed to allow credit unions ‘to make the changes they need to apply for a large award in a subsequent year or to pay for the costs of merger in certain circumstances’ (Credit Union Foundation, undated). This suggests a clear preference for credit unions following or looking to adopt a ‘new’ model approach as is widely perceived to be encouraged by ABCUL, as opposed to the traditional, community-based model.

Barclays Bank has also partnered with trade associations, including ACE Credit Union Services, to offer training to credit unions based around capacity building and financial capability (ACE Credit Union Services, 2017). An interview conducted at one credit union that had already received the training had found it useful, but felt that it did not focus on the areas that they had identified as development needs (Interview S). A General Manager from another credit union that had recently started receiving the training expressed appreciation for the support during an interview, but also acknowledged some trepidation towards the changes that the consultants were encouraging:

> Manager*:* at the moment we've got Barclays, we've got the scheme and they bring in consultants so that's where we are at the minute… they're trying to help us so they're looking at everything. How we give the loans because at the minute you can't just walk in the door and get a loan, you've got to have been saving. That's where we're still at really, that needs to change.
>
> CM: do you think that anything will be lost in terms of credit union ethos, because traditionally members had a long term relationship with the credit union that was based around saving?
>
> Manager: It was, I know. I don't know how it would work as well… but as I say the trainers, the consultants, they know about credit unions and everything and they were saying that, you know, it's sort of outdated the way we work now… They're wanting us to be more like banks (Interview T).

Although there is no public policy agenda behind private sector support, there clearly is still an agenda to develop the sector. As has already been noted, Fuller and Jonas (2003: 65) argue that through the encouragement of the 'new' model, credit unions 'are being groomed into a form of second-tier banking service in order to enable mainstream financial service providers to 'continue to target the wealthier sections of society'. There is little existing academic research to suggest what kind of impact funding from the broader financial services sector will have on the trajectory of the credit union movement. Yet the relatively high value of the funding on offer to encourage credit unions towards the 'new' model as a means of creating professional businesses suggests that there is likely to be some long term influence on the sector.

Furthermore, as funding is coming from banks, there could be a risk that the underpinning mainstream values and principles could permeate into alternative financial organisations through schemes such as these.

The Church of England has provided publicity for the credit union sector as a means of supporting credit unions to become alternatives to high cost, sub-prime mainstream providers of short term credit (Sinclair, 2014). In 2013, the Archbishop of Canterbury outlined his ambition to enable credit unions to "out-compete" payday lenders (Tischer et al, 2015: 19), and in 2014, the Church of England even set up its own credit union, the Churches Mutual Credit Union (Merrill, 2014). The Church of England, as argued by Tischer et al (2015) could also be used to put pressure on mainstream financial service providers to offer more support to the credit union sector. Support from the Church of England, and specifically the Archbishop of Canterbury has raised the public profile of credit unions (Tischer et al, 2015). However, the way in which the Church of England has portrayed credit unions as an ethical alternative to payday lenders has played a role in shaping public perceptions of the sector. Tischer et al (2015: 20) argue that the perception created of credit unions is as a sector whose function is 'specifically dealing with the growth of payday loans'. Despite few credit unions providing payday loan type products or even showing interest in this, a narrative has nevertheless emerged that credit unions are ethical alternatives to payday lenders. For a sector that lacks the resources to create its own public narrative, how credit unions are portrayed by such high profile actors is likely to have a significant role in shaping public perceptions. Tischer et al (2015) highlight that ideological divisions in the sector have been enhanced by media and government interest and the way in which credit unions are represented.

Funding from the Church of Scotland has supported the development of Castle Community Bank in Edinburgh, which was created from two 'old' model credit unions that were perceived to be in slow decline (Interview R). In 2014, the Water of Leith study group was set up by a group of professionals with Church connections with the intention of exploring setting up a 'modern' credit union in Leith. Upon realising the costs and regulatory barriers involved, the group instead decided it would be more practical to apply their ideas to an already existing credit union (email communication with participant from Interview R). This involved members of the study group joining the board of each credit union, and then convincing the boards (and wider membership) to merge. Church of Scotland funding was added to by the Catholic Church and MyCommunity Bank, whose model they have taken inspiration from (Interview R). The resultant £150,000 re-capitalisation package has been targeted to create a ‘new’ model credit union seeking to rebrand as a community bank and attract a balanced membership, while still retaining a social focus (ibid).

Facilitated by external funding, the direction of these two credit unions was decided by new members who had specifically joined the boards of each credit union with a plan already in place to merge the two together and create a new professional credit union (email communication with participant from Interview R). At the former Castle Credit Union, two Special General Meetings had to be held to get members’ approval for the merger due to opposition from the membership. As was noted in an interview: ‘[at] Castle [the former credit union], we had to do two [votes] because the first one didn’t pass, there was a lot of people up in arms. They thought they would be losing their local credit union’ (Interview R). Although it may have materialised that the two credit unions would have eventually failed if they had remained on the same course, it is evident from this example that external funding can be utilised as a means to subvert cooperative values and have undue influence in persuading members to take their credit union in a different direction.

5.6 Conclusion

This chapter has shown how the broader political environment has shaped the credit union sector in Scotland. The sector has most significantly been influenced by the state. This chapter demonstrates the ways in which different phases of neoliberalism have influenced the relations between the sector and the state. Following the financial crisis, roll-out neoliberalism (Peck and Tickell, 2002) has given way to a newly mutated (and arguably heightened) form of neoliberalism (French and Leyshon, 2009). From the third way, social justice approach of roll-out neoliberalism, austerity has reshaped the ways in which the state is co-opting alternatives, including the credit union sector. This has served to redefine the role of credit unions, as state actors have sought to expand their role among sections of society that are financially exploited or currently excluded from participating in the mainstream economy. This chapter focused on changing regulation, the Credit Union Expansion Project and the emerging role of credit unions in the roll out of Universal Credit. The impacts of policy interventions and a changing institutional framework have been described as having an ‘uneven’ impact across the sector (Lee and Brierley, 2017). Focusing just on regulatory change, although also relevant more broadly, Lee and Brierley (2017) describe recent change as being ‘detrimental’ to a majority of credit unions. Although this clearly has an impact across the sector, smaller community credit unions seem to be finding recent changes hardest to manage.

It is clear from this chapter that the legacy of state co-optation of the social economy in the roll-out phase of neoliberalism has remained post-crisis. Despite some benefits to the credit union sector during this earlier phase, in the post-crisis context of heightened neoliberalism, this is less so the case. From this chapter, it can be seen that retaining a relationship with the state and other mainstream actors may be weakening the credit union movement. Indeed, it is clear that a growing role for credit unions in this context does little to challenge the structural causes of inequality, and may even create the conditions to enable further neoliberalisation. As is highlighted here, the mainstream influence of the state has had the most significant impact in shaping the credit union movement, but this has also been supported by other actors including mainstream financial services and religious institutions. The implications of these relationships with the mainstream will be explored in the next two chapters in terms of both viability and the changing values of the sector.

6. Credit Unions in Scotland: Viability in the Post-Crisis Landscape

6.1 Introduction

The initial aim of this thesis was to explore how credit unions balance a dominant social ethos with the economic realities of operating as a financial services provider (see Dobcheva, 2009 for a focus solely on these themes). Yet, from the early stages of data collection, it became clear that political context has a fundamental influence on the positioning of credit unions within the economy. The focus of this thesis was therefore adapted to take into account that the underpinning political context is crucial for making sense of the changing economic environment in which credit unions operate. Hodgson (2015) notes that the state has an important role in shaping, and the success, of the economy. This includes economic alternatives as well as the dominant mainstream. Exploring political influences was the focus of the last chapter.

From an economic perspective, as argued in Chapter 2, neoliberalism and financialisation processes have seen aspects of financial services become more competitive (through more economic actors providing financial services), while at the same time other elements have become less competitive (through mergers in financial services leading to oligopolistic tendencies). Neoliberalisation has also fostered growing homogenisation within financial services as the mainstream plc model has grown in dominance and diversity has declined (Hutton and Lee, 2012). Different phases of neoliberalism are evident in shaping these processes. Credit unions exist as alternative forms in an economic landscape in which financialisation and neoliberalism processes have mutated and further intensified following the financial crisis (French and Leyshon, 2010). This chapter will explore the ways in which the changing economic and political environment is impacting on the viability of credit unions in Scotland.

Wright (2010) argues for envisioning alternatives based around a framework that balances viability and achievability with desirability (see Chapter 2). This should promote economic transformation underpinned by alternatives that will support fairness and greater equity, while being sustainable in the long term. The following two chapters will draw on these themes, and explore in the post-crisis economic and political context, the ways in which credit unions in Scotland practice an alternative set of values. This chapter will focus on viability, before exploring whether credit unions in Scotland could still be considered to be a desirable alternative in the next chapter.

The chapter is divided into three sections. The following section will return to themes explored in the last chapter relating to the institutional context of credit unions. As a framework that shapes their evolution within the economy, the ways in which the regulatory and legislative environment influences the viability of the movement will be explored. Section 6.3 also draws upon themes introduced in the last chapter, by considering the impact of a changing funding environment post-crisis on the credit union sector. While the previous chapter focused primarily on state policy at a national level, this chapter will explore the influence at a local level by focusing on the relations between local authorities and credit unions. The final section will explore models for sustainability within the sector, and begin to draw links between credit union values and the ways in which these are theorised as providing the conditions for viability. This chapter will ultimately demonstrate that while economic concerns in the current context are encouraging credit unions towards a professionalised, 'new' model, it is clear that there are a number of forms in which credit unions are viable in Scotland.

6.2 The post-crisis institutional environment and the impact on economic alternatives

In January 2017, it was announced that the Airdrie Savings Bank would be ceasing operations. The Bank was founded in 1835, and was part of a network of Trustee Savings Banks. In 1976, the majority of the locally embedded and independent Trustee Savings Banks in Great Britain amalgamated to form 16 regional financial institutions, before being floated as TSB Group Plc ten years later on the London Stock Exchange (Lloyds Banking Group, undated b; Goff, 2013). TSB merged with Lloyds to form Lloyds TSB in 1995, then with HBoS during the financial crisis to become part of Lloyds Banking Group, before finally emerging as an independent bank in 2014 having been broken off from Lloyds Banking Group to comply with EU state aid regulations (BBC News, 2014).

The Airdrie Savings Bank had remained as the only bank of its kind in Britain. Before its closure, the Bank had approximately 12,000 current account holders, 30,000 to 40,000 deposit account holders, and around 90 members of staff (Interview I). The reasons for closure have been reported to be centred upon new regulations following the crisis, which are designed to apply to much larger financial service providers. The BBC reported that '[t]he bank is thought to have found the cost of new regulation to be too great for a small lender' (Fraser, 2017).

Despite calls to encourage diversity following the financial crisis (The Ownership Commission, 2012), it seems as though the post-crisis political response has actually further depleted diversity within the sector and had greatest impact on banking organisations not responsible for the financial crisis. As was noted in the last chapter, changes to the institutional framework in which credit unions are situated have created new pressures post-crisis. A number of interview participants working in the sector made reference to increasing demands related to financial reporting and the challenge of remaining compliant (Interviews G, N, O, S, T and V). The Bank of England recognised in a recent report that while credit unions are 'not subject to the same market pressures for growth and earnings performance as publicly-traded financial institutions, they still face pressures from a number of regulatory requirements' (Coen et al, 2017: 25). This is also relevant for other alternative financial service providers, as is demonstrated by the plight of the Airdrie Savings Bank. Viability for credit unions is therefore partially contingent upon an enabling institutional framework that promotes diversity and creates a proportionate environment to support the role of economic alternatives. Chapter 5 highlighted that regulatory changes have become more stringent since the crisis and placed credit unions under greater scrutiny in a way that is perceived to be disproportionate to the scale of their operations.

Within the sector, some agents expect regulatory requirements to lead to further closure of smaller credit unions and a continued trend for mergers (Interviews J and U). The closure of smaller credit unions has led some in the sector to believe that strict regulatory requirements are necessary to recognise emerging financial issues as early as possible and could therefore have a positive impact (Interview M). However, it could equally be argued that some of these credit unions could still have been financially viable, just not regulatory compliant. Therefore, without the stringent regulatory requirements imposed by the PRA and FCA there may be less of a trend towards mergers among small credit unions and fewer closures. This would reiterate Lee and Brierley's (2016: 20) contention that financial regulators have been attempting to reduce the number of credit unions purely to 'ease their own regulation burden'. The legislative and regulatory framework has been described as 'uneven' with interventions being 'beneficial to some credit unions, less beneficial to others, and even detrimental to a majority' (Lee and Brierley, 2017: 351).

Table 6.1: Data table highlighting themes in Chapter 6

Code	Theme(s)	Data
Local authority budget cuts	Changing funding environment	[The local authority] gave us money for a while for the schools but then that's stopped now because of all the funding and everything, it's getting cut (Interview T). 'One of the problems that cause issues with credit unions in the post financial fall out was councils who were giving grants to credit unions had their budgets cut and so cut out their grants and lot of credit unions really suffered and struggled. You get credit unions that are doing wonderful things with granted money but… the minute that grant money dries up, people are left high and dry… I do appreciate that some do need a help but I think if you're getting grants to help you balance your books, it's a short term fix and it stops you addressing the bigger issue… There's a lot of credit unions, who like any organisation, if you're grant funded, just say oh money to spend and not actually say well what happens if this money is not here next year or the year after. And credit unions do this all the time' (Interview E). It was noted at the roundtable discussion today that local authorities have been reducing funding for credit unions to set up savings clubs in schools. Employee at credit union seems to feel quite adamantly that credit unions should receive government funding to do this work. Some agreement from around the table, but subject was quickly moved on. Spoke to [individual working in the sector] after about it, he views it as the sector taking funding for granted, and is surprised at

		the expectation that it would continue indefinitely (field notes diary 27th August 2015).
Viability - model	Diversity of sustainable models within Scottish credit union sector	If their membership are happy with what they're doing then who are we to say that's the wrong model. It's not the wrong model if it works and it's sustainable (Interview E). Interview at another small, community credit union today. Realised that I have an expectation going into credit unions resembling the old model that they're going to tell me how much they're struggling. However, [credit union] is once again proving that this is not the case. It's clear that there are a diversity of credit unions models that have proven viability in Scotland and are constituted to respond to member needs locally (field notes diary, 24 November 2015).
Regulations impacting viability	Demanding nature of regulations and challenge of remaining compliant	'Well what happened with us… we had to meet a reserve, [and] couldn't meet the reserve. So up until then you could have a lot of savings, but we had to put a cap on it. So we capped it at 5000 for adults and 2500 for children… We had to find a way of having more income, so we started charging yearly for membership. So we managed to meet our reserves but... the PRA and the FCA, they're terrible' (Interview T). 'What the banks are getting, we have to get. For such small organisations we're having to go along with that. It's quite a lot, we try to keep it to a minimum as much as possible. We do the basics so we're covered by the FCA and the PRA and we do whatever they ask us to do but it is demanding' (Interview S).

6.3 Viability and local authority funding

Wright (2010: 20) argues for a 'coherent, credible theory' of economic alternatives. This means that alternatives must be desirable in terms of values, but also crucially, economically viable. The last section demonstrated that viability for credit unions is partially predicated upon compliance with financial regulations, as opposed to just having the financial means to continue operating. This section will now focus on the changing funding environment for credit unions in the post financial crisis landscape. As will be explored in more detail in the next chapter, credit unions are cooperatives, and therefore receiving 'external' funding at all is highly contentious within the sector. However, as part of the social economy, it has been argued that financial support from the state does not create state dependency or subsidise inefficiency, but instead creates a 'level playing field in which the social economy is able to realise its full potential' (Amin, 2009: 17-18).

6.3.1 The nature and impact of local authority support

The initial period of state intervention in the credit union movement in many ways set the foundations in terms of defining the relationship, and has had a lasting influence. In the early stages of the movement, interactions between credit unions and the state took place primarily at a local level with local authorities. Although the earliest credit unions began as grassroots, locally-constituted enterprises, local authorities sought to geographically expand the movement by supporting the establishment of credit unions in other areas. The 'top-down approach' of local authority led expansion has been criticised in Britain (see Jones, 2008a). This has been the case in Scotland to a lesser extent, as a strong grassroots, locally led movement emerged in the Central West. However, for some credit unions, ongoing funding has created a sense of reliance on external funding mechanisms. This has increasingly become aligned to attracting new members from deprived communities and providing higher risk products and services that economically marginalised groups may require (such as short term, low value loans as an alternative to 'payday', high interest credit). In Scotland, a focus on financial exclusion has facilitated a spatially variable but often close relationship with state actors. The geography of the credit union sector in Scotland demonstrates that the sector is strongest in spaces in which the state has provided robust, ongoing support to credit unions. This is demonstrated both in terms of number of credit unions and diversity in terms of size and approach.

In particular, Glasgow City Council has been credited with providing a range of support mechanisms that have enhanced the sustainability and diversity of the movement. Glasgow has been described as the 'credit union capital' of Great Britain (Glasgow City Council, 2015). There are 32 credit unions within the Glasgow City local authority area (Interview A). This compares with just 4 in the City of Edinburgh (FSCS, 2017).

Amin (2009: 18) contends that '[a]ccess to bespoke public policy support at important stages in social enterprise development can facilitate continuity according to ethical principles and growth'. Therefore, the right kind of tailored state support can enhance alternative values and principles. Although in some ways Glasgow City Council's approach appears to have similar underlying principles and assumptions to other local authorities and Scottish and UK governments. The Council recognised the potential impact that credit unions could have in tackling financial, and through this, social exclusion (Interview A). This resonates strongly with the rationale of the New Labour co-optation of the credit union sector. However, the Council's approach differed in that its strategy was actively co-produced with credit unions, and was not specifically aimed at meeting policy objectives. This approach was instigated after a credit union failed in Glasgow in 2001. Following this, the council conducted a "needs assessment study" that highlighted the key areas in which Glasgow credit unions could benefit from additional support. From the study, the Council decided to focus on delivering training to volunteers and assisting in finding shopfront premises that would increase visibility (Interview A). Instead of concentrating on funding to deliver local authority identified policy priorities, the Council has in recent years taken a more holistic approach by focusing on developing credit unions from small grant-dependent organisations to 'professional' organisations (ibid). 'Professional' here refers to credit unions that are accessible, credible and trustworthy at a community level, in contrast to delineating an approach that would seek to imitate the characteristics of mainstream financial services.

6.3.2 The post-crisis changed funding environment

In the wake of the financial crisis, policies associated with heightened forms of neoliberalism through austerity (French and Leyshon, 2009; Jessop, 2015) have filtered down to local authorities with an impact on the funding offered to credit unions. For example, Glasgow City Council is currently working towards ending ongoing grant funding entirely (Interview A). Credit unions in other local authority areas have reported that this is also happening elsewhere

(Interview V). In Glasgow, the justification for this is that some credit unions have been described as not actually requiring funding, and only still receiving it because they have historically always received a grant (Interview A). Furthermore, the Council is trying to build capacity within individual credit unions and the system as a whole to promote sustainability and autonomy in the context of budget cuts (ibid). Currently, it is predominantly smaller, community credit unions that are in receipt of ongoing local authority funding. Some of these, however, have formed a third grouping of larger and more 'professionalised' community credit unions through taking part in national policy interventions such as the Growth Fund (Lee and Brierley, 2016). Despite purporting to build the capabilities to end ongoing grant funding, some credit unions receiving the highest levels of funding have already participated in programmes at a national level to develop the professional, 'new' model capabilities that are expected to set the conditions for autonomous sustainability.

Within the Scottish sector, it is clear that reductions in the funding provided by local authorities has had an impact on viability. Yet at a subsector level, as will be explored, the impacts have been uneven and may not necessarily have a negative impact on viability, particularly for the smallest credit unions. The levels of ongoing state funding that have been channelled into the credit union sector in Scotland could suggest that the movement is not independently viable, particularly in the case of community credit unions that have shown greater receptivity to ongoing state funding. For credit unions that have been co-opted to fulfil policy objectives that are not aligned with their own priorities, this creates a perception in which they are necessarily, and mutually beneficial, instruments of the state. This relationship ensures the sector's survival while meeting broader social outcomes.

Budget cuts have meant that ongoing funding for credit unions from local authorities is now no longer automatic as it may have been in the past. This has meant reductions in the level of funding being offered to credit unions and instances in which funding has been withdrawn altogether (Interviews E and V). One credit union employee explained in an interview that:

> 'one of the problems that caused issues with credit unions in the post financial fall out was councils that were giving grants to credit unions had their budgets cut and so cut their grants, and a lot of credit unions really suffered and struggled. You get credit

> unions that are doing wonderful things with grant money but… the minute that grant money dries up, people are left high and dry' (Interview E).

The significant number of credit unions that have been in receipt of external funding means that the changed funding environment has implications for the credit union sector as a whole.

For credit unions that have embraced government policy to adopt the 'new' model by seeking to 'modernise' their service provision, develop a High Street presence in the community and a wider social focus than the current core membership, cuts to funding have had a severe impact. A number of credit unions have developed a relationship with state agents in Scotland in which their services, particularly those aimed at supporting economically precarious groups, are dependent on state funding. Without this funding, credit unions have reported that fulfilling certain functions will no longer be possible. However, some local authorities continue to set ambitious goals for credit unions (Interview V). Without the funding that has previously accompanied co-opting credit unions to meet policy objectives, engaging in this activity would stretch resources and put their own financial circumstances in a vulnerable position. In light of declines in local authority funding, this may have a considerable impact on the types of products and services that are offered by credit unions. This may not necessarily directly threaten the viability of credit unions in the short term. However, it could have longer term, as yet unknown repercussions, particularly if credit unions are slow to withdraw services to economically vulnerable groups in the absence of funding. Furthermore, Chambers and Ryder (2008) write that increases in state funding have directly resulted in a growth in membership levels in Scotland. In light of this, reductions in funding may slow further expansion.

Indeed, it is clearly the case that some credit unions have been utilising public funding to great effect to support the most socially and economically marginalised members of society. For example, North East Scotland Credit Union (NESCU), based in Aberdeen, receives an annual grant from the local authority to expand and increase the wider positive social impact of the credit union. Following the closure of a High Street bank, NESCU has in the past few years moved into the vacated premises, providing access to financial services in the context of widespread bank branch closures particularly following the financial crisis. It also operates a series of projects with clear social benefits based on local community needs. One such project enables prisoners to develop a savings habit so that upon release, they will have immediate access to funds as opposed to having to wait until a bank account can be opened. Over 90 prisoners are described as being involved in the project on a regular basis, and there is anecdotal evidence to suggest that it reduces re-offending rates (Interview V). Credit unions are limited to the interest made on loans as providing the vast majority of their income. Therefore, this project is clearly not a profitable endeavour despite having beneficial outcomes. The credit union also supports refugees through offering credit union accounts that can enable faster access to the welfare system, without having to go through the more stringent process involved with opening up a bank account. This service has been well received, but again it is not likely to turn into a stable source of income even in the long term (Interview V).

NESCU also works with local charities and businesses to support people moving from precarious housing situations into housing association accommodation by offering discounted access to household goods and providing a loan (Interview V). High interest alternatives that provide a similar service are prevalent in the area. By offering this service the credit union is potentially saving low income groups from entering into repayments that would further increase levels of poverty (Interview V). Nevertheless, NESCU is faced with year-on-year cuts to grant funding from the local council. It is believed that the focus on achieving financial autonomy as part of the 'new' model is likely to have negative long term implications both for the credit union and wider community (Interview V). Furthermore, providing grants to the sector is likely to be in the interest of local authorities in terms of the stability and support that credit unions can provide to the local community, and particularly to low income groups. This could ultimately allow the local authority to save money elsewhere, and therefore, cuts to credit union funding may not actually result in savings (Interview Q).

However, some local authority funding has been used less effectively in terms of supporting the conditions for long term viability, or enhancing credit union values. This has highlighted the ineffectiveness of using a top-down approach in which the needs of the sector are considered of secondary importance to fulfilling policy objectives. For example, Renfrewshire Council has an ongoing commitment to tackling financial exclusion, which has become a particular priority due to the rolling out of Universal Credit. The Council has identified local credit unions as partners that could form part of the strategy in dealing with this issue. £500,000 in funding has been made available to credit unions operating in the area with the specific purpose of 'develop[ing] services that offer ethical, low cost financial products and services'

(Renfrewshire Council, 2014: 2). Funding to encourage new products and services tailored towards low income groups is in itself evidence of the ways in which the state at a local level is attempting to influence the objectives and reach of credit unions. Of this funding, £200,000 has been allocated to a single credit union and according to Renfrewshire Council's (2014) report, £155,000 will be used for staffing costs over two years. The high level of investment could suggest that this credit union would not be viable without the funding. However, in this example, the funding will be used to temporarily pay the salaries of staff that had previously been volunteers (Interview M). When the funding comes to an end, it was expected that the temporary paid employees would continue on a voluntary basis, as this had happened before and therefore it was assumed that this would be the case again (Interview M). The case could therefore be made that funding is not necessarily an indication of viability.

This occasional funding for fixed term staffing costs demonstrates little evidence of building long term sustainability in the sector, and furthermore does not seem to be fundamental to the functioning of the credit union. Following the allocation of half of this budget, it was reportedly challenging to allocate the remaining funds (Interview C). The problem seemed be either a lack of interest in receiving funding or in meeting the council-identified objectives (ibid). An employee from a credit union receptive to funding opportunities suggested that their recent development, including investing in and expanding the functionality of the website and offering instant payday loan-type products, 'never would have happened without the Credit Union Development Fund' (Interview M). Otherwise, it would have continued to focus on traditional credit union services (ibid). While there is a clear and recognised need for the newer services that local authorities are providing grants to credit unions to offer, receiving public funds to tackle key policy objectives could be to the detriment of the existing membership. As cooperatives, it is questionable whether it is the responsibility of credit unions to tackle some of the negative impacts that have emerged from financialisation (see Sinclair, 2014).

This research also highlighted situations in which credit unions have been encouraged to apply for funding from Scottish Government and local authorities to demonstrate political support for the sector (Interview U). This was despite hesitations about the implications of receiving external financial support (Interview U). Following years of ongoing funding for credit unions that may not necessarily have needed it, other credit unions that are using funding strategically and having a clear positive social impact are also facing the same cuts to funding. This raises questions over the uneven and disjointed way in which funding for the credit union sector has been awarded, and the implications of this at a sector level. The geography of the credit union sector in Scotland has been shaped by regional variation in levels of funding at the discretion of local authorities. It also highlights the ways in which the social mission of credit unions may be lessened as a result of budget cuts. A number of actors in the credit union sector noted during this research that some of the most socially impactful work done by credit unions in Scotland is carried out despite not having any prospect of providing income. While some larger credit unions manage the costs of this by having a more diverse membership, it should be noted that some of these larger credit unions also operate primarily either online and/or by phone. This theme will be explored in further detail in the next section.

Although there is a history of credit unions receiving grant funding, there is evidence from this research to suggest that credit unions are not necessarily reliant on this and would still be viable if financial support were to end. In addition, the ongoing funding that some credit unions have had is now being used to justify the need for more professionalism and the adoption of the 'new' model to move away from "drip feed" grant funding towards targeted investment' (Wright, 2013: 10). This links closely with UK Government policy towards credit unions since the financial crisis, through attempts to shift away from the kind of ongoing funding that past Labour governments had provided and transform the movement in Britain into becoming self-sustaining, or attractive to private or social investment. However, this narrative fails to represent smaller, 'old' model credit unions that have not relied on ongoing funding, and do not wish to adopt 'new' model characteristics or a wider community focus (see Sinclair, 2014).

The social economy is shaped by the 'economic, cultural and institutional context in which it develops' (Amin, 2009: 11). The geography, diversity and ultimate success of the sector in Scotland is a product of a number of factors, of which interactions with the state at a local authority level have been key. The relationship with the state can create the conditions for credit unions to flourish in line with cooperative, alternative values. This is particularly the case in situations in which local authorities have sought to build a more collaborative and partnership-based relationship (Interview A). At a sector level, state support can enhance diversity and support the credit union sector to operate as a joined up movement. Equally, however, there are examples of state actors inhibiting cooperative values, and creating a system in which credit unions have formed a reliance on state funding and deviated from a service that is responsive to existing member needs. The nature of the interaction with the state can support viability by a strategic, long term approach. While it is also the case that grants have been awarded with few, if any, long term benefits. Credit unions require a stable funding environment and support that promotes long term sustainability. This becomes challenging in the context of the post-crisis changing political landscape and the impact on credit union funding. It is therefore crucial that fulfilling public policy objectives is of secondary importance to a strategy for credit unions in line with self-identified aims and objectives that are shaped by member needs.

6.4 Credit union models, values and viability

The 'new' credit union model has been described as the most adept at meeting wider social needs, and for creating the conditions for viability in the sector (Jones, 2008a). Section 6.2 set out that the institutional framework in which the sector is situated in has an important influence on viability. Throughout this research, it was frequently reiterated that credit unions operate in tight financial margins. Securing the conditions for viability is therefore highly important, as even a short term inability to comply with regulatory requirements could lead to closure. However, the notion that the 'new' model is the only form that can create the conditions for viability in the credit union sector is open to question. This section will challenge the mainstream emphasis on promoting a singular 'new' model across the sector.

6.4.1 Promoting viability: credit union model, economic democracy and state support

Adopting the 'new' model (see Chapter 3) has necessitated significant state funding for credit unions. This is problematic in the context of the changed political environment following the crisis as set out in Chapter 5. However, the level of funding is also an issue from a values perspective. As cooperatives, credit unions are theorised as being an economic extension of the membership (Taylor, 1971), through being member-owned and member-governed (Birchall, 2013). Credit unions ought to, therefore, provide products and services in response to member needs. Fostering economic democracy is contended to be a defining characteristic of cooperatives (Birchall, 2011). Having effective democratic systems in place should ensure credit union relevance and viability as members would have an effective means to shape their credit union in line with their own economic needs. A former Chief Executive of a large credit union contended that external funding for credit unions should not be necessary, by noting:

> 'why do they need to rely on the government to give them money if they have a sound business model and they are providing a service that people want? Why do you need that level of investment?' (Interview I)

This suggests that as democratic institutions, credit unions in theory should independently have a viable operating model in that they exist to meet member needs. As members are owners of the cooperative, it is in their own interest to provide products and services that are economically viable in the long term. This would indicate that state funding is necessary in situations in which credit unions are failing as cooperatives. However, much of the funding from the state is unlikely to address this issue because funding offered with conditions to attract a rapid influx of new members (such as the Growth Fund and the CUEP, see Chapter 5) could detract from the cooperative spirit of the credit union. The result may be that they ultimately become reliant on funding, as democracy weakens. In terms of viability in the post-crisis context, relying on external funding at the expense of fostering cooperation may not be an effective strategy for long term sustainability. By undergoing the required organisational changes to adopt the 'new' model, it could further increase dependence on the state and limit the autonomy that credit unions as economic alternatives should have from the mainstream. Yet state funding, and broader support, does not automatically weaken democracy. The key issue here is whether the nature of support shifts governance away from member democracy or enhances it.

Among alternative ownership models in financial services, Birchall and Simmons (2001: 207) argue that there is a "democratic deficit" due to a lack of incentive for board members to foster a sense of wider democracy among the collective membership. Secure access to ongoing funding may intensify this issue. In the longer term, the importance of practising values of mutuality and being responsive to member needs may have been demonstrated by the decline of the building society sector in Britain. From this, it could be contended that it is the cooperative nature of credit unions that sets the conditions for long term viability, and the ability to survive in a market-dominated environment. Although co-optation by the state could in the short term support the expansion of the credit union movement (which may in itself have implications for weakening a sense of cooperation, as noted previously), in situations in which influence from the state entails going against existing member needs, it could also affect longer term viability. In the context of post-crisis budget cuts, a number of credit unions in Scotland are now realising that state grants cannot be taken for granted. To remain viable, credit unions must therefore be relevant to members and provide the products and services that existing members need, which may not be aligned with public policy objectives.

This research suggests that how funding is used is an important consideration, and a more nuanced debate than a simple dichotomy that purports that funding is either inherently positive or negative. Indeed, funding can impact on levels of member engagement in both a positive or negative way, depending on whether credit union structures already foster a democratic ethos. However, in thinking about a mutual as an institution that is owned and governed by members (Birchall, 2013), it questions whether by raising capital through grant funding, regardless of the conditions attached, this in itself detracts from democratic principles. This touches on one of the key tensions within the sector, which is what the role of the credit unions ought to be and who they are for. Although there is a clear need in society to intervene in areas in which credit unions could have a positive social role, it could be argued that it is not the role of credit unions to fulfil these services. Situations in which government programmes result in a significant number of new members as part of meeting policy objectives may put the viability of credit unions on a precarious footing, and create the conditions for long term reliance on external funding. Clearly this is not in the financial interest of longer term members, although there are clear social benefits to wider society. The point is highlighted by Sinclair (2014) who notes that the kind of transformation being argued for by the state in order to provide tailored services to lower income groups and the financially vulnerable have led some within the sector to question why it has become the role of credit unions to fulfil this (albeit important) economic and social function.

Chapter 2 set out how the emergence of third way politics in Britain marked new opportunities for the social economy (Amin, 2009). For credit unions, the social justice agenda of Labour governments meant co-optation aimed specifically at tackling financial exclusion. Considerable investment was allocated to credit unions to strengthen their positioning within the economy, to support low income groups and the otherwise financially excluded. In the post financial crisis political landscape, the 'new' model continues to be promoted by the state through the Credit Union Expansion Project. However, this new, more intense phase of neoliberalism marks a different set of circumstances through austerity and welfare state retrenchment since 2010 (van Kersbergen et al, 2014). Expectations of the social role of credit unions have remained (or even increased), yet the ongoing funding provided under Labour governments is now in decline.

Continued attempts to co-opt credit unions have retained a focus on financial exclusion, as well as addressing the financial exploitation that has emerged through financialisation processes (Tischer et al, 2015; Arestis et al, 2014). This is despite evidence to suggest that this role for credit unions in the current context may not be viable. Sinclair (2014: 20), for example, argues that state 'aims for credit unions to become both sustainable and serve financial excluded and marginalised groups may… be mutually contradictory' even in the 'new' model. More broadly, Amin et al (2002: 12) question the role of the social economy to deliver welfare provision previously carried out by public services in that third sector organisations may be unable to provide sustainable support due to 'limited finances, voluntary effort and multiple demands'. This is relevant in the context of credit unions in Scotland, in which expectations for these organisations has grown. Indeed, the 'savage reductions in the real value of the Scottish budget' have placed more emphasis on harnessing the social economy to support policy delivery (the Scottish Government, 2011: 2). Yet it is unclear whether credit unions will be able to sustainably deliver what is both externally expected and for some credit unions, is now internally aspired to.

6.4.2 Promoting viability: credit union model and diversity

Encouraging the adoption of the 'new' model across the sector also has implications for diversity, which in financial services has been linked with resilience (Michie and Oughton, 2013). The experience of the mainstream financial sector during the financial crisis supports this contention (Hutton and Lee, 2012). Indeed, as a 'relatively homogeneous sector', financial service organisations were all similarly impacted by the emerging volatility in the global economy and responded in the same way (Hutton and Lee, 2012: 329). Within a more diverse sector, Hutton and Lee (ibid) suggest that the crisis 'may have been felt less harshly'. The findings of the UK Ownership Commission (2012: 9) called for more diversity within financial services, arguing that 'plurality of ownership forms should be viewed as an economic good in its own right'. In this context, promoting a singular model within the credit union sector seems to go against learning from the financial crisis in terms of the conditions for promoting economic stability.

Coen et al (2017) point out that credit unions that have failed recently tend to be of the smaller, 'old' model variety. In reference to the impact of the financial crisis, they note the benefits of having a larger common bond, which can represent a greater tranche of the socioeconomic spectrum (Coen et al, 2017). Martin (2011) notes that the impacts of the financial crisis and the recession have a spatial dimension, and some of the worst hit and slowest to recover areas have been among lower income communities. This suggests that viability is linked to wider economic conditions, particularly for the more traditional model. However, this model is also the more dominant variety and, therefore, proportionately more likely to fail. Despite some impressions from within the sector that smaller credit unions tend to have a more relaxed approach to management (Interview M), there is also evidence that some smaller credit unions are in strong positions, despite not receiving external funding. These credit unions appear to have retained a strong grassroots movement, and as a result, have a plentiful supply of volunteers and a membership that is content with the product and service offering (Interview C). Indeed, the current diversity of the sector in Scotland, even after the widespread economic challenges caused by the crisis and subsequent recession, suggests that there is not just one model for securing viability and longer term sustainability. Irrespective of the 'new' versus 'old' model debate, Sinclair (2014) argues that the credit unions that demonstrate strongest viability and the conditions for sustainability are those that focus their efforts on meeting member needs and may only indirectly bring benefits to the wider community. Through this approach, credit unions still provide an important social function, albeit one not wedded to the dominant broader policy narrative. This is key to their continued autonomy. In contrast to the advice of mainstream actors that would encourage credit unions to adopt more mainstream characteristics and values (see Chapter 5), for long term sustainability the sector should seek to remain diverse and retain an alternative ethos.

Credit unions with employment or industrial based common bonds have experienced higher and faster levels of growth compared to community credit unions (Sinclair, 2014). These credit unions deal only with members in employment, tend to have higher membership numbers and have developed as professional organisations. This has provided the inspiration for the 'new' model that community credit unions are being encouraged to adopt. The success of these credit unions has been attributed to taking a more business-oriented approach and tending to offer a broader range of products. However, the case could also be made that they have been able to grow more rapidly because they only deal with individuals in work and with relatively higher incomes (Interview A). Higher income members tend to be more financially literate and require lower levels of support, as well as being in more financially secure positions (Interview P). More recently, some of the formerly employee-based credit unions have changed their common bond to anyone living or working within a certain area (Interview O). However, the legacy of their former common bond has remained, and they tend to have a more diverse membership, with significantly more middle-income earners, compared to community credit unions. For larger credit unions, this enables a balance between more financially literate members that are in employment and likely to take out higher value loans, and low income groups that require more support and are likely to produce lower returns to the credit union. An employee within a large credit union noted that within their diverse membership, '20% of the members… will make up 80% of the work' (Interview P). For credit unions that have a membership more concentrated in lower income groups, it is highly debatable that this kind of credit union could find the capital investment required to expand or adopt 'new' model IT systems and remain financially viable.

Furthermore, as these credit unions do not already have a diverse membership, it seems unwise to deliberately attempt to attract more of the financially excluded or low income groups as has been encouraged through government interventions. If larger formerly employment based credit unions cannot afford a branch network, it seems unlikely that smaller credit unions will be able to expand and still be able to provide the same kind of service on a larger scale. The Chief Executive of one of the larger credit unions in the Greater Glasgow area noted:

> '[t]he service we offer is different. We cannot replicate, and without wishing to sound patronising, the hand holding they [smaller community based credit unions] can do. We can't do that. We do it to a degree where members need it, but they have this personal interactive service on the High Street with people' (Interview E)

By operating within a more geographically disparate common bond area, larger credit unions have frequently made the decision to close branches after mergers and focus on developing their IT capabilities (Interview P).

In the Scottish context, community credit unions have traditionally been set up in urban areas with higher levels of poverty. As is set out in 5.4.2, a recent study of internet uptake in Glasgow's most deprived areas highlighted that within a sample of 950 respondents, 42% had never used the internet (Anderson et al, 2015). Residents of more deprived areas, and particularly the elderly, are least likely to use the internet (Anderson et al, 2015: 37). In light of this, the argument for credit unions adopting the ‘new’ credit union model in line with continuing credit union relevance in society and meeting the needs of modern consumers seems less convincing. Particularly as bank branches close and services move online, there are communities in Scotland that lack local access to mainstream financial services, and arguably have been left behind by economic growth and technological advancement.

Anderson et al’s (2015) research highlights a clear digital divide in Scotland that is linked to deprivation. This suggests that the convenience element of community based credit unions still has relevance, especially in lower income areas. For credit unions operating in these communities, there appears little evidence to justify prioritising the development of an online profile, particularly as the sector as a whole has relatively limited resources for investment in these projects. For example, at Cambuslang Credit Union where data collection took the form of extensive participant observation, the content and functionality of the website at the time of research was limited. There was some evidence that members used the website for information regarding opening times and contact details (field diary notes, September 2015). The website also provided forms for becoming a member and loan applications that could be printed off and completed in advance of coming into the credit union. Relatively few members made use of this facility, preferring instead to enquire about joining or getting a loan in person, and either filling in the form then or taking a copy home for completion (field notes diary, June 2015). Some members clearly found this system to be inconvenient, especially in situations in which time off work had to be organised in order to attend a loan appointment (a mandatory part of the application process). However, despite suggesting that it was inconvenient, these members had still decided to access financial services through a credit union. For a number of members, having the opportunity to discuss their finances, the affordability of the loan, and how repayment would work provided meaningful guidance and support. As the majority of members of Cambuslang Credit Union were either in some form of work or retired (field notes diary, June 2015), these members would likely not be otherwise financially excluded if the credit union ceased to exist and therefore had a choice of where to access a loan.

The wider context of financial services in Cambuslang is arguably of ‘financial desertification’ (see Sinclair, 2011) as all three bank branches in Cambuslang announced that they would close in the space of a year (Dickie, 2017). This leaves the credit union as the only remaining financial service institution with a physical presence in the community. Even prior to these closures, the demand for loans from Cambuslang Credit Union suggests that there is something specifically about this model of financial services that attracts individuals. This is despite there being more financially rewarding options from mainstream financial services with a far more sophisticated online offering. Furthermore, the average age of credit union members is often portrayed as elderly, or aging at the very least. However, credit unions of varying size and service provision reported the average age of members to be much younger than they would have anticipated. Based on Anderson et al’s (2015) research there appears to be a clear link between deprivation and digital inclusion. As the public policy agenda pushes towards digitisation, including in areas likely to be disproportionately impacted by Universal Credit (see section 5.4.2), the role and physical presence of credit unions is likely to become even more important in deprived areas.

While it is clear that smaller credit unions still retain an important function, larger credit unions also play an important role both in the sector and wider society. Throughout the data collection phase of this research, it became clear that their role within the sector has become contentious. While these credit unions do not resemble traditional notions of a credit union in terms of membership size, common bond, or product and service offering, larger credit unions have managed to find a balance between viability and values in the current context. It is frequently argued (and expected) in the literature that the future is increasingly for larger, ‘new’ model credit unions (Jones, 2008a). However, these organisations still bear an important distinction from the ‘new’ model, which encourages a focus on providing financial services to deprived communities. It is an interesting contradiction that government interest has primarily been in small, community credit unions that have become a direct link for government into some of the poorest communities in Scotland (Interview Q). Yet government interventions have encouraged scaling up to resemble larger size credit unions, that lack the same level of community connectivity. A number of larger credit unions do not tend to focus activity on the most deprived communities, and instead seek to attract a wider membership (Interview E).

While larger credit unions have been viewed with distrust in the sector, as will be explored in greater detail in the next chapter, these credit unions are perhaps doing most to retain cooperative values. These credit unions have expanded the reach of financial alternatives within the economy (and possibly even challenged the mainstream). There are examples of these organisations providing resources and expertise to support smaller credit unions (Interview E). Thus, they strengthen the sector as a whole while recognising the value of, and promoting, diversity. For example, one of the largest credit unions in Glasgow has in the past offered loans to smaller struggling credit unions, in which their closure would have a high social impact in deprived communities (Interview E). Instead of providing financial support accompanied with policy objectives, the funding in this instance was contingent upon developing a plan to secure the conditions for viability in the future. Whereas financial support from the mainstream can inhibit the ability to reproduce alternative values, support from another credit union reduces influence from the mainstream while promoting the conditions for viability. This diversity and a system-wide approach will be important for ensuring the longer term viability of credit unions in Scotland, and possibly even for creating the conditions for greater diversity in financial services as a whole. To use Wright's (2010) framework, these credit unions demonstrate the potential to be an 'achievable' alternative to the mainstream, that is contingent upon the ability to attract a diverse membership

6.5 Conclusion

This chapter has demonstrated that the viability of credit unions is contingent upon regulatory compliance within an institutional framework that has become increasingly challenging. This was set out in the context of the impact of the changing political landscape post-crisis on viability within the sector. The focus here was on the declining funding on offer to credit unions from local authorities. For a number of credit unions in Scotland, there are clear negative implications for losing funding, particularly for services provided to the wider community beyond the membership. However, this could also be viewed as an opportunity to refocus attention on practicing and harnessing cooperation, which could secure the conditions for longer term sustainability. The building society sector was referenced in this chapter, as exemplifying the possible trajectory of an alternative with a "democratic deficit" (Birchall and Simmons, 2001). If seeking to remain viable as an alternative, credit unions should (re)develop effective channels for strengthening economic democracy. This should ultimately ensure that credit unions are responsive to member needs while maintaining relevance and a clear role within financial services as an alternative.

This chapter also demonstrated the importance of diversity within the credit union sector, and the positive role that larger and smaller credit unions can have both in society and in strengthening the sector. For smaller credit unions, a continued physical presence within communities is crucial. Encouragement to adopt the 'new' model to ensure continued relevance in society has been challenged in this chapter, particularly around digital innovation. Although larger credit unions have been viewed by some within the sector with distrust (which will be further explored in the next chapter), they also have an important function. By appealing to a wider tranche of the population, these credit unions perhaps demonstrate the ability to continue to promote an alternative mutualist ethos in the financial sector. Furthermore, some of these larger credit unions have provided support to other credit unions, strengthening and working to secure the conditions for viability throughout the sector. Continued neoliberal and financialisation processes are likely to further marginalise and compartmentalise the role of alternatives within the economy. Credit unions operate as cooperatives in a sector that could form a system of mutual support that may be crucial for securing future viability in this context.

In challenging the adoption of the 'new' model, this chapter considered the link between credit union values and viability, and demonstrated that there are a number of viable forms of credit union that are relevant to society in Scotland today. While this chapter has predominantly concentrated on the 'viability' element of Wright's (2010) framework, the next chapter will focus on the 'desirability' element of credit unions in Scotland. This will question whether their values, that are influenced by the broader political economic environment, still underpin that of a desirable 'alternative' that could form the basis of a fairer economy.

7. The Changing Ethos and Values of the Scottish Credit Union Sector

7.1 Introduction

The purpose of this chapter is to address research question 3 by exploring whether credit unions in Scotland are incorporating more mainstream values (see Table 2.1) and in consequence of this, losing a sense of alternative identity. The governance agents referred to in this chapter, as the key influencers of change within the credit union sector, include the state, civil society and private business interests. Their impact was explored in Chapter 5 by considering the changing economic and political environment in which credit unions in Scotland are situated within. Chapter 6 explored the impact of further neoliberalism and financialisation following the financial crisis on credit union viability. This chapter will explore the implications of these influences on credit unions in Scotland, in regard to shaping the values that inform the trajectory of the movement.

Even among alternative financial organisations, the underpinning model of credit unions and their value system is unique (Ward and McKillop, 2005). The ethos and characteristics of community credit unions has been described as epitomising locally alternative-oppositional financial service organisations (Fuller and Jonas, 2003: 57). This is predicated upon a theorisation of credit unions as not-for-profit, self-help alternative financial organisations. For example, a recent definition describes them as ‘not-for-profit, cooperative, member-owned, voluntary, self-help, democratic institutions that provide financial services to their members’ (Hyndman and McKillop, 2018: 144). The way in which credit unions are theorised within the literature is distinct from the underpinning values and activities of the mainstream financial services sector. However, theorisations tend to be based on traditional forms. This chapter will demonstrate the evolution and diversity of the credit union sector, which will serve to challenge definitions such as that provided by Hyndman and McKillop (2018).

Wright’s (2010) framework for evaluating alternatives in terms of desirability, viability and achievability for transformational change within the economy, is useful as a means of considering the role of credit unions within the Scottish economy. After exploring the viability element in the last chapter, this chapter will now turn to focus on the desirability by focusing on the values and ethos of credit unions in Scotland. As noted in the introduction of the previous chapter, credit union viability and values are mainly addressed in separate chapters as a means of clearly engaging with the research questions. However, in reality, viability and values are intrinsically interlinked, which will become more fully apparent in this final empirical chapter. These themes will provide an indication of 'achievability' in terms of whether credit unions in Scotland could enhance the prospects of a more varied financial services sector.

This chapter is split into three sections. Section 7.2 will provide a short conceptual overview of the tensions within the credit union sector as a result of co-optation during a phase of roll-out neoliberalism (Peck and Tickell, 2002). The following section will return to the theorised unique credit union characteristics and ethos identified by McKillop and Wilson (2015) and demonstrate the ways in which these are manifested within the credit union sector in Scotland. This will build on the context that was set out by the broader political and economic environment in Chapter 5, as well as the implications for viability, which were set out in the last chapter. Both of these elements have a role in shaping the values of the sector. As Sayer (2004: 2) observes, moral norms, 'may be compromised, overridden or reinforced by economic pressures'. Section 7.4 will consider whether in light of the values and changing ethos of the sector in Scotland, credit unions can be considered a 'desirable' alternative.

7.2 Conceptualising the tensions in the credit union sector

As credit unions were co-opted to deliver policy objectives during the New Labour years in the UK, it became clear that 'government interest in the social economy cannot be separated from the aim to roll-back state provision by stimulating a 'social market' for welfare' (Amin, 2009: 15). New funding for the social economy coinciding with a redefined role of the state led a number of social enterprises to shift into a marketised economic environment in which they were expected to 'provide a high-quality service at competitive prices as well as thrive as a business in the open market in order to qualify for policy support' (ibid). These expectations are based around the values of the mainstream capitalist economy, which promote competitive relations (see Table 2.1 in Chapter 2). This has had an impact on the alternative values that define the social economy, and created a culture in which dependencies on public funding has emerged, and in general, sensitivity to members' needs has declined. This has created a "democratic deficit" created by a lack of incentive for governance agents operating within the credit union (see Section 3.5), such as board members, to foster a sense of wider democracy among the membership as a whole (Birchall and Simmons, 2001: 207).

Fuller and Jonas (2003: 57) argue that this relationship with the state that emerged during the New Labour years has limited the ability of credit unions to 'construct/reproduce alternative-oppositional economic spaces'. As part of the mainstream and a key facilitator of financialisation and neoliberal processes, the state especially at a national level has clearly inhibited the ability of the credit union sector to reproduce alternative values. This is particularly the case since the emergence of roll-out neoliberalism in the UK as governments co-opted the credit union sector as a mechanism through which to deliver public policy objectives. The relationship has jeopardised alternative values and current trends suggest that credit unions could transpire following the same trajectory as the majority of British building societies from the 1980s (Tischer et al, 2015). Indeed, the credit union sector development model recognises that 'there is nothing in theory to prevent a further stage beyond maturity which entails transformation of credit unions beyond their current co-operative form to become an entirely new form of organisation', with one possibility being demutualisation (Sibbald et al, 2002: 401). Moreover, Tischer et al (2015: 7) note similarities between the characteristics of the credit union movement now in the UK and the experience of building societies, as the declining number of credit unions in the UK, 'paint an all too familiar picture that mirrors development in the building society sector (albeit on a much smaller scale): consolidation and the concentration of activity and assets in a selected few'. Therefore, consciously reproducing alternative values as part of a retained commitment to alterity will be crucial for the sector in Scotland in the context of neoliberalism, even while still being shaped by mainstream influences.

Amin (2009) argues that providing welfare services is not the role of the social economy and that these organisations should neither replicate nor replace state services. Although there are blurred boundaries between the private and public sector with the social economy, Amin (2009: 15) contends that socially-oriented, alternative organisations 'should operate in parallel to the private economy and the state' due to the 'distinctive ethical and social ethos' of these organisations. Where relations underpinned by mainstream values (see Table 2.1) have dominated economic spaces and then withdrawn, it can be expected that organisations with alternative values replacing the mainstream could be held to the same competitive standards, with an emphasis on mainstream values such as efficiency and value extraction. The state co-option of credit unions has been described as becoming 'increasingly problematical' (Fuller and Jonas, 2003: 63). The growing level of external influence may have been shifting credit unions away from their central mission, which is to fulfil the economic needs of the membership

(Taylor, 1971). Traditional credit unions have been referred to as 'the purest form of all cooperatives' since in theory they should only have dealings with members (Taylor, 1971: 207).

Pearce (2009: 30-31) provides a succinct and comprehensive description of the kind of tensions present in the social economy that have served to blur the boundary between alternative and mainstream through state co-optation and a changing value system:

> 'It was about empowerment, about community self-help, about a political ambition to redress a perceived imbalance of opportunity and to promote 'another way' of doing things… The roots of community enterprise were traced back at least to the Rochdale Pioneers and to the aspirations that ordinary working people should have greater control over their lives and be able to challenge successfully the power both of the state and of the private sector. I wonder if that political edge is still there in the age of social enterprise as governments seek to co-opt not only social enterprises but the wider social economy as its 'partner' in service delivery? Maybe that does represent an opportunity to become bigger and more respected players in the economy, but surely it is also a threat to the essential independence of a third system which can challenge and which can show a different way of doing things?'

Despite the heightened form of neoliberalism that has emerged (French and Leyshon, 2010) and the challenging environment that it brings for alternatives, the financial crisis may have provided an opportunity for economic alternatives to shift away from co-optation by primarily functioning as a means of solving the social problems associated with neoliberalism. In this sense, credit unions could move beyond cushioning negative outcomes as part of the 'double movement' (see Chapter 2) to more directly challenge the social dislocation brought about by increasingly marketised societies. This may be an opportunity to regain the 'independence' that Pearce (2009) references for re-engaging with cooperative, alternative values, such as economic democracy. As will be explored in the next section, in the context of declining funding, it may be the case that the credit unions that demonstrate longer term viability are those that have effective member governance as part of democratic values (Langley, 2008).

Table 7.1: Data table highlighting themes in Chapter 7

Code	Theme(s)	Data
Cooperation / competition	Sense of increasing competition and lack of cooperation at a sector level	'I was Head of Member Services [at large credit union]. They actually expanded quite a bit since I left. They've gone right up the east coast. Its caused a whole lot of consternation amongst local credit unions. They expanded right up the east coast and caused a stooshie… [Credit union] is a predator (Interview S). 'If someone who is financially better off, as in having a regular income, if they're faced with the choice of do I put my money into [medium sized community credit union] or do I put my money into [large live/work credit union], then if you're looking to make a major purchase within 2 or 3 years since you joined the credit union, then you would be better off going to Capital. And that means that then there is a drain, potential drain, on some of the smaller credit unions in terms of good savers contributing... If you lose them then that means that your ratio of loans to savings can diminish quite rapidly so it's that type of pressure that some of the credit unions feel that they're under competition with larger ones' (Interview Q). 'Credit unions should be able to cooperate with each other… We are competitive sometimes…We're stronger together, in terms of a voice , with government, with regulators. I wish people would see that' (Interview D).

		'One of the problems with the credit unions is that for a group of cooperatives, they don't cooperate very well with each other' (Interview I).
Economic democracy	External funding shifting focus away from responding to existing member needs with potential implications for sustainability	'They end up spending the time chasing grants. We're part of a forum in Renfrewshire, which has just been resurrected. The previous forum fell down about 5 years ago and one of the reasons it fell down, it turned into a grant chasing forum. So you know they were dancing to the tune of the latest grant. If the grant was available to do this, they would go and do that. Regardless of whether it was in the best interest of their members. It was money, it's quite hard to resist when someone says oh we could write you a cheque to do this. And of course … you have to do what the grant is asking you to do so it's quite a difficult one' (Interview E). 'I would contend why do they need to rely on the government to give them money if they have a sound business model and they are providing a service that people want. Why do you need that level of investment?... I think all money from a funder tends to come with some sort of condition or other' (Interview I).
Treatment of income	Growing focus on raising income, not relying on grant funding, becoming more business-oriented, shift	'We need to make a profit so the business can survive, so we can help people who don't have many choices, so we can give them cheaper loans and credit at all, so that's what our issue is. So we try to, we are sustainable to the extent that we can survive with what we've got. Fine margins like most credit unions… I think a lot of credit unions do not really, certainly the smaller ones, do not understand the business ethic.

	from not-for-profit to more than-profit	We need to make a profit. We don't use that word, but we need to make a profit, we always say we're not for profit, but we are for profit. But it goes back to the membership. The organisation needs to be constituted more so on a business footing and that's why we see credit unions relying on grant funding. They expect the grant funding. We saw two credit unions fold just last month. One was [credit union], they used to get £75,000 a year. If we got that we would be, our bank account would be flooding. That was just to keep them going. There was no way they could it. Their models are all set up wrong. A number of these credit unions have umpteen collection points and offices here, there and everywhere. It's not cost effective. You can't operate a business with offices everywhere because of the overheads (Interview S). 'It is a business first of all. Any credit union that survives is a business, it doesn't mean that you exploit your customers, it doesn't mean that you keep the profits, but it does mean that you have to treat it like a business. If you don't run it like a business, you can't do all the nice bits, you can't do all the ethical stuff (Interview E).
Collective values	Creating a sustainable credit union through a balanced membership	The advantage credit unions have we're happy to do things that are not profitable because they're better for our entire social structure so we're happy to look at dealing with people who don't generate a bottom line. We don't measure the bottom line for individual members, it's a collective, the whole point of being a mutual is that it's a collective. As long as the mutual is collectively sustainable then we're happy. You've

		got to balance it off, we adamantly try and make products that are available to every member… credit unions don't look at people as individuals and saying do we make money off them, are they individually financially viable. We do as much as we can within the viability of the overall credit union… We're not looking at the bottom line, we're looking at the overall social benefit and I think that's the biggest difference (Interview E). 'To do what credit unions do you need to have a really good loan book of [middle-income] people. 80% of your customers should be like that, 20% should be the people you want to help. So you use all the money you make from the financially included folk to help all the rest of the folk. If you don't have all them and you just have them, you're just going to get bad debt and it doesn't work. Which is what the problem is with a lot of credit unions in the past - trying to help people without having a base of reliable non-risky customers' (Interview R).

7.3 Exploring the changes taking place in Scotland's credit unions: characteristics and ethos

This section will return to the unique credit union characteristics and values initially outlined in Chapter 3. It will demonstrate the ways in which the sector in Scotland is evolving in light of the conceptual underpinning set out in Chapter 2 and the specific economic political context delineated in Chapter 6, in addition to the issues around viability set out in the last chapter.

7.3.1 Collaboration to competition: the common bond

Forker et al, (2013: 107S) suggest that the credit union model has a "natural advantage" as a result of the common bond, which promotes a sense of community and trust that reduces information asymmetries as means of managing risk. The security offered by the common bond is further enhanced by a lending policy that requires new members to save for a fixed period and then demonstrate the ability to repay a small loan before being able to access higher value loans (field notes diary August 2015). For the traditional model of credit union that is generally small, volunteer-run and limited in resources, the common bond acts as an important means of managing risk without resorting to credit checks. This enables the provision of affordable loans to groups identified by mainstream assessments as high risk that would likely be economically marginalised (Sinclair, 2014; McKillop and Wilson, 2015). This approach has encouraged a number of credit unions to remain small, and responsive to local community needs. As is noted by Gibson-Graham (2006), organisations within the social economy are theorised as being locally owned, locally self-reliant and responsive to the needs of local people. Furthermore, Jonas (2013: 30) argues that 'alternative social enterprises actively embed their unique social and political values in specific institutions, laws, rules, places and regions'. Credit unions in Scotland emerged to serve specific geographical communities. As the sector became more established in Scotland and individual credit unions began to grow in size, expanding the common bond was limited by the regulators to avoid overlap and prevent expansion into multiple local authority areas (Interview O).

This meant that even in areas with a relatively high concentration of credit unions, such as West Central Scotland, in the early stages of the movement, community credit unions tended to cover one distinct geographical area without overlap in terms of the physical extent of the common bond. Credit unions with an industrial or employer common bond became established later in Scotland. For the first time an element of choice emerged in situations where individuals with access to an employee or industrial credit union also lived in an area served by a community credit union (although individuals can be members of more than one credit union). Employee credit unions have experienced much higher and faster growth than community credit unions (see 6.4.2) (Sinclair, 2014). In Scotland, and indeed the UK, some of the largest credit unions were formerly credit unions for local authority employees, which due to the potential membership pool supported faster growth (Interview A). For example, Glasgow Credit Union was the credit union for Glasgow City Council employees, and Scotwest Credit Union began as the credit union for the former Strathclyde Regional Council.

The restructuring of local authorities, including council boundaries being redefined and the rationalisation of employee numbers, led these credit unions to explore changes to the common bond to avoid decline in potential membership and enable further growth (Interview H). This resulted in the emergence of a new type of common bond through the creation of live/work credit unions that encompassed anyone living or working in a geographical area. The move required approval from the regulator (the FSA at this point), which, as noted above, had until this point rejected proposals from credit unions that sought expansion that would result in overlap with another community credit union or mean operating in more than one local authority area (Interview O). This precedent then enabled smaller credit unions to expand their own common bond. Increased flexibility has proved useful as it has become more difficult to establish a new credit union due to increasingly stringent regulatory requirements. However, relaxed rules around the common bond have encouraged a shift away from locally embedded, community credit unions. Even for those that have remained small and community focused, pressures to adopt the 'new' model as outlined in 6.4.2 of the previous chapter, has facilitated a shift from this model being the default to what is now widely considered to be outdated.

As credit unions grow, or aspire to grow, common bonds tend to expand in order to the increase the number of potential members. This trend is linked to professionalisation in the sector, and a shift to a more "mature" movement (McKillop and Wilson, 2015: 100). However, expanding common bonds have led to an increased sense of competition in the sector. This is most commonly the case in Glasgow and the West where credit unions are more prevalent, and common bonds overlap often multiple times. As cooperatives, credit unions in theory should have a tendency to collaborate and co-operate. However, changes to the common bond have led to distrust and division based around a perception that credit unions with overlap are in competition for members (Interviews Q and T). As is outlined in 6.4.2, larger credit unions can have an important positive role within the sector. However, a sense of competition for some smaller credit unions has progressed into a position of feeling threatened. A large credit union based in the Central Belt, for example, has expanded significantly in recent years by merging with smaller credit unions. An interviewee from a smaller credit union in the area described it as 'a predator' that has been causing a 'whole lot of consternation' amongst smaller credit unions (Interview T).

In the areas in which this credit union has expanded its common bond, there is concern that higher income groups will be more inclined to join it or indeed another larger credit union, to the detriment of their smaller, more community-rooted counterparts. Having a larger credit union in the same common bond area was described by an interviewee as a ‘potential drain’, forcing smaller credit unions to compete, with implications for viability (Interview Q). Smaller credit unions that rely on trust and a sense of obligation through the common bond as a means of assessing loan risk (instead of using credit checks) are likely to attract lower income groups that tend to be in more economically and financially precarious positions and thus can be thought of as ‘higher risk’. Perceived challenges to the potential to attract higher income members that could balance this risk (and promote viability) as a result of competition with larger credit unions has created real tension. It is generally accepted within the sector that a balanced membership from across the socioeconomic spectrum is required for credit unions to be self-sustaining in the long term (Interviews E, P and R). This is particularly the case in the context of the changing political environment that has been impacting on the viability of the sector, as was set out in the last chapter.

Indeed, Sinclair (2014: 412) makes the case that Scottish credit unions generally perform better compared with those in England and Wales due to being positioned within ‘more effective local networks and larger and more diverse common bonds, including members with a wider range of incomes than other community unions’. An unintentional segregation of members based on income level is likely to have implications for viability and ultimately limit the social impact that credit unions can have if they are unable to adequately manage risk. As larger credit unions tend to have geographically large common bond areas, but only one branch (in which the office set up and branch location often does not enable members to visit), the presence of credit unions in lower income areas has an important social function in terms of building trust and providing access to financial services at a community level (Collard et al, 2003 cited in Jones, 2008a). This is particularly crucial, as some forms of financial exclusion have been argued to be self-inflicted due to mistrust of mainstream financial providers (Sinclair, 2001).

Common bond expansion may have repercussions on the ability to effectively manage risk. This has implications for viability but also in terms of the value systems of credit unions. Larger credit unions now tend to use credit checks, in addition to more traditional considerations (such as what the loan is for), in the loan decision making process. This may be in the financial interests of the credit union and members in a stronger economic position. Nonetheless, it may also inhibit credit unions’ ability to empower the membership as a whole through financial inclusion, and meet public policy objectives. Sinclair (2014: 410) notes that using credit checks may risk credit unions following 'a path taken by mainstream financial services providers in recent years, that is, increasing reliant on aggregate screening processes and scoring client groups to assess risk and provision of services'. This can lead to "statistical discrimination" meaning that members could be refused access to financial services based on their characteristics, such as socio-economic status (ibid). Sinclair (2014) argues that this kind of risk assessment could result in credit unions losing some of their unique ethical values, such as around inclusivity. Indeed, an automated lending tool is being developed as part of the Credit Union Expansion Project (see section 5.4.2). While early testing suggests that this tool is more adept at identifying and managing risk in comparison with traditional methods (Interview J), there is evidence of clear opposition to use of these tools within the sector (Interview O) as well as a preference for the traditional approach to lending (Interview G). This could clearly limit the extent to which credit unions can offer a real alternative to the mainstream and promote a more inclusive, egalitarian and fairer society.

However, it is argued by Coen et al (2017: 14) that having a more disparate common bond is beneficial, despite the implications for managing risk, as credit unions with narrower common bonds 'are likely to be vulnerable to local economic and industry conditions'. The findings of Coen et al's (2017) research suggest that there is a positive correlation between regional unemployment and credit union failure. In light of the volatility of neoliberal economic governance, it may be necessary for credit unions to manage wider economic risks by having a more expansive common bond that encompasses lower and higher income communities, despite the impact on values. Indeed, following the financial crisis, bad debts within one credit union located within SIMD 10 (SIMD, 2016) reportedly 'soared' (Interview O). At the time of interview (May 2016), this credit union was still dealing with the impacts of the crisis, and in the process of trying to build stability while under the close scrutiny of the regulators (ibid).

The credit union sector in Scotland encompasses a diverse array of opinions over the fundamentals of what a credit union is, who credit unions are for, and what role credit unions should have in society. Despite pressure for change and even suggestions that the common bond should be expended with entirely, due to a perceived lack of relevance as credit unions grow in size, retaining the principle of the common bond still appears to have widespread support. An HM Treasury consultation event on the 50th anniversary of credit unions in Britain asked is 'the concept of the common bond and the wider rules around members still relevant and valued by the credit union movement?' (HM Treasury, 2014: 8). The majority response from credit union stakeholders was in favour of retaining the common bond in principle. Despite a higher tendency for credit unions to overlap in common bonds, a trade association highlighted in the report a concern that not having defined common bonds could result in even more credit unions 'directly competing with each other' (ibid). While other respondents emphasised the 'distinctive and fundamental nature of the common bond to the credit union movement' (ibid). This demonstrates a commitment to the alternative nature of credit unions both in terms of values, and in retaining a clear distinction with mainstream financial services.

7.3.2 Professional credit unions: at odds with economic democracy?

The repercussions of ongoing funding may have brought into sharper focus the importance of cooperative values both in an ethical sense but also the importance for long term sustainability in the post-crisis context. During this research, some agents within the sector articulated a negative view of grant funding arguing that it subverts the cooperative mission both for individual credit unions and at a sector level. One interviewee, a Chief Executive of a large credit union operating in the Greater Glasgow area, argued that:

> 'There's a lot of credit unions, who like any organisation if you're grant funded, just say "oh money to spend" and not actually say well what happens if this money is not here next year or the year after. And credit unions do this all the time. They end up spending the time chasing grants. We're part of a forum in [local authority area], which has just been resurrected. The previous forum fell down about 5 years ago and one of the reasons it fell down, it [had] turned into a grant chasing forum. So you know they were dancing to the tune of the latest grant. If the grant was available to do this, they would go and do that. Regardless of whether it was in the best interest of their members' (Interview E).

As explored in Chapter 6, this is important because when funding is not available, credit unions must be financially viable through the income raised from the membership alone. If credit unions have not been acting in the interests of their existing members in line with cooperative values, then it is likely that services will not be aligned with member needs, which could impact on viability. Although credit unions in some local authority areas have had ongoing funding for a significant period of time, the political nature of local authorities and the funding pressures created at a national level, particularly in the post-crisis context, means that this income should not be taken for granted. It is clear from the geography of the movement in Scotland that an absence of grants or greater selectivity in terms of the credit unions that grants are awarded to has had a significant impact in shaping the sector. This is particularly evident in Edinburgh, which has a weak and less diverse credit union movement, as funding has historically been concentrated on one credit union (Interview U).

As is argued throughout the thesis, governance structures and agents at a range of scales (see Chapters 5 and 6) have encouraged Scottish credit unions to adopt the 'new' model as a means of becoming professional financial service providers to low income groups, and more relevant (and viable) organisations in the modern context. 'New' model credit unions tend to be larger and operated by paid staff with few, if any, volunteers. Whereas, 'old' model credit unions tend to be smaller and more volunteer led. Due to higher levels of member volunteer involvement and the smaller size of these organisations, it could be expected that 'old' model credit unions are better at fostering a sense of economic democracy. MacEwan (1999) cites economic democracy as a prerequisite for a more equitable sharing of the benefits of economic development, enabling people to have power to shape their economic lives. As a result of this, democracy is situated as antithetical to neoliberal principles (ibid). Following the financial crisis, developing economic democracy should be a central focus of alternatives in opposition to neoliberal, mainstream values. Indeed as Cumbers (2016: 328) notes, debates around new forms of collective ownership should be strengthened to set out 'an agenda for diverse and democratic forms of public ownership as means of achieving social and environmental justice in the years ahead'.

McKillop and Wilson (2015: 103) note that a sense of economic democracy is 'at the heart of the credit union movement and is in itself a core cooperative principle'. Members have equal voting rights and credit unions are governed by members that form an elected board. Therefore, members are not only consumers of credit union products and services but can also play an active role in governance and shaping economic practices. Combining the role of ownership and control creates a system in which members can be involved with important decision making. Furthermore, as internal capital is relied upon for expansion and managers are not incentivised by bonus packages that are linked to profits, as offered at mainstream financial services, it is expected that cooperative models maintain a lower risk profile across their activities (McKillop and Wilson, 2011). Clearly the co-optation of credit unions by agents operating in the public and private sectors has meant that this theorisation is problematic, and may have had implications on the risk appetite for credit unions that are in receipt of external funding.

Economic democracy enables the development of more ‘democratic, varied and participatory economies’ (Cumbers, 2016: 328). As McKillop and Wilson (2015: 103) note, credit unions that effectively foster economic democracy are able to ‘offer economic empowerment to the local community and prevent the concentration of economic power that subverts mass economic empowerment’. This is nevertheless dependent on the ‘willingness of members’ to take an active role (ibid). Although not a central focus of this research, the way in which a number of members interacted with credit unions appeared to be on a customer transactional basis (Interview O; field notes diary, October 2015). This arguably is to be expected within a ‘market society’ (see Sandel, 2012), and has been manifested by a lack of willingness of members to engage in credit union governance, particularly in those that are professionally managed (McKillop and Wilson, 2015). Although alternative values underpinned by cooperation may be at the centre of larger, more professional credit unions, an aesthetic resemblance to more mainstream financial service providers may mean that member governance or alternative values may not be as obvious or as central to the credit union compared with smaller, more traditional credit unions.

Financialisation processes were greatly accelerated in Britain by the Big Bang in 1986 (Gamble, 2009). This encouraged a decline of alternative, democratic values and in turn, the decline of the building society sector. Birchall (2001: 2) argues that building society demutualisation was a result of members acting against their own long term interests by failing to retain mutuality. Although it was also the case that these ‘mutuals, in common with mutuals the world over, long ago lost touch with their members as members, treating them merely as customers and playing down their democratic rights to be involved’. Thus, it is suggested by Birchall (2001) that the mutual status of building societies as member-owned and governed was already inhibited, eventually leading to the decline of the sector through demutualisation. There is evidence that the same trends are beginning to emerge in the credit union sector, particularly amongst larger credit unions (McKillop and Wilson, 2015: 103). This “democratic deficit” (Birchall and Simmons, 2001) brings the credit union sector closer to the mainstream as power concentrates among a few individuals and the wider membership loses the benefits of collectively owning a democratic organisation. However, for the credit union sector in Scotland, the degree to which the movement has ever effectively practiced democracy is questionable. The funding that some credit unions have received on an ongoing basis may have subverted democratic principles through shifting focus onto the policy objectives that often come as conditions to funding. The post-crisis political landscape may therefore present an opportunity. The changing funding environment could foster a new focus on economic democracy, as credit unions must now be more responsive to member needs, which could also bring to light issues around long term concentrations of power.

A large live/work credit union in Glasgow and the West of Scotland has taken deliberative steps to boost wider membership engagement by introducing maximum fixed terms that board members can serve (Interview E). This is set at a maximum of two terms of three years. As a result, a number of longstanding board members have been forced to give up their board positions, one of whom was described as having been active within the credit union 'effectively since day one' (Interview E). Although these longstanding members are highly knowledgeable and experienced, the decision is expected to be to the overall benefit of the credit union through the attraction of new board members, the ability to better represent different types of members and avoidance of the kind of concentrations of power that can threaten sustainability. The Chief Executive at this credit union noted:

> 'The problem is a lot of credit unions… have boards that have been in place since day one. It is too long and they [now] can't recruit new board members. I sat in a forum of credit unions in [local authority] and one of the credit unions was bemoaning the fact that all of their 7 board members had all been in place since the late 1980s and they were all now in their 80s and they couldn't get new directors. But who in their right mind wants to join seven 80 year olds in a board? … Of course now they all want to retire but they can't retire' (Interview E).

In this example, longstanding asymmetries of power and control among the membership are putting at risk the future of the credit union both in terms of governance and relevance for a younger generation. One local authority is specifically working with credit unions in the area to develop succession plans as a means of managing this risk (Interview A). Whether these measures are working to spread participation among the membership and secure the future of credit unions may only become apparent in the medium to longer term.

This large live/work credit union has also taken steps to enhance levels of democracy by building capabilities among members seeking election to a board position. This is being achieved by the introduction of a qualification requirement that is expected to enhance the ability of members to effectively participate. The Certificate in Credit Union Principles and Practice Qualification offered by the Chartered Bankers Institute is designed to provide 'an overview of the role played by Credit Unions in UK society' that will be of benefit to both individuals and the credit union sector (Chartered Banker Institute, undated). The qualification demonstrates a clear emphasis on professionalisation within the sector, as the purpose and intended learning outcomes are as follows:

- A professional development route that considers the financial services environment from the perspective of Credit Unions
- Improving the level of professional qualification will aid service to members and boost member confidence
- Deepening and broadening the knowledge of individuals involved in the Credit Union movement
- Demonstrating the commitment of Credit Unions to professional development through the provision of a formal qualification with the option of further, specialised study or related topics
- Helping establish a benchmark of knowledge in the Credit Union sector (Chartered Banker Institute, undated)

Much of the focus on professionalisation is centred around a perceived need for more effective governance to ensure the sustainability of credit unions. The Chief Executive of the credit union requiring this qualification argued that board members of large credit unions in particular require greater expertise to effectively challenge the role of management and better represent the interests of members (Interview E). Nevertheless, it could discourage some members from seeking a board position. Furthermore, although this qualification could reduce democratic deficits by building the capability of members to effectively participate, it could also serve to restructure the problem of democratic governance by potentially increasing the knowledge asymmetry between the board and ordinary members and consequently discourage more direct member input.

Other credit unions view the issue differently, and perceive it not to be around a lack of democracy or member engagement, but instead a problem of a lack of professional expertise. This is more commonly linked to 'new' model credit unions. However, even credit unions deliberately attempting to avoid adopting the characteristics of the 'new' model and set their own path according to member needs have demonstrated active recruitment to meet perceived skills gaps on their boards. This was described by one General Manager as 'positive recruitment… of key individuals' (Interview O). Although this means that key governance agents are not representative of the general membership (thereby inhibiting democracy), it is still believed that careful recruitment can ensure that boards are comprised of individuals knowledgeable of the community and understanding of local issues (ibid). Credit unions that have been less strategic about recruitment to the board have experienced issues relating to aging board members and a lack of succession planning. One General Manager noted in an interview that regardless of whether they agreed with it or not, they were having to look at bringing in new board members and different types of expertise. As he argued, 'we have a good board who understand the social side of things and the community, but you need marketing experts, financial experts, legislation experts', which was identified as necessary for keeping the FCA and PRA satisfied of effective governance (Interview T). However, there is a risk that targeted recruitment used to attract board members based on expertise and professional skills predominantly gained from experience within mainstream professional services could impact on the reproduction of alternative credit union values and inhibit member democracy.

The role of the regulators in influencing the composition of credit union boards is recognised in the sector as encouraging the targeted recruitment of individuals with specialised or professional expertise in financial services. As a result of this, the balance between satisfying the concerns of regulators and fostering member democracy may have shifted too far towards the former. One General Manager questioned the need for professional expertise, especially following the financial crisis, in which banks with supposedly highly professionalised boards demonstrated clear evidence of ineffectual governance (Interview O). Aimed at the mainstream banking sector the following quote from the House of Commons Treasury Committee (2009) is apposite to the situation in credit unions when arguing that key expert actors 'complicated banking to the point where the location of risk was obscured, abandoned time-honoured principles of prudent lending and failed to manage their funding requirements appropriately… They did this in a reckless environment, and one in which their corporate governance was often totally ineffective' (House of Commons Treasury Committee, 2009: 39). This suggests that a more 'professional' board, particularly in regard to board members with expertise developed outside of the social economy, may not necessarily enhance the likelihood of long term viability if they do not question commercial imperatives and values. Instead, the potential to lose sight of cooperative values, and prudent financial management on its own terms could be heightened by the inclusion of certain types of mainstream finance professionals, and to the detriment of credit union principles in favour of narrow commercial priorities and values.

Credit unions tend to increase in complexity as membership grows, particularly as interests become more heterogeneous, which should be reflected by the board as a means of democratically representing member interests (Birchall, 2013). In a theoretical sense, this would suggest that member democracy is weakest in larger credit unions. However, some of the largest credit unions have been at the forefront of seeking innovative mechanisms for harnessing member input and fostering direct member democracy. For example, some larger credit unions have recently begun to utilise social media as a resource-efficient means of engaging with the wider membership. This has been used to seek feedback as well as to develop understandings of the kind of products and services that members would like their credit union to offer, thereby shaping its future trajectory. There is evidence to suggest that this type of member input has been effectively used to challenge asymmetries of power and control, and promote change that could further encourage member engagement (field notes diary, 9th December 2016). This has been particularly useful for making the case for products and services that are likely to be more attractive to younger members in situations in which the board is dominated by older members, which is common in a large cross-section of credit unions in Scotland. Engaging by digital means has been demonstrated to be a particularly useful tool for facilitating member governance, which could in turn enhance the conditions for long term sustainability. From this, it is clear that levels of member governance within credit unions are variable, and more complex than the presumption that increasing organisational size has an inverse relationship with democratic member control (Birchall, 2013).

7.3.3 Ethos: not-for-profit to more-than-profit

The social ethos of credit unions comes from the traditional 'mantra of "not-for-profit but for service"' (McKillop and Wilson, 2015: 102). Unlike mainstream economic practices that prioritise profit-seeking, credit unions have demonstrated alternative-oppositional (Fuller and Jonas, 2003) values to the mainstream. They do this by actively rejecting a profit-seeking motive in favour of delivering benefits to members by focusing on service and meeting collective member needs. This means finding a balance between the interests of savers and borrowers (Taylor, 1971). As Taylor (1971: 207) notes, the uniqueness of credit unions comes from its cooperative nature, which 'involves having no profit motive of itself, but existing only to attain the economic and social goals of the people who comprise its membership'. However, Taylor's (1971: 207) description of credit unions seems slightly outdated and may only still apply to the more traditional, 'old' model, as he also describes credit unions as being run by members 'on a volunteer basis without pay'. Indeed, some credit unions would dispute defining credit unions as 'not-for-profit' as the economic and political landscape means that close financial management and a profit-seeking ethos are necessary for long term survival. Currently, credit unions are being encouraged to adopt 'new' model characteristics justified by the changing funding environment and an increased emphasis on the importance of financial autonomy. 'New' model characteristics are argued by Forker et al (2013: 106S) to encourage 'for-profit financial and management practices that focus on growth through economies of scale, self-sufficiency, and larger membership numbers'.

In consequence of the financial crisis and recession in Scotland, a number of credit unions have had to pay particular attention to financial matters as levels of bad debt have increased. This has not necessarily created a 'for-profit' culture. However, as the regulators turned to credit unions that were steadily moving towards non-compliance, these organisations had to think of new and innovative means of raising capital. This inevitably impacted on the service that could be collectively provided to members. One credit union in an impoverished part of the Greater Glasgow area was forced to respond to the repercussions of the economic downturn and its impact on members, with employee redundancies, raising interest rates on loans and introducing a membership fee (Interview O).

A number of descriptions of credit unions still contend that they are 'not-for-profit' (see, for example, McKillop and Wilson, 2015, or Goddard et al, 2009). Yet, as the sector has matured in Scotland, a number of agents particularly from larger credit unions prefer to use the term 'more-than-profit'. This is used to emphasise that credit unions must be financially sound to be sustainable, but credit union agents still consider the social ethos of the credit union to be the central priority. One employee from a large, live/work credit union argued that the reason why her employer credit was in a strong financial position, at a time when other credit unions have been struggling, is a result of the organisation being managed as a business (Interview H). This has meant rejecting pressure to focus purely on low income groups and the financially excluded (as the credit union movement has been at times encouraged to do in exchange for funding) and instead develop a range of products and services that could appeal across the socioeconomic spectrum of the common bond population. This in turn has enabled the credit union to cater to the needs of lower income members in a sustainable way, without risking its financial viability. A Chief Executive of another large credit union in the area reiterated the same message, arguing that the credit union:

> ‘is a business first of all. Any credit union that survives is a business, it doesn’t mean that you exploit your customers, it doesn’t mean that you keep the profits, but it does mean that you have to treat it like a business. If you don’t run it like a business, you … can’t do all the ethical stuff’ (Interview E).

In this example again, the ability to be an ethical organisation is contingent upon adopting a business-oriented focus. This does not necessarily inhibit alternative values, as profit is returned to members, invested in the credit union or used to build reserves (as opposed to being extracted by shareholders in the case of mainstream organisations). It also does not necessarily mean that the credit union is a proponent of the ‘new’ model, as a number of financially viable credit unions still retain ‘old’ model features, such as volunteer labour. To have a viable credit union sector, adjusting to the real outcomes of financialisation processes may necessitate closer attention to financial matters for survival. However, there is a balance to be struck here to retain a central focus on social purpose over financial concerns. If the emphasis shifts too far towards the latter, there is a risk that the alternative ethos and values of credit unions may be lost as they begin to more closely resemble commercial financial service providers. While mainstream organisations may have a Corporate Social Responsibility (CSR) strategy, commercial imperatives are of primary importance and social policies may only be implemented once these have been delivered (Crane and Matten, 2016). Maintaining a distinction from this approach is crucial for credit unions in continuing to practice alternative values.

Credit unions that have adopted a 'more-than-profit' approach challenge the assumption that larger credit unions are less able to operate according to alternative values, or realise the full benefits of being a cooperative through having a more disparate and anonymous membership base. As is noted in 7.3.1, the common bond is a unique characteristic of credit unions and has created a set of economic relations that 'more than any financial services institution operate on the basis of trust' (Sinclair, 2014: 411). For larger credit unions this is problematic in that their memberships which comprise of tens of thousands of members limits the extent to which a sense of mutual obligation and collective ownership can be employed to incentivise a sense of co-operation. Furthermore, as has also been explored in this chapter, assumptions based around credit union size and ability to function as a cooperative have led to tension in the sector, with larger credit unions being perceived as threats. These organisations are thought to have lost sight of what it means to be a credit union, and the alternative economic practices and values attached to this, in favour of growth. However, it is clear from the empirical findings here that some of the larger credit unions in Scotland have taken the lead in promoting cooperative principles and alternative values. While at the same time, a number of smaller credit unions have been unable to demonstrate an ability to practice cooperation through the reproduction of alternative values, even relative to larger credit unions in which it is thought to be more difficult. In the case of a number of smaller credit unions in Scotland, an inability to effectively govern and diffuse power among the wider membership has created issues of democratic governance leading to a lack of engagement with the membership and eventual decline. Again it appears as though credit union size does not directly influence the ability to reproduce alternative values.

7.3.4 Whose interests are served by credit unions?

McKillop and Wilson (2015: 104) argue that credit unions 'seek to bring about human and social development', and through this 'the vision of social justice extends both to individual members and to the larger community in which they work and reside'. The idea of a wider social responsibility gets to the core of one of the key tensions within the credit union sector: who credit unions are for, and in turn, what the key priorities of credit unions should be. From a more traditional perspective, Taylor (1971: 207) argues that '[t]he goal of a cooperative... is to engage in economic activities in a manner most advantageous to its members'. There is no mention here of a wider social responsibility. Indeed, Sinclair (2014: 414) argues that within the Scottish sector, credit unions such as those aligned to the SLCU and predicated on the notion of self-help, object to having a wider social role. It is perceived that this shift in priorities to 'better serve people who are currently not members amounts to transforming their core purpose'. These credit unions have retained a strong sense of cooperation, despite the co-optation of the wider social economy in line with roll-out neoliberalism (see Peck and Tickell, 2002). For some credit unions, cooperative principles have been actively and consciously retained as the central guiding influence in how the organisation is funded and managed. As one interviewee noted:

> 'They [other types of cooperative] say what makes you a cooperative? By our very nature it's what we do, [by] taking members' money and lending it back out again. There's nothing else coming and supporting or feeding us. It's their money, it's the same pot of money that just goes round and round and round. That notion is sometimes lost. But I think it must never be lost and I think it needs to be continuously reinforced by whatever means and ways that you can… I actually don't think they [other credit unions] should dabble in anything to do with DWP, with government funding at all. I think it means you are no longer a financial co-op if you do... I care about being a co-op, I care about the notion that the money we're using to lend out to members is members' money, and that's where your ownership and control and responsibility comes from' (Interview O)

For this interviewee, being a cooperative is central to retaining how a credit union works and functions according to a particular array of values. Being grant funded inherently means that credit unions are no longer cooperatives. This is demonstrated through government initiatives in which funding comes with conditions and an agenda that has not been set by the membership, and may detract from the interests of the membership. A close interaction with the state therefore risks losing a sense of autonomy within the sector, as 'credit unions are gradually being absorbed into the mainstream of social and economic policy-making in Britain' (Fuller and Jonas, 2003: 63).

Credit unions that have taken part in government initiatives to develop their product offering to the otherwise financially excluded, and therefore attract more of these members, have evidently adopted a wider social focus. In light of the CUEP, the SLCU has argued that the UK Government's modernisation agenda 'requires credit unions to abandon the small, associative, localised, intimate and personalised bond of membership which is their foundation to help those who are not yet members but need access to financial services' (Sinclair, 2014: 414). Indeed, this wider sense of social responsibility may have been ingrained in the sector through the co-optation of credit unions and the assumed role that the sector plays in tackling financial and social exclusion. Co-optation has been validated and supported by some trade associations and through this, internalised in the sector as (for some) a core value. The implications of having a wider social focus, and the resources that this requires in the post-crisis political landscape, do not appear to have been fully realised in some parts of the sector. Indeed, it is highly questionable whether credit unions will remain viable while concentrating a higher level of resources towards tackling financial exclusion at the same time as grants from the state are being reduced or cut altogether.

One area of wider social responsibility, which the sector in Scotland seems to agree on, is introducing credit unions into schools and supporting the development of financial capabilities. However, there is no income generation in the short term for operating these initiatives, and it is as yet unknown whether this can promote viability in the long term. Furthermore, taking into account the resources required for school projects and the interest that some credit unions add to the savings of young members, this can divert substantial resources and ultimately cost the credit union to run. However, from a wider social perspective, the expectation is that junior savers will become financially responsible adults based on the childhood savings habit that the credit union has helped to foster. From a credit union perspective, it is hoped that young savers' schemes will bring down the average age of adult membership as the junior savers will eventually become adult members. As young adults are more likely to require a loan than older members this could raise income for the credit union and boost long term sustainability. As one Chief Executive of a credit union noted in an interview:

> 'Doing work in schools is a loss leader, it's just missionary work. You don't get a return on work in schools that you can quantify at any point in time. You work at a primary school, the chance of that person becoming a member ten, fifteen years later and then going on to be able to take out loans are slim but that's not why you do it, you do it because you're looking at what's in the best economic interest of the potential membership... Helping school children understand finances is in the best interest of the whole of society therefore we do it. We spend some money on it, there's a limit to how much we can spend because at some point our members might say "hang on how much of our money are you spending on this" but those types of expenditures are part of being

> a credit union. As long as it's reasonable I think members expect it to happen, so you want to try and develop that as much as possible. So it's the long way of saying credit unions don't look at people as individuals and saying do we make money off them. We do as much as we can within the viability of the overall credit union' (Interview E).

This demonstrates the Chief Executive's commitment to balance member benefits with wider social benefits. As opposed to looking at each member on an individual basis and calculating whether each is a source of income, viability is only measured on a collective basis. This acts as a strong demonstration of the ways in which alternative values continue to be practiced, even in larger credit unions. Focusing on the collective relies on the membership to appreciate that by being part of a credit union, they are not seeking to maximise their individual return, but instead a collective return for the benefit of the membership, and to a lesser extent, the broader community. In this example, as a cooperative, member benefits are the priority but there is also an expectation that the credit union should produce some social benefits that the wider community should also be able to benefit from.

Funding from local authorities has been made available to support the work of credit unions in schools. However, this funding is also currently being reduced at varying rates or cut altogether depending on the local authority. For some credit unions, there is a belief that this kind of work with wider social benefits beyond the membership should be at least partially funded by the state. Without this funding, some credit unions, particularly those in more rural areas and/or with a higher proportion of lower income members struggle, or would struggle, to have a presence in local schools. Without state support, continuing to have a broader social focus in the community could be to the detriment of members. One credit union employee in an interview suggested raising interest rates on loans in order to remain viable and still continue with various wider community projects (Interview V). This credit union has been asked by their local authority to increase the number of schools in which it operates junior savers schemes and provides financial education. However, in contrast to the situation in previous years, there will be no funding to support the credit union's activities. The financial situation of this credit union, and for others, means that school projects can only be justified if supported by funding. In light of funding cuts, some credit unions are having to consider more carefully their central purpose and under what conditions they can be viable. It is likely here that only larger wholly self-funded credit unions with a more diverse membership will be able to have any kind of continued presence in schools, and broader social impact in the wider community, in the absence of local authority funding.

As credit unions seek to become self-sustaining, particularly in the context of austerity, they are attempting to develop a more balanced membership from across the socioeconomic spectrum. This is crucial for enabling credit unions to have a viable wider community focus. Yet much of the growth of the credit union sector in Scotland has been concentrated within communities that are economically marginalised or in precarious positions. Economic marginalisation, like the early stages of the building society movement (Balmer and Wilkinson, 1991) and indeed other cooperative movements, created the conditions for cooperation, solidarity and mutually working for the common good (Birchall, 1994). However, the individualised, competitive nature of the market economy creates challenging conditions for such co-operative arrangements. For credit unions, attracting a more diverse membership may necessitate competing with mainstream financial institutions.

Credit unions are currently seeking to attract more financially secure, higher income members. In a market economy, these consumers have a number of choices within the financial services landscape, which through the financialisation processes outlined in Chapter 2 is creating growing competition. To attract these groups, credit unions require an agile approach to lending that can be adjusted in line with the trends of the mainstream lending market. A General Manager noted during an interviewee that they adjust their interest rates in order to compete with High Street lenders, and therefore are becoming more responsive to the market (Interview T). Although, this type of lending is attached to lower levels of risk, the intense competition within retail banking creates challenging conditions for credit unions seeking to attract these groups. Market values are also being used to inform the debate around the wider social responsibility of credit unions in tackling the exploitative financial practices of the mainstream. Despite increases in the maximum interest rates that credit unions can charge, there are arguments that credit unions should be able to charge even higher rates. The rate would still be much lower compared to the exploitative rates charged by payday lenders. This is deemed necessary for managing the risk associated with financially precarious groups and for further expansion of the movement.

7.4 Credit Unions in Scotland: A 'desirable' alternative?

North (2014) argues that to strengthen the role of alternatives and promote diversity, focus should be on already existing alternatives within the economy (see Chapter 2). In the context of a long term widespread decline of other financial alternatives, credit unions are arguably the only financial alternative showing signs of promise in terms of 'achievability' (Wright, 2010). In light of the evolution of the alternative ethos, activities and values of the credit union sector in Scotland, this section will consider whether credit unions in Scotland can be considered to be 'desirable' as part of Wright's (2010) framework for promoting fairer and more equitable institutions to current mainstream forms.

Despite the challenges of being an alternative financial provider in the context of financialisation, retaining a sense of alterity could be crucial for long term survival. At the same time, however, it is to be expected that credit unions and alternatives will evolve and may even have to adopt values or practices that are more commonly associated with the mainstream to secure a viable positioning within the economy. This highlights the dynamic nature of the economy (Jonas, 2013), as sectors overlap and come to be redefined (Amin, 2009). In reference to credit unions specifically, Jonas (2013: 26) notes that the 'alterity of the movement is not territorially fixed but has evolved, transformed and hybridised as the movement has developed and expanded across the UK'. Indeed, many economic alternatives operate 'well within the mainstream' (Hillebrand and Zademach, 2013: 14). In light of neoliberal forms of financialisation, levels of competition within the economy and the values embedded within a 'market society' (Sandel, 2012), it is likely that credit unions will have to compete with the mainstream on what is (in the absence of external support to promote alterity) an uneven playing field (see Amin, 2009). Therefore, expectations for credit unions to retain a static notion of 'cooperative' could be argued to be simplistic and even counterproductive to the objectives of the movement. In the current context, credit unions should focus on how to construct and reproduce alternative values in a dynamic form that can evolve in response, or possibly even shape, the wider political economic context.

However, a long term commitment to cooperation should (re-)emerge as a central focus. Amin (2009: 10) argues that the social economy can either 'address the limitations or failures of state welfare and private markets…, or it must advance the case of a different kind of economy'. In the current political economic context, credit unions will find it difficult to retain both roles. For future sustainability, as a sector, credit unions should consciously identify their key priorities moving forward based on their underpinning values. Diversity in terms of the economic functions fulfilled by credit unions and their role within the economy is a strength of the movement. Nevertheless, this should not detract from cooperation at a sector level, which is likely to become increasingly important for retaining diversity and the reproduction of alternative values. Despite a challenging political economic environment for alternatives, increased cooperation at a sector level should mitigate against the types of challenges and pressures that can lead to alternatives compromising their social and ethical purpose (Amin, 2009). In this sense, credit unions in Scotland retain (although in an evolved form) the desirable values that could enhance diversity and contribute towards a fairer economy.

As set out in Chapter 2, changing values would impact on the economic activities and ultimate role of credit unions in society. Among larger credit unions in Scotland, there continues to be a clear ambition to adopt an ‘alternative-oppositional’ form to mainstream financial services. To achieve this, significant changes would be required to the legislative and regulatory financial services framework, in addition to more policy and strategic funding support. Based on the evidence presented in this thesis, for the credit union sector as a whole this seems unlikely. Despite a common perception that the ongoing development of the regulatory framework favours larger credit unions, even among these organisations, there is little optimism for a transformed regulatory environment to emerge. However, the political context continues to evolve, and overall there does appear to be a tendency towards a relaxation of the regulatory framework that the sector exists within. The ambitions of larger credit unions to adopt an enhanced role within financial services may support growing diversity within financial services, and possibly create the conditions for further change within the economy. However, should this not be accompanied by wider structural change within the economy, it is likely that credit unions will deviate more closely towards the ‘viability’ element of Wright’s (2010) framework, at the expense of ‘desirability’. This is because an adjustment of values more geared towards profit-seeking motives may be required within a mainstream market in which organisations predicated upon competition and efficiency dominate.

However, this vision is largely confined to a number of larger credit unions. Elsewhere in the sector, the agents shaping change within the sector remain content to continue with the core mission of credit unions, offering savings and loans to the membership. While there is a demand

and social need for this from society, the ability to remain in this form is unclear as the financial regulatory framework that credit unions exist within becomes increasingly demanding for these organisations, and pressures to mitigate the social impacts of neoliberalism, both from an economic and political perspective, continue to increase. It is in this sense that engaging with cooperative values within the sector will have growing importance. However, the pace of change and a continuing trends towards consolidation through mergers in the sector creates uncertainty, particularly for those credit unions that are regarded as 'old' model, and in turn, outdated. In this form, it seems unlikely that credit unions could encourage wider structural change within financial services. The exception to this may be if the sector begins to clearly articulate its impact in this form and more effectively engage in the political realm. As set out in this thesis, there is clear evidence that the model is not outdated, especially for low and middle income communities. Indeed, the actions of mainstream agents that hold this view is likely to lead to further financial exclusion and exploitation.

7.5 Conclusion

The purpose of this chapter has been to address the third research question of this thesis, which is to explore whether credit unions in Scotland are incorporating more mainstream values and in consequence of this, losing a sense of alternative identity. Following the co-optation of the sector during roll-out neoliberalism (see Peck and Tickell, 2002), the post-crisis political landscape has created new opportunities to re-engage with alternative values. This chapter demonstrated the changing values of credit unions in Scotland by outlining the ways in which the unique characteristics and ethos of credit unions are evolving (McKillop and Wilson, 2015). Credit unions have become increasingly attuned to market values, such as competition and have moved closer towards market relations through co-optation by the state. Furthermore, financialisation processes and a growing focus on financial independence has reshaped the values and practices of the movement.

New forms of neoliberalism (French and Leyshon, 2010) and further financialisation have changed the context within which credit unions operate. The dominant mainstream values within a market society have inevitably had repercussions for the ways in which alternative values are reproduced. For credit unions, retaining viability within a market economy has meant adopting some of the values more typical of the mainstream. Indeed, credit unions seeking to challenge the mainstream have developed as new forms of 'alternative-oppositional' organisations (Fuller and Jonas, 2002). In a competitive market environment, this has encouraged the development of characteristics with a closer resemblance to the mainstream. However, underpinning this change, there remains for a number of credit unions a commitment to creating a fairer and (particularly following the financial crisis) a more stable economy. As a whole, and despite pressures to adopt a singular model, the credit union sector in Scotland remains diverse both in terms of organisational characteristics, and its role in society.

In the current context, credit unions that retain a wider social focus in the post financial crisis political environment are at risk of becoming non-viable (see Chapter 6) due to the values of these credit unions that have been ingrained during the roll-out phase of neoliberalism. Indeed, in the political and economic context, the social values of credit unions may be compromised by co-optation of the sector and the expectations that are placed on these organisations. For a number of credit unions in the sector, this has led to the development of a more business-oriented outlook, as part of a shift to ‘more-than-profit’. While this could suggest a shift towards practices underpinned by mainstream values, a commitment to alterity within the sector may have strengthened in the post-crisis context. To ensure long term viability it could be suggested that engaging, or re-engaging with alternative values, is crucial. As financialisation continues to lead to economic marginalisation and financial exploitation (Arestis et al, 2014), credit unions can offer economic democracy in a fair system that is responsive to member needs. This supports the development of a more secure and sustainable approach to financial services. Although some credit unions have attempted to compete with the mainstream (and with each other), the sector can be strengthened by cooperation both at a sector and at an organisational level to secure the conditions for long term viability. Indeed, as evidenced from building societies in Scotland, loss of engagement with cooperative values precipitated a rapid shift towards the mainstream and ultimately failure, both as alternatives and as organisations.

8. Conclusion

8.1 Overview of thesis

This thesis has been concerned with the role of credit unions and their ability to continue to promote alternative values to commercial financial service providers, by prioritising social need over profit driven motivations.

The case study of the credit union sector in Scotland has provided insight into the experience of alternative financial spaces in the post crisis economic and political landscape. The overarching aim of this research was to explore the changing values and practices of the sector in a specific context. To achieve this aim, the following research questions were identified:

1. In what ways are governance structures and agents (including the state, civil society and private business interests) influencing the trajectory of the credit union movement in Scotland?
2. In the post-crisis economic environment, is the social mission of credit unions still viable?
3. Are credit unions in Scotland increasingly driven by the values of mainstream financial services and therefore losing their sense of alternative values and practices?

This concluding chapter will begin by providing a summary of the thesis in terms of its findings and research contribution before focusing on policy implications and suggesting some areas for future research.

8.2 Summary of key contributions

This research framed the credit union sector in Scotland as a financial alternative through the lens of a diverse economy (Gibson-Graham, 2006), while recognising the overlap in terms of values and practices between mainstream and alternative sectors of the economy (Amin, 2009). In light of this, the thesis developed an understanding of the ways in which the diverse alternative practices of credit unions 'come to be defined, practiced, and reproduced in distinctive ways across space and time' (Hillebrand and Zademach, 2013: 14). This approach allowed for an in-depth analysis of the dynamics of the credit union sector in Scotland and the ways in which it continues to practice alternative social values, even in the context of state and mainstream governance structures and key agents shaping the trajectory of the movement.

Jonas (2013: 29) contends that alternatives should be thought of as 'evolving processes rather than fixed taxonomic categories'. The thesis, therefore, adopted an evolutionary approach to understanding the credit union sector in its current context. Credit unions emerged in Scotland as part of a social protectionist response to a growing role for markets and social dislocation ('the double movement'), particularly during times of economic downturn. The movement took inspiration from cooperative traditions and adopted a model with proven success in Ireland (Birchall, 2013; Dayson, 2002). From early community, alternative-oppositional forms (Fuller and Jonas, 2003), the thesis demonstrated the ways in which credit unions in Scotland became co-opted as part of the third way politics from the late 1990s. The more radical elements of the sector were diluted as a number of credit unions adopted a new role in supporting policy delivery. For some credit unions, a relationship with the state developed that created a dependency on funding, potentially limiting their ability to act as autonomous alternatives. Following the financial crisis, it is contended here that a new phase of neoliberalism emerged, referred to as austerity neoliberalism, which marks a distinct change in the political economic environment that credit unions are situated within. It has also meant a redefining of the relationship between state actors and the sector. Chapter 5 outlined the key policy programmes, past and present, that credit unions have been involved in, relating to tackling financial exclusion, acting as an alternative to payday lenders, and more recently, supporting the transformation of the welfare system.

Participation in policy programmes, and the situation of credit unions in a changing political and economic landscape, has led to an evolving set of values, which in turn has partially shaped on the economic practices of these organisations. For example, the educational mission of credit unions, as cooperatives, forms a key role for credit unions. Traditionally their approach has been underpinned by financial prudence and promotion of thrift as a means of economically empowering members. Through building the financial capabilities of a community, the aim was ultimately to collectively enhance levels of financial and economic security for marginalised groups. As set out in Chapter 5, recent intervention by state and mainstream agents threatens to diminish this traditional role by encouraging credit unions to shift their focus to building capability to enable participation in the market economy, particularly for individuals previously excluded from mainstream financial services. This is perhaps exemplified by the growing diversity and complexity of financial products being offered by credit unions in Scotland. As set out in Chapter 6, this has been encouraged by key governance agents and in some cases, only been made possible through grants. For those that remain unattractive to the mainstream, the presence of credit unions allows commercial providers to continue to concentrate their activity on wealthier sections of society (Fuller and Jonas, 2003) in the context of growing competition through financialisation processes (see Chapter 2). This may put pressure on credit unions to focus more exclusively on economically marginalised groups, that could in turn put the viability of credit unions on a more precarious footing.

In light of the mutated, more intense form of neoliberalism that emerged from the financial crisis (French and Leyshon, 2010), credit unions may have an opportunity for a growing role in society as part of the double movement. Evidence from this research demonstrates that some credit unions did experience increases in membership levels post crisis. However, for other credit unions, the wider economic conditions have created challenges and brought issues around viability into sharper focus. This research highlighted that a number of credit unions in Scotland, and particularly those serving some of the poorest communities, experienced financial turmoil due to increased bad debt as the wider economic impact of the crisis took effect. One credit union that featured in this research came close to collapse and throughout the UK, a proportionally higher number of credit unions failed during 2007-2009 (Coen et al, 2017).

In addition to a challenging economic climate, further financial pressure has emerged from the political response to the crisis through austerity measures imposed by UK Government. Credit union funding has been reduced, most notably as austerity has impacted the budgets of local authorities. This has in turn limited the ability of credit unions to have a wider positive social impact. Much of this activity raises no revenue for credit unions, is resource intensive and not strictly part of the core mission of credit unions as cooperatives. Without funding, activities related to a wider social focus may be no longer viable particularly as raising income from the membership to support this type of activity is likely to have limited support. While this may have a clear wider social purpose, in the current political landscape it poses a risk to the future sustainability of the movement. In addition, the findings of this research reiterate suggestions from the literature that the regulatory environment is geared towards mainstream financial services, and may even be seeking to reduce the number of credit unions as part of managing risk and reducing the burden on the regulators (Lee and Brierley, 2017). In this area, the role of trade associations has been vital for representing the interests of credit unions to the overall benefit of the sector.

Section 6.4 suggests that relationships with governance agents may have contributed towards “democratic deficits” (Birchall and Simmons, 2001). This tendency has been identified as leading to the decline of mutuals, such as in the case of building societies in Britain (Birchall, 2001). Practicing economic democracy has been identified as a defining attribute of the movement (McKillop and Wilson, 2015), however, this research suggests that some credit unions have become less responsive to member needs as their mission is driven by other agendas. More stringent regulations following the financial crisis are likely to add to this trend, such as through the Senior Managers Regime as noted in section 5.4.3. These regulations are having a disproportionate impact on financial alternatives, while failing to lead to any meaningful change among commercial financial service providers.

In what could be construed as a challenging outlook for credit unions in Scotland, the thesis also identified opportunities emerging from the financial crisis. As is set out in Chapter 2, the state is involved in both sides of the double movement through supporting a growing role for self-regulating markets while working to protect society from their negative impacts (Sayer, 2004). Through co-optation by the state and the adoption of a wider social remit, credit unions have also developed a dual role in the double movement. As Chapter 5 argues, their situation and role within an economy governed by austerity neoliberalism may set the conditions for, and ultimately enable, further neoliberalisation. By focusing on minimising the negative impacts of neoliberalism, the role of credit unions may mean less political pressure to address the outcomes of the mainstream economy. However, using the financial crisis as an opportunity to refocus the vision for the sector and re-engage with core cooperative values may be beneficial for the long term viability of the movement in line with an ongoing commitment to alternative values. In turn, this supports a more diverse economy and counteracts financialisation processes that are encouraging homogeneity in financial services (see Chapter 2).

While the crisis may provide an opportunity to refocus the alternative ambitions for some credit unions, it is clear that as a whole, the sector in Scotland has resisted co-optation by the state and retained a commitment to alternative values. This is despite the financial gain and potential for expansion that accompanies involvement in policy programmes. As is noted in Chapter 5, policy interventions such as the Growth Fund and the Credit Union Expansion Project have had limited success in terms of achieving their key outcomes. Instead, as set out in Chapter 7, the findings of this research have shown that co-opting credit unions for policy delivery has led to a clash in values and created division in the sector. Indeed, in the case of the Growth Fund, concerns were raised about the programme worsening the financial situation of members, and therefore directly contradicting the overarching purpose of credit unions. One credit union decided to return the programme funds back to the DWP and withdraw from the programme as a result. While interest in DWP-led policy programmes has been minimal overall, a number of credit unions have deliberately retained complete autonomy by declining support even from local authorities. These credit unions tend to demonstrate a stronger commitment to remaining responsive to member needs, in line with cooperative values. The findings of this research suggest that they are now in a more stable position compared to credit unions that one interviewee noted had been left ‘high and dry’ as a result of local authority budget cuts (see Chapter 6).

This thesis demonstrated the intrinsic link between alternative values and viability. In the current context, it is suggested that credit unions ought to re-engage with cooperation as a means of remaining a viable alternative to the economic mainstream. This marks an important conceptual shift from credit unions as responsive to the wider economic and political environment, particularly to fill gaps in welfare provision and mitigate negative outcomes. Instead, credit unions are setting out a financial services model predicated upon a different vision for the economy. This has broader conceptual relevance for other alternative economic (and specifically financial) spaces. While credit union values have evolved to a changing wider economic and political environment, they are still underpinned by alternative values and manifest these through a diverse range of practices. Although, findings also suggest that financialisation processes have encouraged credit unions to adopt some practices and values associated with the mainstream. Despite this, pressures for a blanket adoption of the ‘new’ model appear unfounded, as there still exists a range of models and forms in which credit unions in Scotland are viable.

Indeed, some larger credit unions have been able to retain autonomy and even challenge the mainstream through economic activity predicated upon an alternative set of values. In the current context, it is larger credit unions, which tend to comprise members from across the socio-economic spectrum, whose values resonate most with notions of being alternative-oppositional (see Fuller and Jonas, 2003). Indeed, the findings of the thesis suggest that a number of larger credit unions are leading the way in promoting alternative values, and importantly, being able to retain autonomy from mainstream actors that could inhibit the reproduction of these values. As a sector of cooperatives, these larger credit unions have also provided support to smaller credit unions, further limiting mainstream influence, while ensuring that the sector remains diverse. Although the defining social features of credit unions are evolving, they continue to be manifested in a diversity of forms in the sector.

8.3 The future of credit unions in Scotland

Credit unions in Scotland should focus upon promoting diversity and building democratic channels to enhance receptivity to member needs. This is in contrast to the blanket adoption of a single model that has been recommended by governance agents. Indeed, credit unions that have been part of policy programmes, or received additional grant funding, to support the transition to this model do not demonstrate greater autonomy or viability relative to other credit unions. Yet, they do tend to have an ongoing receptivity to opportunities for external support and influence. Whether this is due to a changing culture or the emergence of a financial dependency, this research suggests that it is an unstable, and possibly untenable, situation for credit unions in the long term. This challenges the justification for adoption of the 'new' model (which is to remove the need for ongoing external funding) and may weaken the position for credit unions as they follow an agenda set by governance agents that subverts cooperation. Moreover, it is a risky approach in the context of budget cuts and reductions in state funding to credit unions. However, by replacing government funding with that of private or civil society agents, there is a possibility that credit unions will seek to even further deviate from membership needs in exchange for funding opportunities. This will likely perpetuate dependencies that weaken the cooperative nature of credit unions and inhibit opportunities to strengthen commitments to alternative values.

Chapter 6 demonstrated that agendas imposed upon credit unions externally may not meet the needs, or priorities of members. For example, post-crisis bank branch closures have contributed towards 'financial desertification' (Sinclair, 2011) across Scotland. As is demonstrated in this research, in some communities, credit unions are the only financial services presence remaining. Yet, pressures to adopt the 'new' model have encouraged a focus on developing an online presence. Research by Anderson et al (2015) suggests that more deprived communities tend to have lower digital capabilities. Focusing very limited resources on developing an online profile may not therefore be a priority in this context. Indeed, the global evolution of the credit union movement demonstrates that credit unions have flourished by adapting and responding to local conditions and needs (see Chapter 3), which may or may not justify a more sophisticated ICT platform.

Prescriptive encouragement to adopt the 'new' model may also serve to limit diversity in the sector. As regulations have relaxed, the findings of this research strongly suggest that increasing overlap in common bonds has created feelings of competition in the sector. Whether this perception is justified is outside of the scope of this research. However, it is clear that by working as a cooperative sector, credit unions can offer mutual support that may become increasingly important in the current political context. By remaining as a diverse sector, credit unions have appeal to a broader tranche of the socioeconomic spectrum. While this has created tension in the movement, the findings presented here suggests that it is actually a strength, creating a more resilient sector with relevance for a wider cross-section of Scottish society. Indeed, learning lessons from the mainstream financial services sector, which has become more homogeneous with demutualisation, diversity enhances resilience and overall system stability and sustainability (Hutton and Lee, 2012), and should be encouraged. Understanding and valuing the sector as inherently diverse may ease tensions that exist around what credit unions should look like (in reference to model) and who credit unions should be for. Indeed, focus should not be on one model or size, but on shared underpinning alternative, cooperative values. In terms of Wright's (2010) framework, this suggests that unions must find a balance between desirability, viability and achievability for long term survival.

8.4 Policy implications

This work draws on Sinclair (2014) and Chambers and Ryder (2008) in formulating a critical lens for investigating the interactions between the state and credit union sector. Despite positive evaluations (see for example, Collard et al, 2010) of government interventions to support credit unions to deliver public policy objectives, these evaluations are necessarily focused on short term indicators of impact, and largely consider outcomes from a policy perspective. It is clear, however, that in the longer term, many of these initiatives are not setting the conditions for the level of change that state agents have intended for the sector. The flaw in these approaches seems to be in their design and a lack of understanding of the values and dynamics of the sector in Scotland. For example, the Credit Union Expansion Project was designed to 'transform' credit unions in Britain (HM Treasury, 2014). A lack of interest in the project, in addition to a number of credit unions being excluded based on their characteristics, has ultimately led to its failure.

It is clear that broader, unintended outcomes of policy making (Cairney et al, 2016) are not fully engaged with in evaluations. Furthermore, perspectives from the credit union sector, underpinned by alternative values, are not adequately considered as part of the evaluation process. This has been demonstrated through the Growth Fund (see 5.3.3). The design and evaluation of any future policy interventions must be informed by lessons learned and an understanding of the vision and alternative ethos of the sector. This would ensure that government initiatives meet both the intended outcomes from a policy perspective, and support the long term sustainability of the credit union movement in alignment with a direction that should be set by the sector itself.

Policy-making in Scotland appears to seek a more collaborative, joined up approach both within government and with key stakeholders throughout Scottish society (Cairney et al, 2016). In developing a National Performance Framework, the Scottish Government adopts a measurable, outcome-based approach to governance and delivering public services. However, this could be criticised for being too focused on specific policy outcomes, with little awareness of unintended negative consequences. While the emergence of new, more rigorous approaches to public service delivery (Scottish Government, 2018) seeks to identify these in order to shape strategy, more awareness of the alternative values of the social economy and the potential impacts of co-opting these organisations is required throughout the policy landscape. For credit unions, this could be used to develop an understanding of the (sometimes negative) impacts of co-opting the sector for delivery of policy goals, particularly in regard to the repercussions for cooperative values and system-level dynamics.

Local authorities have been instrumental in developing and expanding the sector in Scotland. However, the nature and level of support at this scale has been highly uneven. High levels of local authority intervention through a 'top-down' approach have come under criticism in the literature (see Jones, 2008a). Yet, this research highlights that areas with greater interaction with local authorities have more developed local movements. This is most evidently the case in Glasgow. The crucial element here is the nature of the support offered to credit unions, and how support is distributed. Glasgow City Council has exemplified co-production of a strategy with local credit unions that offers the kind of support that could spread the intrinsic benefits of credit unions while maintaining alignment with alternative values and mitigating against broader trends towards homogeneity in the sector. This has been underpinned by a long term vision for credit unions and Glasgow City Council has been an important partner in building the conditions for longer term sustainability. A lack of consistency in the support offered from other local authorities in conjunction with evidence of short term planning or consideration of unintended consequences has limited the ability to develop positive and fruitful relationships elsewhere in the sector. The good practice and example of Glasgow City Council should be recognised, and the co-produced approach to developing a longer term vision for credit unions should be joined up and adopted by local authorities throughout Scotland.

At a broader UK level, the state, through successive governments since 1997, has created a market within the social economy for welfare provision (Amin, 2009). In the context of the credit union sector in Scotland, this has enhanced perceptions of competition at the expense of cooperative values, both at a system and at a credit union level. Indeed, this research supports the findings of Tischer et al (2015), who suggest that government interest in credit unions has exacerbated ideological divides, and in turn created tension. Cooperation is key for the long term sustainability of the sector. In light of this, state interaction with credit unions (and social economy more broadly) should be redesigned based around principles of cooperation and to encourage diversity.

8.5 Areas for further research

Further research on the sector in Scotland that would be useful to understand its diverse operations and functioning include a more in-depth analysis of the geography of the sector in Scotland and the historical role of the state at various levels in shaping the movement. The state has clearly had an important role in shaping the sector, and a more comprehensive study would provide important insight into how to most effectively support credit unions. A comparative international study of contemporary national credit union movements would also provide a more detailed understanding of the conditions required for credit unions to thrive.

Within the academic literature, there is considerable scope to explore the role and contribution of credit unions at different scales in society and compare this across a range of contexts. The evidence of credit unions in tackling financial exclusion remains limited, raising the question of what the broader social impact of credit unions actually is. This research suggests that while credit unions may not necessarily tackle financial exclusion, the social impact is nevertheless varied and significant. This is particularly the case for groups that are economically marginalised. In the context of declines in state funding, understanding the consequences of this and the gaps that may emerge in social provision could be an important future area of research.

Linked to this, credit unions in Scotland, both at an individual and a sector level, should be able to clearly articulate what their role is and the contribution that they make to Scottish society. This requires robust and well-evidenced research that could be used to make a case for retaining and even expanding public funding and support. The funding landscape in Scotland at a government and local authority level, combined with the Scottish approach to policy making (Cairney et al, 2016), means that should credit unions wish to continue receiving public money, they must be able to clearly evidence the impact and benefits of these funds. Specifically within the context of austerity neoliberalism, this should demonstrate setting the conditions for financial sustainability, therefore lessening the requirement for public funding in future, while continuing to deliver positive social outcomes.

Furthermore, a decline in the diversity of financial services through financialisation processes has meant that credit unions are one of the few remaining alternatives in the economic landscape, and possibly the only remaining alternative form not already in decline in the UK. This has resulted in credit unions being encouraged towards fulfilling a range of functions extending beyond their core remit. That this is happening suggests that there is demand, and social need, for a more diverse range of financial services, and in turn a greater range of financial models to meet these needs. The thesis presented here suggests that in the current context, credit unions may need to re-examine what it is viable to deliver and possibly more closely (re-)align with the traditional purpose of credit unions as cooperatives. In light of this, spaces may emerge for further diversity of financial models in Scotland. The potential for a new form of financial institution, based on an examination of the existing landscape of financial services (including mainstream and alternative models) in Scotland, and what form this would take could be an interesting area of future research.

This thesis set out the evolving ethical values of credit unions. The values of larger credit unions, particularly in regard to a 'more-than-profit' approach, has some resonance with the Corporate Social Responsibility element adopted by a number of commercial organisations. Despite different ownership structures, a comparison between the ethics of credit unions and mainstream organisations would be useful for understanding the links between ownership forms and values within a specific economic and political context.

Finally, a study more explicitly focusing on current and future governance could develop a clearer understanding of the trajectory of the sector. Current changes to credit union governance through the evolving political economic environment could see a gap in credit union leadership emerge. How this leadership space is filled moving forward in Scotland would be an interesting area of future study. If indeed the role of the state is replaced by mainstream actors, including from commercial financial services, it will be interesting to explore how these emerging influences will shape the future trajectory of the credit union sector in terms of values and their role within society. Furthermore, future research should take into account the values, dynamics and role of the membership in shaping the trajectory of credit unions. The "credit union difference" was referenced throughout data collection. Whether this translates into a distinct two way process in terms of the way in which members engage with and perceive their role in the credit union would provide insight into the future of the movement and that of other alternative spaces within the economy.

Reference List

Aalbers, M. (2009) Geographies of the financial crisis. Area 41(1): 34-42.

ABCUL (undated a) Credit unions in membership of ABCUL. Accessed at http://www.abcul.org/about/abcul-credit-unions on the 9th September 2018.

ABCUL (undated b) A cooperative of cooperatives. Accessed at http://www.abcul.org/about on the 9th September 2018.

ACE Credit Union Services (2017) Why should your credit union affiliate to ACE? Accessed at http://www.acecus.org/why on 18th August 2017.

Allerton, V. and Dunbar, E. (1978) The Credit Union Book: A comprehensive guide to self-help financial co-operatives. The Credit Union League of Great Britain.

Amin, A. (2009) Locating the Social Economy, in Amin, A. (ed) The Social Economy: International Perspectives on Economic Solidarity. London; New York: Zed Books. Chapter 1, pp. 3-22.

Anderson, G., Gijon, C. and Whalley, J. (2015) Internet Access in Glasgow's Deprived Areas. Report 2015. Citizens Advice Scotland. Accessed at http://www.cas.org.uk/system/files/publications/internet_access_in_glasgow_2015_final_-_aug_15.pdf on 18th August 2017.

Arestis, P., Charles, A. and Fontana, G. (2014) Identity Economics meets Financialisation: gender, race and occupational stratification in the UK labour market. Cambridge Journal of Economics. Vol. 38(6): 1471-1491.

Baker, A. (2008) Credit union regulation and the financial services authority: less is more, but better! International Journal of Law and Management 50 (6): 301-315.

Balmer, J. M. T. and Wilkinson, A. (1991) Building Societies: Change, Strategy and Corporate Identity. Journal of General Management 17(2): 20-33.

Bank of England (2017) Credit Union Annual Statistics 2016. Accessed at http://www.bankofengland.co.uk/pra/Documents/regulatorydata/creditunionannualstatistics2016.xlsx on 18th August 2017.

Bardhan, P. and Ray, I. (2008) Methodological approaches in economics and anthropology, in Davis, J. B. and Dolfsma, W. (eds) The Elgar Companion to Social Economics (Second Edition). Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing. Chapter 28, pp. 497-516.

Basole, A. and Ramnarain, S. (2017) Qualitative and ethnographic methods in economics, in Lee, F. S. and Cronin, B. (eds) Handbook of Research Methods and Applications in Heterodox Economics. Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing. Chapter 7, pp. 135-164.

BBC News (2014) Standalone TSB picks up customers. BBC News, 24th October 2014. Accessed at http://www.bbc.co.uk/news/business-29752213 on 15th September 2018.

Beatty, C. and Fothergill, S. (2014) The local and regional impact of the UK's welfare reforms. Cambridge Journal of Regions, Economy and Society 7: 63-79.

Beverungen, A., Dunne, S. and Hoedemaekers, C. (2013) The Financialisation of Business Ethics. Business Ethics: A European Review 22(1): 102-117.

Bhaskar, R. (1989) Reclaiming Reality: A Critical Introduction to Contemporary Philosophy. London: Verso.

Birchall, J. (1994) Co-op: The People's Business. Manchester; New York: Manchester University Press.

Birchall, J. (2001) Introduction, in Birchall, J. (ed) The New Mutualism in Public Policy. London; New York: Routledge. Introduction, pp. 1-13.

Birchall, J. (2011) People-Centred Businesses: Co-operatives, Mutuals and the Idea of Membership. London: Palgrave Macmillan.

Birchall, J. (2012) The Comparative Advantages of Member-owned Businesses. Review of Social Economy 70(3): 263-294.

Birchall, J. (2013) Finance in an Age of Austerity: The Power of Customer-Owned Banks. Cheltenham: Edward Elgar Publishing.

Birchall, J. and Ketilson, L. H. (2009) Resilience of the Cooperative Business Model in Times of Crisis. International Labour Organization.

Birchall, J. and Simmons, R. (2001) Member Participation in Mutuals: a theoretical model, in Birchall, J. (ed) The New Mutualism in Public Policy. London; New York: Routledge. Chapter 10, pp. 202-225.

Black, H. and Dugger, R. H. (1981) Credit Union Structure, Growth and Regulatory Problems. The Journal of Finance 36(2): 529-538.

Brown, A. and Roberts, J. M. (2014) An Appraisal of the Contribution of Critical Realism to Qualitative and Quantitative Research Methodology: is Dialectics the Way Forward? in Edwards, P. K., O'Mahoney, J. and Vincent, S. (eds) Studying Organizations Using Critical Realism: A Practical Guide. Oxford University Press. Chapter 16, pp. 300 – 317.

Butzbach, O. and von Mettenheim, K. (2014) The Comparative Performance of Alternative Banks before the 2007-8 Crisis, in Butzbach, O. and von Mettenheim, K. (eds) Alternative Banking and the Financial Crisis. London: Pickering & Chatto. Chapter 2, pp. 29-42.

Cairney, P., Russell, S., and St Denny, E. (2016) The ‘Scottish approach’ to policy and policymaking: what issues are territorial and what are universal? Policy & Politics 44(3): 333–350.

Capital Credit Union (2017) About Capital Credit Union. Accessed at http://www.capitalcreditunion.com/about_us/about_capital_credit_union on 20th July 2017.

Cathcart, A. (2013) Directing democracy: Competing interests and contested terrain in the John Lewis Partnership. Journal of Industrial Relations 55(4): 601-620.

Cato, M. S., Myers, J. and Howlett, S. (2013) At the sharp end of the credit crisis: A profile of Valleys Credit Union. Local Economy 28(6): 539-552.

Cato, M. S. and North, P. (2016) Rethinking the Factors of Production for a World of Common Ownership and Sustainability: Europe and Latin America Compared. Review of Radical Political Economics 48(1): 36-52.

Chambers, C. and Ryder, N. (2008) The Funding of Credit Unions - where has all the money gone? Journal of Social Welfare and Family Law, Vol. 30 (3): 243-252.

Chartered Banker Institute (undated) The Certificate in Credit Union Principles and Practice. Accessed at https://www.charteredbanker.com//index.cfm?originalUrl=qualifications/our-qualifications.the-certificate-in-credit-union-principles-and-practice.html on 3rd May 2017.

Christophers, B. (2016) Geographies of Finance III: Regulation and 'after-crisis' financial futures. Progress in Human Geography 40(1): 138-148.

City of Edinburgh Council (2004) Financial Inclusion Strategy, Executive of the Council. Item no. 18, report no. E/516/03-04/C5, 9 March 2004. Accessed at http://www.edinburgh.gov.uk/download/meetings/id/22315/financial_inclusion_strategy on 22nd March 2019.

Coen, J., Francis, W. B. and Rostom, M. (2017) The determinants of UK credit union failure. Staff Working Paper No. 658, April 2017. Bank of England.

Collard, S., Hale, C. and Day, L. (2010) Evaluation of the DWP Growth Fund: Revised Final Report. December 2010. Accessed at http://www.bristol.ac.uk/media-library/sites/geography/migrated/documents/pfrc1101.pdf on 18th May 2017.

Coppock, S. (2013) The everyday geographies of financialisation: Impacts, subjects and alternatives. Cambridge Journal of Regions, Economy and Society 6: 479-500.

Cornerstone Mutual Services (2012) Business Plan: Extract. Accessed at https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKEwiJgr343pfVAhWBJsAKHcCoD8EQFggoMAA&url=http%3A%2F%2Fwww.abcul.org%2Ffilegrab%2Fdocuments%2F8f710544be853d4c800d74eff425930b&usg=AFQjCNEKwCtwQ2zw-zMGgYTd2tH3NgNqow on 20th July 2017.

Crane, A. and Matten, D. (2016) Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization. Fourth Edition. Oxford: Oxford University Press.

Credit Unions Act (1979) Accessed at http://www.legislation.gov.uk/ukpga/1979/34 on 17th August 2017.

Credit Unions in Glasgow (2015) Credit Union Glasgow. Accessed at http://www.cucity.co.uk/ on 18th August 2017.

Credit Union Foundation (undated) Lloyds Banking Group's Credit Union Development Fund. Accessed at http://www.creditunionfoundation.org.uk/projects/developmentfund on 18th August 2017.

Cronin, B. (2017) Social network analysis, in Lee, F. S. and Cronin, B. (eds) Handbook of Research Methods and Applications in Heterodox Economics. Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing. Chapter 12, pp. 237-252.

Crotty, J. (2005) The Neoliberal Paradox: The Impact of Destructive Product Market Competition and "Modern" Financial Markets on Nonfinancial Corporation Performance in the Neoliberal Era, in Epstein, G. (ed) Financialization and the World Economy. Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing. Chapter 4, pp. 77-110.

Crotty, J. (2009) Structural causes of the global financial crisis: a critical assessment of the 'new financial architecture'. Cambridge Journal of Economics 33(4): 563-580.

Crouch, C. (2011) The Strange Non-death of Neoliberalism. Cambridge: Polity Press.

Cumbers, A. and McMaster, R. (2010) Rethinking Public Ownership and Participation. On the Horizon 20(3): 172-181.

Cumbers, A. (2012) Reclaiming Public Ownership: Making Space for Economic Democracy. London; New York: Zed Books.

Cumbers, A. (2016) Economic democracy: reclaiming public ownership as the pragmatic left alternative. Juncture 22(4): 324-328.

Davis, A. and Walsh, C. (2016) The Role of the State in the Financialisation of the UK Economy. Political Studies 64(3): 666-682.

Dayson, K. T. (2002) Carpetbaggers and Credit Unions: A Sociological Study into the Paradox of Mutuality in the Late Twentieth Century. Institute of Social Research, University of Salford, UK. PhD Thesis.

Del Casino, V. J., Grimes, A. J., Hanna, S. P. and Jones, J. P. (2000) Methodological Frameworks for the Geography of Organizations. Geoforum, 31: 523–528.

Department for Work and Pensions (2013) Press release: Credit union £38 million expansion deal signed. Accessed at https://www.gov.uk/government/news/credit-union-38-million-expansion-deal-signed on 20th July 2017.

Department for Work and Pensions (2014) Universal Credit data sharing between DWP and local support providers, to enable them to assess and provide support to vulnerable people as part of the Universal Support (formerly Local Support Services Framework) initiative. A consultation on draft Regulations. Public Consultation. 10th December 2014.

Desrochers, M. and Fischer, K. P. (2005) The Power of Networks: Integration and Financial Cooperative Performance. Annals of Public and Cooperative Economics 76: 307–354.

Dickie, D. (2017) Another bank to close in Cambuslang. Daily Record, 10th February 2017. Accessed at http://www.dailyrecord.co.uk/news/local-news/another-bank-close-cambuslang-9790862 on 22nd May 2017.

DiMaggio, P. J. and Powell, W. W. (1983) The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. American Sociological Review 48(2): 147 – 160.

Dobcheva, Z. (2015) Credit Unions in the UK - balancing social benefit with economic viability. Briefing Paper BP9/2015. August 2015.

Dow, S. (1997) Methodological pluralism and pluralism of method, in Salanti, A. and Screpanti, E. (eds) Pluralism in Economics: New perspectives in history and methodology. Cheltenham, UK; Brookfield, US: Edward Elgar. Chapter 5, pp. 89-98.

Dow, S. (2017) Pluralist Economics: is it scientific? in Decker, S., Elsner, W. and Flechtner, S. (eds) Teaching Economics in the 21st Century: a state of the art compilation. London: Routledge.

Downward, P. and Mearman, A. (2008) Decision-making at the Bank of England: a critical appraisal. Oxford Economics Papers, 60 (3): 385-409.

Driver, S. and Martell, L. (2000) Left, Right and the third way. Policy and Politics 28(2): 147-161.

Drumchapel Credit Union (undated) About Drumchapel Credit Union. Accessed at http://www.drumchapelcreditunion.co.uk/about on 18th August 2017.

Dumenil, G. and Levy, D. (2005) Costs and Benefits of Neoliberalism: A Class Analysis, in in Epstein, G. A. (ed) Financialization and the World Economy. Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing. Chapter 2, pp. 17-45.

Easton, G. (2010) Critical realism in case study research. Industrial Marketing Management 39: 118-128.

Epstein, G. A. (2005) Introduction: Financialization and the World Economy, in Epstein, G. A. (ed) Financialization and the World Economy. Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing. Chapter 1, pp. 3-16.

Erturk, I., Froud., J., Johal, S., Leaver, A. and Williams, K. (2007) The Democratization of Finance? Promises, Outcomes and Conditions. Review of International Political Economy 14(4): 553-575.

Evans, G. and McAteer, M. (2013) Can payday loan alternatives be affordable and viable? An evaluation of London Mutual Credit Union's pilot scheme. Final Report, June 2013. London, UK: The Financial Inclusion Centre.

FCA (undated) Mutuals Public Register. Accessed at https://mutuals.fsa.gov.uk/ on 18th August 2017.

FCA (2013) Mutuals Public Register: Wester Hailes Credit Union Limited. Accessed at https://mutuals.fsa.gov.uk/SocietyDetails.aspx?Number=32&Suffix=CUS on 18th August 2017.

FCA (2016) FCA publishes rules on how it will apply the new accountability regime to UK branches of overseas banks and Solvency II firms. Accessed at https://www.fca.org.uk/news/press-releases/fca-publishes-rules-how-it-will-apply-new-accountability-regime-uk-branches on 23rd July 2018.

Ferguson, C. and McKillop, D. (1997) The Strategic Development of Credit Unions. Chichester: John Wiley.

Ferri, G., Kalmi, P. and Kerola E. (2014) Does bank ownership affect lending behavior? Evidence from the Euro area. Journal of Banking & Finance 48: 194-209.

Filene Research Institute (2016) Make Scotland a Credit Union Nation, February 2016 Accessed at http://cunamutual.co.uk/wp-content/uploads/2016/02/Hofheimer_Scottish-Parliament.pdf on 18th August 2017.

Financial Inclusion Commission (2015) Financial Inclusion: Improving the Financial Health of the Nation. March 2015. Accessed at http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf on 18th August 2017.

Fine, B. (2011) Financialisation on the Rebound? Accessed at http://eprints.soas.ac.uk/12102/1/dumenil.pdf on 16th August 2017.

Fine, B. and Hall, D. (2012) Terrains of Neoliberalism: Constraints and opportunities for alternative models of service delivery, in McDonald, D. A. and Ruiters, G. (eds) Alternatives to Privatization: Public options for essential services in the Global South. London: Routledge. Chapter 3, pp. 45-70.

Finlayson, A. (2009) Financialisation, Financial Literacy and Asset-Based Welfare. The British Journal of Politics and International Relations 11: 400-421.

Forker, J., Johanne, G. and Ward, A. (2014) Management Models and Priorities in Member Associations: Is Credit Unions' Community Involvement Crowded-Out? Nonprofit and Voluntary Sector Quarterly 43 (2S) 105S-123S.

Fraser, D. (2017) Airdrie Savings Bank to close its doors. BBC News, 18th January 2017. Accessed at http://www.bbc.co.uk/news/uk-scotland-scotland-business-38669275 on 7th February 2017.

French, S. and Leyshon, A. (2010) Commentary. Environment and Planning A 42: 2549-2559.

French, S., Leyshon, A. and Thrift, N. (2009) A Very Geographical Crisis: The making and breaking of the 2007-2008 financial crisis. Cambridge Journal of Regions, Economy and Society 2(2): 287-302.

French, S., Leyshon, A. and Wainwright, T. (2011) Financializing Space, Spacing Financialization. Progress in Human Geography 35(6): 798-819.

Froud, J., Moran, M., Nilsson, A. and Williams, K. (2010) Wasting a Crisis? Democracy and Markets in Britain after 2007. The Political Quarterly 81(1): 25-38.

FSCS (2017) Yoker Credit Union Limited goes out of business: FSCS to protect 1200 members. Accessed at https://www.fscs.org.uk/news/2017/april/yoker-credit-union-limited-goes-out-of-business-fscs-to-protect-1200-members/ on 18th August 2017.

Fuller, D. and Jonas, A. E. G. (2002) Institutionalising Future Geographies of Financial Inclusion: National Legitimacy Versus Local Autonomy in the British Credit Union Movement. Antipode Vol. 34(1): 85-110.

Fuller, D. and Jonas, A. E. G. (2003) Alternative Financial Spaces, in Leyshon, A., Lee, R. and Williams, C. (eds) Alternative Economic Spaces, London: Sage, pp. 55-73.

Galbraith, J. K. (2009) The Economics of Innocent Fraud. London: Penguin Books.

Gamble, A. (2009) British Politics and the Financial Crisis. British Politics 4(4): 450–62.

Gibson-Graham, J. K. (1996) The End of Capitalism (as we knew it): A Feminist Critique of Political Economy. Oxford: Blackwell.

Gibson-Graham, J. K. (2006) A Postcapitalist Politics. Minneapolis: University of Minnesota Press.

Gibson-Graham, J. K., Cameron, J. and Healy, S. (2013) Take Back the Economy: An ethical guide for transforming our communities. Minneapolis: University of Minnesota Press.

Glasgow City Council (2015) Credit Unions in Glasgow. Accessed at http://www.cucity.co.uk/ on 7th February 2017.

Goddard, J., McKillop, D. and Wilson, J. O. S. (2009) Which Credit Unions are Acquired? Journal of Financial Services Research 36: 231-252.

Goff, S. (2013) Born from the Reverend Henry Duncan, a brief history of TSB. Financial Times, September 6 2013. Accessed at https://www.ft.com/content/2c46f0da-1716-11e3-bced-00144feabdc0 on 26th August 2018.

Goth, P., McKillop, D. and Ferguson, C. (2006) Building better credit unions. Joseph Rowntree Foundation. The Policy Press.

Hall, P. A. and Soskice, D. (2001) Varieties of Capitalism: The Institutional Foundations of Comparative Advantage. Oxford: Oxford University Press.

Harvey, D. (1973) Social Justice and the City. London: Edward Arnold.

Harvey, D. (1989) The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change. Oxford: Blackwell.

Harvey, D. (2005) A Brief History of Neoliberalism. Oxford: Oxford University Press.

Harvey, D. (2011) The Enigma of Capital and the Crises of Capitalism. London: Profile Books.

Hawley, A. (1968) Human Ecology, in Sills, D. L. (ed) International Encyclopedia of the Social Sciences. New York: Macmillan. Pp. 328 -37

Herman, E. S. and Chomsky, N. (2008) Manufacturing Consent: The political economy of the mass media. London: Bodley Head.

Hillebrand, S. and Zademach, H. (2013) Alternative Economies and Spaces: Introductory Remarks, in Zademach, H. and Hillebrand, S. (eds) Alternative Economies and Spaces: New Perspectives for a Sustainable Economy. Verlag, Bielefeld: transcript. pp.9-22.

Hodgson, G. M. (1996) Varieties of capitalism and varieties of economic theory. Review of International Political Economy 3(3): 380-433.

Hodgson, G. M. (2007) Institutions and Individuals: Interaction and Evolution. Organization Studies 28(1): 95-116.

Hodgson, G. M. (2015) Conceptualizing Capitalism: Institutions, Evolution, Future. University of Chicago Press.

House of Commons Treasury Committee (2009) Banking Crisis: dealing with the failure of the UK banks. Seventh Report of Session 2008-2009.

HM Treasury (1999) Credit Unions of the Future. Taskforce Report. HM Treasury, November 1999. Accessed at http://web.archive.org/web/20030321194935/http:/archive.treasury.gov.uk/docs/1999/creditunion.html on 17th August 2017.

HM Treasury (2004) Promoting Financial Inclusion. HM Treasury, December 2004. Accessed at http://webarchive.nationalarchives.gov.uk/20100104171831/http://www.hm-treasury.gov.uk/d/pbr04_profininc_complete_394.pdf on 12th August 2018.

HM Treasury (2012) Credit Union Maximum Interest Rate Cap. December 2012. Accessed at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221917/credit_union_maximum_interest_rate_cap181212.pdf on 18th August 2017.

HM Treasury (2014) British credit unions at 50: response to the call for evidence. December 2014. Accessed at https://www.gov.uk/government/consultations/british-credit-unions-at-50-call-for-evidence/call-for-evidence-british-credit-unions-at-50 on 18th August 2017.

House of Commons Treasury Committee (2009) Banking Crisis: dealing with the failure of the UK banks. Seventh Report of Session 2008-2009.

Hudson, R. (2009) Life on the edge: navigating the competitive tensions between the 'social' and the 'economic' in the social economy and in its relations to the mainstream. Journal of Economic Geography 9 (4): 493-510.

Hutton, W. and Lee, N. (2012) The City and the cities: ownership finance and the geography of recovery. Cambridge Journal of Regions, Economy and Society 5: 325: 337.

Hyndman, N. and McKillop, D. (2018) Public services and charities: Accounting, accountability and governance at a time of change. The British Accounting Review 50: 143 - 148.

The International Cooperative Alliance (undated) What is a cooperative? Accessed at http://ica.coop/en/what-co-operative on 17th August 2017.

Jessop, B. (2002) Liberalism, Neoliberalism, and Urban Governance: A state-theoretical perspective, in Brenner, N. and Theodore, N (eds) Spaces of Neoliberalism: urban restructuring in North America and Western Europe. Malden, MA; Oxford: Blackwell Publishers. Chapter 5, pp. 105-125.

Jessop, B. (2013) The Global Financial Crisis and Varieties of Capitalism: A Minsky moment and/or a Marx moment? in Fadda, S. and Tridico, P. (eds) Financial Crisis, Labour Markets and Institutions. London: Routledge. Chapter 2, pp. 83–105.

Johnston, D. (2005) Poverty and Distribution: Back on the Neoliberal Agenda? In Saad-Filho, A. and Johnston, D. (eds) Neoliberalism: A Critical Reader. London: Pluto Press. Chapter 15, pp. 135-141.

Jonas, A. E. G. (2010) 'Alternative' This, 'Alternative' That…: Interrogating Alterity and Diversity, in Fuller, D., Jonas, A. E. G. and Lee, R (eds) Interrogating Alterity: Alternative Economic and Political Spaces. Farnham, U.K: Ashgate. Chapter 1, pp. 3-30.

Jonas, A. E. G. (2013) Interrogating Alternative Local and Regional Economies: The British Credit Union Movement and Post-Binary Thinking, in Zademach, H. and Hillebrand, S. (eds) Alternative Economies and Spaces: New Perspectives for a Sustainable Economy. Chapter 2, pp. 23-42

Jones, B and O'Donnell, M (2018) Alternatives to Neoliberalism: Towards Equality and Diversity. Policy Press, Bristol.

Jones, P. A. (2008a) From tackling poverty to achieving financial inclusion - The changing role of British credit unions in low income communities. The Journal of Socio-Economics (37): 2141-2154.

Jones, P. A. (2008b) Breaking through to the future: The strategic development of credit unions in Britain, 1998-2008. Draft consultative report. Produced for: The Northern Financial Inclusion Conference. Faculty of Health and Applied Social Sciences, LJMU.

Jones, R. (2015) Payday loan caps come into force. The Guardian, 2nd January 2015. Accessed at https://www.theguardian.com/money/2015/jan/02/payday-loans-caps-fca on 9th September 2018.

Kay, L. (2017) Church of England made £900m investment gains last year. Accessed at http://www.thirdsector.co.uk/church-england-made-900m-investment-gains-last-year/finance/article/1434272, on 10th August 2017.

Katz, C. (2001) On the Grounds of Globalization: A topography for feminist political engagement. Signs 26(4): 1213-1234.

Kempson, E. and Whyley, C. (1999) Kept out or opted out? Understanding and combating financial exclusion. Bristol: The Policy Press.

Kerr, R. and Robinson, S. (2011) Leadership as an elite field: Scottish banking leaders and the crisis of 2007-2009. Leadership 7(2): 151-173.

Lam, W. and Ostrom, E. (2010) Analyzing the dynamic complexity of development interventions: lessons from an irrigation experiment in Nepal. Policy Sciences 43(1): 1-25.

Langley, P. (2008) The Everyday Life of Global Finance. Oxford: Oxford University Press.

Lapavitsas, C. (2009) Financialised Capitalism: Crisis and financial expropriation. Historical Materialism 17: 114-148.

Lee, B. and Brierley, J. (2016) UK Government Policy, Credit Unions, and Payday Loans. International Journal of Public Administration 40(4): 348-360

Lee, B. and Brierley, J. (2017) Inside the Credit Union Capital of Britain. Learning Representatives Research Group, University of Sheffield Management School.

Lee, R., Clark, G. L., Pollard, J. and Leyshon, A. (2009) The remit of financial geography - before and after the crisis. Journal of Economic Geography 9: 723-747.

Lee, F. S. (2012) Critical realism, grounded theory, and theory construction in heterodox economics. Accessed at https://mpra.ub.uni-muenchen.de/40341/1/MPRA_paper_40341.pdf on 9th February 2017.

Lloyds Banking Group (undated a) Supporting Credit Unions. Accessed at http://www.lloydsbankinggroup.com/our-group/responsible-business/our-community-programmes/supporting-credit-unions/ on 18th August 2017.

Lloyds Banking Group (undated b) TSB. Accessed at http://www.lloydsbankinggroup.com/our-group/our-heritage/our-history/tsb/ on 15th December 2016.

MacEwan (1999) Neo-liberalism Or Democracy? Economic Strategy, Markets, and Alternatives for the 21st Century. London; New York: Zed Books.

MacGregor, S. (2005) The Welfare State and Neoliberalism, in in Saad-Filho, A. and Johnston, D. (eds) Neoliberalism: A Critical Reader. London: Pluto Press. Chapter 16, pp. 142-148.

Marshall, J. N., Pike, A., Pollard, J. S., Tomaney, J., Dawley, S. and Gray, J. (2012) Placing the Run on Northern Rock. Journal of Economic Geography 12 (1): 157-181.

Martin, R. (2011) The Local Geographies of the Financial Crisis: from the housing bubble to economic recession and beyond. Journal of Economic Geography 11: 587-618.

Mason, J. (1996) Qualitative Researching. London; Thousand Oaks; New Delhi: SAGE.

Massey, D. (2007) World City. Cambridge: Polity Press.

McCarthy, O., Briscoe, R. and Ward, M. (2001) Mutuality through credit unions: A cross-national approach, in Birchall, J. (ed) The New Mutualism in Public Policy. London; New York: Routledge. Chapter 2, pp. 41-60.

McDowell, L. (2009) Interviewing: fear and liking in the field, in DeLyser, D., Herbert, S., Aitken, S., Crang, M. and McDowell, L. (eds) The SAGE Handbook of Qualitative Geography. Los Angeles; London; New Delhi; Singapore; Washington DC: SAGE. Chapter 9, pp. 156-171.

McKillop, D. G. and Wilson, J. O. S. (2003) Credit Unions in Britain: A time for change. Public Money & Management 23(2): 119-124.

McKillop, D. G., Ward, A. M. and Wilson, J. O. S. (2007) The Development of Credit Unions and Their Role in Tackling Financial Exclusion. Public Money & Management, 27(1): 37-44.

McKillop, D. G., Ward, A. M. and Wilson, J. O. S. (2010) The good, the bad and the ugly: A discussion of the impact of regulatory reform on the UK Credit Union sector. The Institute of Chartered Accountants of Scotland.

McKillop, D. G. and Wilson, J. O. S. (2008) Credit Unions in Scotland. Scottish Government Social Research.

McKillop, D. G. and Wilson, J. O. S. (2011) Credit Unions: A Theoretical and Empirical Overview. Financial Markets, Institutions and Instruments 20: 79-123.

McKillop, D. G. and Wilson, J., O., S. (2015) Credit Unions as Cooperative Institutions: Distinctiveness, Performance and Prospects. Social and Environmental Accountability Journal Vol. 35(2): 96-112.

Merrill, J. (2014) Church of England to open credit union it its 'war on Wonga'. The Independent, 20th June 2014. Accessed at https://www.independent.co.uk/money/loans-credit/church-of-england-to-open-credit-union-in-its-war-on-wonga-9552565.html on 22nd July 2018.

Michie, J. and Oughton, C. (2013) Measuring Diversity in Financial Services Markets: A Diversity Index. SOAS, University of London, Centre for Financial and Management Studies, Discussion Paper, no. 113. Accessed at https://www.cefims.ac.uk/documents/research-109.pdf on 26th August 2018.

Minsky, H. (1992) The Financial Instability Hypothesis. Working Paper No. 74, Levy Economics Institute of Bard College. Accessed at http://www.levy.org/pubs/wp74.pdf on 22nd July 2018.

Mirowski, P. (2014) Never Let a Serious Crisis go to Waste: How neoliberalism survived the financial meltdown. London: Verso.

Mitton, L. (2008) Financial Inclusion in the UK: Review of Policy and Practice. Joseph Rowntree Foundation.

Morgan, J. (2017) Critical realism as a social ontology for economics, in Lee, F. S. and Cronin, B. (eds) Handbook of Research Methods and Applications in Heterodox Economics. Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing. Chapter 1, pp. 15-34.

North, P. (2011) Geographies and utopias of Cameron's Big Society. Social and Cultural Geography 12(8): 817-827.

North, P. (2014) Ten Square Miles Surrounded By Reality? Materialising Alternative Economies Using Local Currencies. Antipode Vol. 46(1): 246-265.

Olsen, W. and Morgan, J. (2005) A Critical Epistemology of Analytical Statistics: Addressing the Sceptical Realist. Journal for the Theory of Social Behaviour, 35(3): 255-284.

ONS (2017) Time series:LFS: Population aged 16 and over: Scotland: All: Thousands: NSA. Accessed at https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/ychn/lms) on 18th August 2017.

The Ownership Commission (2012) Plurality, Stewardship and Engagement: The Report of the Ownership Commission. Borehamwood: Mutuo.

Pearce, J. (2009) Social economy: engaging as a third system, in Amin, A. (ed) The Social Economy: International Perspectives on Economic Solidarity. London; New York: Zed Books. Chapter 2, pp. 22-33.

Peck, J. and Theodore, N. (2007) Variegated Capitalism. Progress in Human Geography 31(6): 731-772.

Peck, J. and Tickell, A. (2002) Neoliberalizing Space. Antipode 34(3): 380-404.

Pettifor, A. (2006) The Coming First World Debt Crisis. Basingstoke; New York: Palgrave.

Pike, A. and Pollard, J. (2010) Economic Geographies of Financialization. Economic Geography 86(1): 29-52.

Polanyi, K. (2001) The Great Transformation: The Political and Economic Origins of our Time. Boston, Massachusetts: Beacon Press.

Purtill, C., Cray, J. and Mitchell C. (2012) DWP Credit Union Expansion Project: Project Steering Committee Feasibility Study Report. Accessed at http://webarchive.nationalarchives.gov.uk/20130102221813/http://www.dwp.gov.uk/docs/credit-union-feasibility-study-report.pdf on 18th August 2017.

Rees, C. and Gatenby, M. (2014) Critical Realism and Ethnography, in Edwards, P. K., O'Mahoney, J. and Vincent, S. (eds) Studying Organizations Using Critical Realism: A Practical Guide. Oxford University Press. Chapter 7, pp. 132-147.

Renfrewshire Council (2014) Credit Union Development. 4th June 2014. Accessed at http://web.renfrewshire.gov.uk/webreplicas/agendar.nsf/dd972e64c4d0feec802570d70059f348/3751D654F06AA79680257CE8002B7EB2/$file/Item%209%20Credit%20Union%20Development%20040614.pdf on 20th April 2015.

Rowlinson, M. (2004) Historical Analysis of Company Documents, in Cassell, C. and Symon, G. (eds) Essential Guide to Qualitative Methods in Organizational Research. London; Thousand Oaks; New Delhi: SAGE. Chapter 24, pp. 301- 311.

Ryder, N. (2008) Credit Union Legislative Frameworks in the United States of America and the United Kingdom - A Flexible Friend or a Step Towards the Dark Side? Journal of Consumer Policy 31: 147-166.

Saad-Filho, A. and Johnston, D. (2005) Introduction, in Saad-Filho, A. and Johnston, D. (eds) Neoliberalism: A Critical Reader. London: Pluto Press. pp.1-6.

Sandel, M. J. (2012) What Money Can't Buy: The Moral Limits of Markets. London: Allen Lane.

Saunders, M., Lewis, P. and Thornhill, A. (2012) Research Methods for Business Students (Sixth Edition). Harlow, Essex; Pearson.

Sawyer, M. (2013) What is Financialization? International Journal of Political Economy 42(4): 5-18.

Sayer, A. (2004) Moral Economy. Published by the Department of Sociology, Lancaster University, Lancaster LA1 4YL, UK. Accessed at http://www.lancaster.ac.uk/fass/resources/sociology-online-papers/papers/sayer-moral-economy.pdf on the 22nd July 2018.

Scottish Executive (2000) Credit Union Development Activity in Scotland. Centre for Economic Development and Area Regeneration (CEDAR) and the Planning Exchange. The Scottish Executive Central Research Unit.

Scottish Executive (2001) Unlocking the Potential: An Action Plan for the Credit Union Movement in Scotland. A Report by the National Credit Union Strategy Working Group. Edinburgh.

Scottish Government (2011) Renewing Scotland's Public Services: Priorities for reform in response to the Christie Commission. The Scottish Government, Edinburgh 2011. Accessed at https://www.gov.scot/Resource/Doc/358359/0121131.pdf on the 26th August 2018.

Scottish Government (2018) The Scottish Improvement Journey: A Nationwide Approach. Compiled 2016/2017. Accessed at https://www.gov.scot/Resource/0053/00534268.pdf on 18th August 2018.

Scottish League of Credit Unions (2018a) Our Credit Unions. Accessed at https://www.scottishcu.org/our-credit-unions on the 9th September 2018.

Scottish League of Credit Unions (2018b) Who are Scottish League of Credit Unions? Accessed at https://www.scottishcu.org/about-slcu/who-are-slcu on the 9th September 2018.

Sibbald, A. and McAlevey, L. (2003) Examination of economies of scale in credit unions: A New Zealand study, Applied Economics 35: 1255-264.

Sibbald, A., Ferguson, C. and McKillop, D. (2002) An Examination of Key Factors of Influence in the Development Process of Credit Union Industries. Annals of Public and Cooperative Economics 73(3): 399-428.

SIMD (2016) Scottish Index of Multiple Deprivation 2016. Accessed at http://simd.scot/2016/#/simd2016/BTTTFTT/10/-4.4595/56.0191/ on 16th September 2018.

Simmons, R. (2001) Mutuality and public services: lessons from the 'new leisure trusts, in Birchall, J. (ed) The New Mutualism in Public Policy. London; New York: Routledge. Chapter 5, pp. 95-117.

Sinclair, S. (2001) Financial Exclusion: An Introductory Survey. Centre for Research into Socially Inclusive Services, Edinburgh.

Sinclair, S. (2014) Credit Union Modernisation and the Limits of Voluntarism. Policy and Politics 42(3): 403-419.

SLCU (2017) Who are the Scottish League of Credit Unions? Accessed at https://www.scottishcu.org/about-slcu/who-are-slcu on 18th August 2017.

Talbot, S., Whittam, G. and Mac an Bhaird, C. (2015) SME Lending: a new role for credit unions?, in Hussain, J. G. and Scott, J. M. (eds) Research Handbook on Entrepreneurial Finance. Cheltenham; Edward Elgar Publishing Ltd, pp. 11-26.

Taylor, R. A. (1971) The Credit Union as a Cooperative Institution. Review of Social Economy 29(2): 207-217.

Tischer, D. (2013) Swimming Against the Tide: Ethical banks as countermovement. CRESC Working Paper Series. Working Paper No. 124, April 2013.

Tischer, D., Packman, C. and Montgomerie, J. (2015) Gaining Interest: A New Deal for Sustained Credit Union Expansion in the UK. Political Economy Research Centre. Goldsmiths, University of London.

van Kersbergen, K., Vis, B. and Hemerijck, A. (2014) The Great Recession and Welfare State Reform: Is Retrenchment Really the Only Game Left in Town? Social Policy & Administration 48(7): 883-904.

van Staveren, I. (2001) The values of economics: an Aristotelian perspective. London; Routledge.

Ward, A. and McKillop, D. (1997) The relationship between credit union objects and cooperative philosophies. Accessed at https://www.researchgate.net/publication/267778362_The_relationship_between_credit_union_objects_and_cooperative_philosophies on 17th August 2017.

Ward, A. and McKillop, D. G. (2005) An Investigation into the Link between UK Credit Union Characteristics, Location and their Success. Annals of Public and Cooperative Economics 76(3): 461-489.

White, R. J. and Williams, C. C. (2016) Beyond capitalocentricism: Are non-capitalist work practices 'alternatives'? Area 48(3): 325-331.

Williams, H. (2017) Local banking 'alive' in Scotland after Airdrie closure. BBC News, 21st January 2017. Accessed at http://www.bbc.co.uk/news/uk-scotland-glasgow-west-38697146 on 25th January 2017.

WOCCU (2017) Our Global Reach. Accessed at https://www.woccu.org/impact/global_reach on 17th August 2017.

Wright, E. O. (2010) Envisioning Real Utopias. London; New York: Verso.

Wright, J (2013) Credit Unions: A solution to poor bank lending? Civitas. Accessed at http://www.civitas.org.uk/pdf/CreditUnions.pdf on 22nd July 2018.

Appendix 1: Plain Language Statement

University of Glasgow

College of Social Sciences

Study Title: Alternative Financial Spaces: A Case Study of Credit Unions in Scotland

Researcher Details: Claire McGrath
Adam Smith Business School
University of Glasgow
Email: c.mcgrath.1@research.gla.ac.uk

You are being invited to take part in a research study. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask me if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part.

This research project seeks to explore the changing values and economic practices of the credit union movement in Scotland. Topics of exploration will include the role of trade associations, relationship with the state including regulatory concerns and questions around financial matters.

You have been selected as a potential participant in this research project as you are involved in the credit union movement. Participation is entirely voluntary, and participants have the right to remain anonymous in research outputs and review their contribution before inclusion in any research outputs. You have the right to withdraw from this project at any time. Data will be stored securely, and destroyed in accordance with the University of Glasgow Data Protection Policy. I am happy to provide, either in written form or verbally, further information or clarification where necessary. If you decide that you no longer wish to participate in this project, or wish to avoid discussing particular subjects, then please notify me at your earliest convenience.

The findings of this research will be presented in a PhD thesis, although may also be included in other research outputs. The same ethical standards will be consistently maintained in respect to any information that you contribute.

If you have any concerns regarding the conduct of this research project, you can contact the College of Social Sciences Ethics Officer Dr Muir Houston, email: Muir.Houston@glasgow.ac.uk. Alternatively, my supervisors, Professor Andrew Cumbers (email: Andrew.Cumbers@glasgow.ac.uk) and Professor Robert McMaster (email: Robert.McMaster@glasgow.ac.uk) can be contacted for further information.

Appendix 2: Consent Form for Interview Participants

CONSENT TO THE USE OF DATA

University of Glasgow, College of Social Science Research Ethics Committee

I understand that Claire McGrath

is collecting data in the form of interviews

for use in an academic research project at the University of Glasgow.

I give my consent to the use of data for this purpose on the understanding that:

- All names and other material likely to identify individuals will be anonymised if requested.
- Participants have the right to withdraw at any time
- The material will be treated as confidential and kept in secure storage at all times.
- The material may be retained in secure storage for use in future academic research
- When all research outputs are complete, the material will be destroyed in accordance with the University of Glasgow's Data Protection Policy

Signed by the contributor:___________________________ Date:

Researcher's name and email contact: Claire McGrath

Supervisor's name and email contact:

Professor Andrew Cumbers: Andrew.Cumbers@glasgow.ac.uk,

Professor Robert McMaster: Robert.McMaster@glasgow.ac.uk

Department address: Adam Smith Business School, Main Building, University of Glasgow, G12 8QQ

Appendix 3: Ethical Approval Confirmation

Ethics Committee for Non-Clinical Research Involving Human Subjects

Staff Research Ethics Application ☐ ***Postgraduate Student Research Ethics Application*** ☒

Application Details

Application Number: 400140140

Applicant's Name Claire McGrath

Project Title Alternative Financial Spaces: Credit Unions in the Aftermath of the Financial Crisis

---

Application Status **Approved**

Start Date of Approval *(d.m.yr)* 22/04/2015

(blank if Changes Required/ Rejected)

End Date of Approval of Research Project *(d.m.yr)* 31/08/2016

Only if the applicant has been given **approval** can they proceed with their data collection with effect from the date of approval.

Recommendations **(where Changes are Required)**

- ***Where changes are required all applicants must respond*** in the relevant boxes to the recommendations of the Committee and upload this as the **Resubmission Document** online to explain the changes you have made to the application. All resubmitted application documents should then be uploaded.

- ***If application is Rejected*** *a full new application must be submitted via the online system. Where recommendations are provided, they should be responded to and this document uploaded as part of the new application. A new reference number will be generated.*

(Shaded areas will expand as text is added)

MAJOR RECOMMENDATION OF THE COMMITTEE	**APPLICANT RESPONSE TO MAJOR RECOMMENDATIONS**

MINOR RECOMMENDATION OF THE COMMITTEE	**APPLICANT RESPONSE TO MINOR RECOMMENDATIONS**

REVIEWER COMMENTS ***(OTHER THAN SPECIFIC RECOMMENDATIONS)***	**APPLICANT RESPONSE TO REVIEWER COMMENTS**

Please retain this notification for future reference. If you have any queries please do not hesitate to contact the College Ethics Administration, email address: socsci-ethics@glasgow.ac.uk

Appendix 4: Template interview schedule for credit union volunteer/employee

Name of interviewee:
Role at credit union:
Date of interview:

Background information [collected in advance if possible]

Location of credit union, type and extent of common bond, products/services offered, membership numbers, trade association membership, any socioeconomic information relating to membership.

Themes/Areas for discussion

Fill gaps in missing background information and discussion of interviewees role in credit union.

Discussion of credit union in terms of successes, challenges, products and services offered, engagement with members, interaction with wider community.

Discussion of trade associations. If a member of a trade association, how does credit union use trade association services? Thoughts on Credit Union Expansion Project.

Is the credit union in receipt of external funding? How is the funding used? Has level of funding been increasing / decreasing?

What impact has changing regulation had on the credit union?

What should the role of the credit union sector be?

Where does interviewee see their credit union, and the credit union movement more broadly in Scotland, in ten year's time?

Anything of interest that I have not asked about? Or anything in particular that interviewee wants to discuss in more detail.