

Joint Oireachtas Committee on Rural and Community Development

Opening Statement by

Kevin Johnson, CEO Credit Union Development Association

Meeting on November 14th 2018 in relation to:

“Sustaining Small Rural Businesses”

Re: Sustaining Small Rural and Community Business

Mr. Chairman and members of the Committee, CUDA is grateful to you for inviting me to this discussion on sustaining Small Rural and Community Business across the country.

CUDA was formed in 2003, and represents many of the largest credit unions in the Country, and also provides a wide range of support services to them and a growing number of credit unions throughout the Country. In its early days it was the representative voice, on behalf of its owner member credit unions, with legislators and regulators. It has since evolved and now, as well as providing a ‘voice’, it is increasingly supporting credit unions in the areas of regulatory compliance, risk management, shared services and competency development.

Credit unions we work with are always looking at how they can expand their range of loans and other services, and therefore I welcome the opportunity to attend today to discuss how we can support individuals, small businesses and rural communities that this committee represents.

The recent report on Public Banking by the Department of Finance and the Department of Rural and Community Development states that evidence suggests that the supply of credit, both to SMEs and retail customers, is increasing. Credit unions we work with have experienced strong growth in credit particularly for individuals, but, as has been said before,

we have billions of euro to lend, so welcome the opportunity to work with your committee and interested stakeholders to identify prudent ways in which we can deliver more for local communities.

In the previous debate in September on rural and community development, Dr. Senan Cooke, who is the author of the publication, *The Enterprising Community: A Bottom up Perspective on the Capacity within Communities to Regenerate*, made the following comment – *‘With regard to why schools turn things around, four individuals in Dunhill guaranteed a €400,000 loan - €100,000 each from their own pockets. They went down to the credit union, borrowed the money, bought a field, built 40 homes for young families, saved the schools and created a new dynamic in the parish for business people.’*

While not knowing the specifics of that initiative, I’m dubious that any of the banks would have offered funding for such a worthy plan. This is an excellent example of credit union’s renowned community spirit and not-for-profit ethos in action. The four individuals did guarantee parts of the loan, but the Credit Union, on behalf of all its members, ultimately took the risk in giving it as they clearly believed in their community and supporting it.

In the same session, Mr. Eamonn O'Reilly, vice chairman of the Irish Local Development Network, ILDN, and CEO of North East-West Kerry Development, mentioned that credit unions were a key option when it came to providing credit to local SME’s and sole-traders.

He said that some credit unions give out unsecured loans to farmers of up to €50,000 and that they operate on a local basis. We would be delighted to work with his organisation or any of the other rural or community based organisation that support SME or individual lending at a community level, to expand the level and flexibility of credit that we offer.

CUDA has a vision for a credit union system in Ireland that includes helping shape the society we want to live in, through financial education, provision of credit for small businesses and community purposes now and for future generations; This involves recognising talent and opportunity in all communities, rural and urban, across Ireland and harnessing and supporting that talent with credit and financial advice for the betterment of the community and indeed the credit union itself. In the 1950s, faced with massive youth unemployment, a group of people formed together around the idea that the solution to that crisis was co-operative self-employment; but there was no money with which to start and grow businesses. Speaking in 1982, Nora Herlihy, one of the principal founders of the credit union movement in Ireland said “[the] object in promoting the Credit Union idea was to show the people how to accumulate that money from their own savings and resources”.

Some people may fail to understand that credit unions have an interdependent relationship with their local community, and that they generate income, to reward savers, primarily through lending. They cannot prosper by simply taking in deposits and avoiding lending risk. To survive, they must take risk every day and a key factor in mitigating that risk is the credit union’s understanding of its local community.

We are not banks and therefore we approach things differently – while we have procedures that must be followed, and requirements that must be adhered to, when we’re considering a loan application, we prefer to become aware of potential community projects and or local businesses ideas at an earlier stage to see how we can help and support those involved. As we often say to such members, ‘we’ve been here before’ with other borrowers and can often offer key financial advice or direct them to one of the many local community experts that we already have a relationship with.

When it comes to finance, Credit Unions live by the phrase, ‘it’s good to talk’ – our doors are open to those that have ideas and want to make a difference – that’s not to say that we’ll automatically lend money to every venture or scheme – we won’t, but credit unions will give local members the best opportunity and the best guidance that we can and are permitted to.

Credit unions are expert at providing consumer loans, savings and payment facilities, loans to owner managed businesses, a wide range of digital channels and digital engagement facilities, a green energy better home partnership, we continue to seek a solution to enable credit unions contribute to resolving the housing emergency and are well underway to deliver on other product and process solutions including lending to small businesses and bringing extended current account related facilities to market.

We call on all stakeholders interested in sustaining small rural and community business to share with us any needs they have which they believe are not currently being met by credit unions and we will factor them into our plans as we continue to expand services, and specifically on credit related issues, where there may be regulatory obstacles, and we will include them in our submission to the Central Bank of Ireland’s currently open consultation on lending frameworks for credit unions.

Once again, thank you for your kind invitation and I look forward to addressing any questions you may have.