Article

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Management Models and Priorities in Member Associations: Is Credit Unions' Community Involvement Crowded-Out?

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Abstract

Credit unions are membership-based cooperative financial services organizations that are run by and for their members. Historically, credit unions provided financial services for their members and encouraged community development through philanthropy and volunteering. The World Council of Credit Unions (WOCCU), the sector's global trade association and development agency, encourages the adoption of a management model, coined "new model," which encourages for-profit financial management practices. The "new model" approach is challenged by some practitioners and academics concerned that it will diminish the community involvement of credit unions. We explore the following research question: "Does the implementation of a management model that promotes for-profit-style financial management crowd out the community impact of credit unions?" We use a dataset extracted from 2,275 annual returns for 188 credit unions spanning 1996-2008, and find no evidence that community impact diminishes as a result of "new model" operating practices, suggesting a crowding-out effect is absent.

Keywords

association, credit union, crowding out, management models, membership mutual benefit association

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Introduction

Credit unions are voluntarily run membership organizations that provide financial and social benefits to their members and the local communities within which they are based. Credit unions are relatively homogeneous in terms of governance; however, differing national regulation and self-regulation has resulted in the sector offering varying sophistication in terms of services to members across countries. For example, in some countries, such as the United States, Canada, and Australia, credit unions can offer similar products to banks; whereas in other countries where the sector is less developed, the product range is much more restrictive, for example, Britain, Northern Ireland, and Poland (Ferguson & McKillop, 1997). In 2010, credit unions affiliated to the World Council of Credit Unions (WOCCU) existed in 100 different countries and had more than US$146 trillion under management (WOCCU, 2010). This figure understates the global presence of credit unions as many credit unions are not affiliated with WOCCU.

WOCCU is the global trade association for credit unions; however, membership of WOCCU is entirely optional. WOCCU promotes and encourages the adoption of a management model of credit unions, coined "new model." This model encourages for-profit financial and management practices that focus on growth through economies of scale, self-sufficiency, and larger membership numbers. The emphasis on large size and commercial practices is a change from the "traditional" or "community" management model that has historically been associated with credit unions, coined "old model." The "old model" management approach is characterized by small size and a focus on poverty alleviation (Hayton, 2001). The terms "old model" and "new model" should not be seen as indicative of chronology or time, but they are simply the terms research has adopted when discoursing these two models. Those favoring the "old model" 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 (Ashforth & Soutar, 1984; Fuller, 1998; Moulton & Eckerd, 2012; O'Connell, 2005; Ryder, 2005; Taylor, 1971). Those in favor of the "new model" argue that credit unions that pursue a commercial approach are better able to do more for their community as they improve on their financial sustainability and self-reliance (Jones, 2008; D. McKillop, Ward, & Wilson, 2010; Ward & McKillop, 2005).

This article investigates the following research question:

> **Research Question:** Does the "new model" of management—designed to make credit unions more efficient and more akin to mainstream financial services organizations—crowd out the community involvement, volunteering, and philanthropic commitment that is espoused by proponents of the "old model?"

Crowding out has been extensively used in nonprofit research and offers a useful lens through which to assess the impact of new management models on the credit union sector (Dolan & Landers, 2006; De Hoop, van Kempen, & Fort, 2012; Enjolras, 2002; Tinkelman & Neely, 2011).

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We make three distinct contributions to the literature. This is the first study to empirically evaluate the impact on community involvement of the adoption of "new model" management approach by credit unions. Second, by adopting a crowding-out perspective as the conceptual lens, we add to the crowding-out literature in a setting where nonprofit goals may compete with for-profit goals, and, finally, no other study into credit union operating models has used a longitudinal dataset, allowing a broader view of the association between the choice of model and community and financial impact. Such an insight is particularly valuable in a context where the widespread adoption of new management models is encouraged without an empirical view as what the impact will be on community involvement.

This article is organized as follows: The next section discusses the unique institutional characteristics of credit unions and describes the "old model" and "new model" type of management that credit unions may elect to pursue. The section "Conceptual Framing" outlines the conceptual framing of the hypotheses. The "Study Site and Method" section describes the study site and details the methodology. The penultimate section describes the data and outlines the results, and the final section discusses the findings and conclusions.

Credit Unions and Management Models

Credit unions have a number of unique characteristics. They are committed to community development through investment in philanthropic projects and charities (Benedikter, 2011; Ryder & Chambers, 2009) and have a self-help focus. This means that volunteers must be sourced from the membership of the credit union. Indeed, most small credit unions rely entirely on volunteer support for their operation, and all are governed by volunteer members for the benefit of the members (Ward & McKillop, 2010, 2011). This is a distinct characteristic of credit unions, as other nonprofit organizations often recruit their volunteer governors outside the organization in line with the traditional agency management model (Van Puyvelde, Caers, Du Bois, & Jegers, 2012).

Credit union membership is restricted to those who have a common bond or common interest with each other (Ward & McKillop, 2005). The categories of common bond are typically laid down in legislation with the most common types being residential (area-based), employment (employer-based), and associational (association-based). In principle, a common bond promotes community and trust that reduce information asymmetry when assessing credit worthiness. Thus, credit unions possess a natural advantage that facilitates lending to members who would otherwise be financially excluded (D. G. McKillop, Ward, & Wilson, 2007; Ward & McKillop, 2005).

Unlike for-profit financial institutions that generate profits from communities and then distribute to entities or individuals who are not from the community (Kristensen, Markey, & Perry, 2010), credit unions use their surpluses for the benefit of their members and the community. Surpluses typically are applied in three ways. They are used to build up capital reserves to a recommended level, they are distributed back to members as dividends and/or loan rebates, and the remainder can be invested in activities

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and projects designed to benefit their members and the local community or can be donated to charities (Fairbairn, Ketilson, & Krebs, 1997).

Another unique feature is self-regulation, which typically emerges in nonprofit organizations when public regulation is weak or nonexistent (Young, 2000). Self-regulation takes place when a sector-level institution sets the standards and regulations that its members must adhere to (Bies, 2010; Gunningham & Rees, 1997). Credit union movements in each country typically establish "trade associations," umbrella bodies that provide guidance, training, and management model rules and guidelines. In many countries, more than one trade association has evolved to reflect the differing views as to what the best management model to adopt is—"old model" or "new model."

In addition to national trade associations, a global body, WOCCU, exists to support national trade associations and to promote the credit union sector on a global scale. WOCCU promotes the adoption of "new model" development through its affiliated trade association members, and, in the early 1990s, it started to develop guidelines and best-practice frameworks to suit a range of credit union settings. WOCCU published a "Model Law for Credit Unions," a "Guide on International Legislation," and "Model Credit Union Regulations." The specific objectives of WOCCU's "new model" approach include democratic participation, the provision of top-quality financial services, sound oversight and governance, the provision of a variety of competitive savings and credit products, sound regulatory capital levels, financial prudence, rigorous risk management, and legitimate specialized regulation (WOCCU, 2011).

This approach is in contrast with the traditional "old model" approach to credit union development. Hayton (2001) describes "old model" development as promoting credit unions that are "small area-based, poverty-alleviating initiatives" (p. 281). Other characteristics of "old model" practices include a focus on using local volunteers, community empowerment, having tight common bonds, small size, and community and philanthropic objectives (Hayton, 2001; Jones, 2008; O'Connell, 2005).

Some operational differences between "old model" and "new model" include the following: "New model" promotes the use of qualified paid staff rather than volunteers; a focus on maximizing savings rather than on offering low-cost loans; product diversification and financial assimilation of members rather than just focusing on one product (low-cost loans); attracting members from all socioeconomic backgrounds not just those that are regarded as being financially excluded; formal credit checks that are based on ability to repay rather than on reputation; and organizational procedures that are formal, structured, and commercially focused (Goth, McKillop, & Ferguson, 2006; Jones, 2008).

Given the credit union movement's long-standing history in civic and community life, the development of new management models for the credit union sector has been controversial. Some surmise that the focus of "new model" management on financial growth and efficiency risks undermining the community impact of credit unions (Fuller, 1998; Ryder, 2005; Taylor 1971). Others surmise that "new model" management will create stronger credit unions that are better able to have a positive impact on their communities (Goth et al., 2006; Jones, 2008, 1999; D. McKillop et al., 2010).

We contribute to the discourse by evaluating whether credit unions that are doing more for their communities are more likely to choose to affiliate with a trade association that supports "old model" management objectives.

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Conceptual Framing

We draw on Stanca, Bruni, and Corazzini's (2009) definition of crowding out as "the reduction of effort in activities carried out for intrinsic motivation when an instrumental reward is introduced" (p. 243). Thus, in this article, we extend the applicability of the crowding-out principle and apply it to the relative increase or decrease in community involvement that may stem from credit unions adopting management practices designed to foster efficiency and improved financial performance over community development. In this study, "new model" emphasizes the potential for growth and improved financial performance, which opponents argue may come at the expense of community development and investment (Fuller, 1998; Ryder, 2005). The question arises whether a "new model" managerial focus negatively affects community involvement and philanthropic investment.

Crowding out has been extensively used in nonprofit research and typically has been applied to research designed to analyze the relative rise or fall in one source of income stemming from the increase in another source of income (Dolan & Landers, 2006; Enjolras, 2002; Tinkelman & Neely, 2011). Crowding out has also been used to investigate whether monetary actions, for example donations, crowd out volunteering activity; and whether payment to volunteers crowds out intrinsic motivation or whether financial penalties motivate compliant behaviors (Andreoni & Payne, 2003; Frey, 1997; Gneezy & Rustichini, 2000; Govekar, Govekar, & Rishi, 2002).

Crowding out can offer a particularly valuable perspective at the juncture of nonprofit versus for-profit management model, as it offers a useful lens through which to assess whether the fundamental character of nonprofit organizations is compromised in response to more profit-driven objectives. Prior research has empirically analyzed crowding out and the consequences of changes in regulation that affect organizational management. Ferris and Graddy (1999) in a study of the hospital sector in the United States report that nonprofit hospitals that remain in the sector provide more charity care than those that convert to for-profit status. The findings suggest a crowding out of charity-care provision as a consequence of a change in management model. However, other studies identify the scope to adopt commercial practices while balancing social and business objectives (Dart, 2004; McDonald, 2012), thereby suggesting that a change in management approach from being nonprofit to more for-profit in orientation may actually benefit nonprofits as long as such practices are appropriately designed.

Membership of a trade association is not compulsory. Credit unions are free to select their trade-association affiliation and can change affiliation at any time. Typically, credit unions join the trade association, which most closely aligns with the individual credit union's values and aspirations. Credit unions that prioritize social development and community involvement join trade associations that espouse "old model" management objectives, while those that prioritize financial management over community development join trade associations that espouse "new model" management objectives. Thus, model choice reflects the relative financial and social orientation of credit unions. Hypothesis 1 is expressed in the alternative form that reflects the views of the proponents of the "old model" and thus:

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Hypothesis 1: Credit unions affiliated to trade associations that promote "old model" management contribute more to their communities compared with credit unions affiliated to trade associations that pursue "new model" management objectives.

As advocates of "old model" management assert that the reduction in information asymmetry that is associated with a greater emphasis on tight common bonds gives rise to a competitive advantage and better-quality loan books, we posit that,

Hypothesis 2: Credit unions affiliated to trade associations that promote "old model" management have stronger financial management compared with credit unions affiliated to trade associations that pursue "new model" management objectives.

Study Site and Method

Study Site

This study focuses on the credit union sector in Northern Ireland. Since the first credit union was formed in 1960, public regulation of the sector has supported "old model" development; however, self-regulation emerged and with it, some credit unions adopted different management practices from those encompassed in the "old model," and trade associations emerged that supported these different management practices. This is reflected in two local trade associations (the Irish League of Credit Unions [ILCU] and the Ulster Federation of Credit Unions [UFCU]). A small number of credit unions are affiliated to the Canadian Antigonish trade association, the remaining credit unions are classified as "Other" (credit unions that elect not to join the established trade associations; Forker & Ward, 2012).

The ILCU has historically focused on financial prudence and has adopted many of WOCCU's "new model" management practices that prioritize financial management over community development. They promote large size to achieve economies of scale and a wider range of products (Goth et al., 2006). The UFCU promotes "old model" management objectives, including community development, volunteering, and the social good, with self-sufficiency ranking behind these objectives (Ryder, 2005). To achieve the respective objectives, the UFCU argues that credit unions should remain small and focused on simple saving and loan products. The Antigonish movement lies somewhere between the two. It advocates community development through education (Coady, 1939) and considers credit union growth and development as part of this process. Finally, a subset of the credit unions in Northern Ireland elects not to affiliate with any form of self-regulatory body (see Tables 1 and 2 for information on credit unions affiliated to each trade association).

The data used in this study comprise a pooled dataset of financial information extracted from 2,275 annual returns of 188 credit unions that were filed with the Public Regulator in Northern Ireland over the period from 1996 to 2008. The dataset includes

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the annual returns of 33 new credit unions and 6 credit unions that ceased operations. Of the 188 credit unions in existence over the period, 104 were affiliated to the ILCU (1,342 annual returns), 3 to the Antigonish (37 annual returns), 51 to the UFCU (580 annual returns), and 30 are categorized as "Other" (316 annual returns).

Analytical Approach

Management models are proxied by trade association affiliation. Credit unions affiliated to the ILCU are classified as "new model" management. The Antigonish, UFCU, and credit unions in the "Other" category have developed using variations of traditional management objectives and hence are pooled as being representative of "old model" management. The hypothesized relationships are investigated by estimating PROBIT regressions that identify the contribution of the explanatory variables to the probability of choosing the "old model" rather than the "new model." Panel effects associated with the correlated residuals within credit unions can have an impact on the estimation and are addressed by reporting standard errors adjusted for clustering.

Three limited dependent variable models are estimated. In Model 1, the binary "old model"—"new model" dichotomy adopted in the literature is investigated by grouping all credit unions not affiliated to the ILCU as "old model" and the ILCU membership as "new model." In Model 2, as a robustness test, the dependent variable is restricted to the ILCU and UFCU memberships as these two trade associations represent the purest forms of the "new model"–"old model" dichotomy. Finally, in Model 3, to shed light on the impact of credit union characteristics across the range of management models, the dependent variable is expanded to include four management types, and a multinomial PROBIT model is estimated.

The independent variables include five measures that proxy for community involvement: outreach, measured by deprivation of the location of the credit union; usage by the locality, measured by growth; distribution to members; local philanthropy; and the participation of volunteers. Financial management characteristics are proxied by measures of efficiency, capital reserve levels, and the Public Regulator's recommended provision for loan losses. Finally, the model includes three control variables: size, age, and year effects.

The general specification of the model is as follows:

$$Z^*_{it}=a_0+a_1d_{it}+a_2g_{it}+a_3r_{it}+a_4c_{it}+a_5v_{it}+a_6e_{it}+a_7f_{it}+a_8l_{it}+a_9s_{it}+a_{10}a_{it}+\sum_{1_=1997}^{2008}\alpha_1y_i+u_{it}$$

In Model 1, the dependent variable Z^*_{it} is coded 1 for "old model" management classified as UFCU, Antigonish, and Other; and in Model 2, it is classified as UFCU only, otherwise coded 0 for new management model classified as membership of the ILCU. In the multinomial regression, Model 3, the dependent variable is a categorical variable coded 1 for membership of the ILCU, 2 for membership of the Antigonish trade association; 3 for membership of the UFCU, and 4 for credit unions in the Other category. For the independent variables, d_i is the deprivation index for the locality; g_{it} is asset growth; r_{it} is the total distribution to members (savers and borrowers); c_{it}

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is philanthropic expenditure; v_{it} is volunteer involvement; e_{it} is annual surplus/deficit; f_{it} is level of capital reserves; l_{it} is Regulator's recommended provision for loan losses; s_{it} is total assets; a_{it} is age; and y_i are year dummies.

The expected relationship between the explanatory variables and choice of development model is now examined.

Member deprivation. It is not possible to identify the socioeconomic status of the individual members of a credit union; however, credit unions are typically locally situated for ease of access by their members. Therefore, a multiple deprivation measure, determined by the Northern Ireland Statistics and Research Agency (NISRA), based on the location of the credit union is used as a proxy for member deprivation. The measure is common to all years and comprises a low-income factor, a low-employment factor, an education factor, a housing factor, an access-to-services factor, a social-environment factor, and a health factor (NISRA, 2005). The higher the value the more deprived the location. Given the emphasis on financial inclusion in "old model" management, a positive association is expected between deprivation score and "old model" credit unions. Conversely, a low measure suggests an adoption of "new model" as this model emphasizes the importance of having a diversified membership that is made up of members from a variety of socioeconomic backgrounds, a feature that is also aligned with WOCCU's guidelines.

Growth ([total assets$_t$ – total assets$_{t-1}$] / total assets$_{t-1}$). Credit union growth is the strongest in the earlier years of a credit union's development until the credit union saturates its common bond. Credit union growth is restricted by the tightness of common bond, limited product range, and development model (Baker, 2008; D. McKillop et al., 2010; Ryder, 2008). Given the focus on having a small number of members with strong social links by trade associations that promote "old model" management, a negative association is expected between growth and credit unions affiliated to trade associations that favor "old model" management compared with the emphasis on growth in "new model" management.

Distributions ([dividends$_t$ + loan rebates$_t$] / total assets$_t$). Credit unions affiliated with trade associations that promote "new model" management are subject to agency-type issues as they are typically managed by paid individuals who have incentives to increase the size of the credit union as this increases the reliance on having a paid manager and in securing higher returns for paid staff at the expense of members (Hillier, Hodgson, Stevenson-Clarke, & Lhaopadchan, 2008). Therefore, it is expected that credit unions affiliated to trade associations that promote "old model" management make higher payouts to their members as they have lower expenses and are not under the same pressure to retain funds for growth.

Philanthropy (community payments$_t$ / total assets$_t$). An analysis of the objectives of the two main trade associations provides insights into the prominence of

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community and philanthropy goals. The ILCU ("new model") is agency based, it operates for the benefit of its members as a primary objective and has social responsibility as a secondary objective; whereas the UFCU emphasizes mutuality and ranks responsibility to their community as their primary objective. Indeed, community responsibility ranks in front of responsibility to members. Therefore, it is expected that credit unions affiliated to trade associations that promote "old model" management objectives will be more philanthropic relative to credit unions affiliated to trade associations with "new model" management objectives as encouraged by WOCCU.

Utilization of volunteers (wages$_t$ / total assets$_t$). When credit unions grow in size, they can employ staff rather than rely on volunteers (Goddard, McKillop, & Wilson, 2008). A ratio capturing the relative amount of wages to total assets is taken as an inverse measure of the utilization of volunteers—the higher the percentage of wages the less likely that the credit union uses volunteers. A similar argument to that forwarded for philanthropy holds for volunteering. "New Model" management encourages the increased use of professional management, whereas credit unions affiliated to trade associations that espouse "old model" management are more likely to promote volunteering instead of paid staff as this is deemed to increase the community capital of the locality. This is reflected in the trade associations' objectives, wherein the UFCU, for example, has an explicit objective to promote volunteering, whereas the ILCU does not. Thus, it is expected that credit unions adopting "old model" management objectives will be more reliant on volunteers, and a negative relationship is expected.

Operating characteristics. An efficiency measure (financial performance), a prudential measure (capital reserve levels), and a loan book quality indicator (Regulator's recommended loan loss provisions, an inverse measure of loan book quality) are also included as proxies for financial management. These are measures promoted by WOCCU. Proponents of "old model" management identify a source of competitive advantage from the greater emphasis on tighter common bonds and use of volunteers. In contrast, "new model" management typically focuses on protecting members, by ensuring that credit unions are properly governed, are sufficiently capitalized, and behave prudentially, as this in turn should lead to a better financial performance and higher profits. The predicted signs are shown in Table 3. Therefore, a positive sign for the efficiency and capital reserve variable coefficients is predicted by proponents of the "old model" and indicates an increase in the probability of choosing the "old model." A negative sign for the loan book quality variable is predicted by proponents of the "old model" reflecting the expectation of better loan book quality than "new model" management.

Control variables. The control variables are size and age. Previous literature finds that credit union behavior differs across size and age, though none has specifically examined the differences according to choice of management model. In the main, larger

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credit unions are older, benefit from economies of scale, are less reliant on subsidies and volunteers, own their own premises, are financially stronger, and provide a wider range of services relative to small credit unions. Older credit unions are likely to have higher reserve levels, although are more likely to fail or merge and are less successful at changing their operations relative to younger credit unions. (Amburgey & Dacin, 1993; Barron, West, & Hannon, 1994; Brown & Davis, 2009; Forker & Ward, 2012; Goddard et al., 2008; Goddard & Wilson, 2005; Smith, 1988; Ward & McKillop, 2005).

Data and Results

Descriptive statistics for community and operating characteristics across trade association affiliation are reported in Table 1 and 2, respectively.

Community characteristics. The mean deprivation measure for the population is 27.91. Antigonish credit unions are, on average, located in the most deprived regions (mean 52.08), next is ILCU (28.66). The UFCU is located in the least deprived locations (25.15). Credit union growth is used as a proxy for the progressive impact of the credit union within the community. Antigonish credit unions grew at the slowest rate (7.25%), and the "Other" category recorded the highest annual growth rate (24.17%). The mean distribution rate across management model is 2.74%, with the highest for Antigonish (3.69%) and lowest (1.65%) for UFCU registered credit unions.

Expenditure on the community is profiled using two measures, the actual amount spent and the ratio of community expenditure to total assets to enable comparison between different sizes of credit unions. On average, credit unions spent 0.012% of the value of their total assets on the community each year (£631 per credit union). Antigonish credit unions committed the greatest proportion of their funds to community projects (0.115%; £3,003). On average, 0.56% of the book value of total assets was paid in salaries to employees. UFCU-registered credit unions were most reliant on volunteers (0.2%), and ILCU-registered credit unions were most reliant on paid staff (0.78%).

Financial management and control variables. Contrary to what is claimed by "old model" proponents, financial management in credit unions affiliated to the ILCU is superior to that in other trade associations (Table 2). They are more efficient, (mean return on assets, 4.67%), have the strongest reported loan books (the lowest Regulator's recommended provision for loan losses, 1.83%), are the largest (mean size of £5.347 million in total assets), the oldest (31.77 years), and register with the loosest common bond of residence (all but two credit union equating to 26 observations). Antigonish credit unions are the next most efficient (4.46%) and are the most prudent with the highest reported mean capital reserve balances (12.42%). Two of the Antigonish credit unions have a common bond of residence, the other is associational.

UFCU-affiliated credit unions are the smallest (£0.429 million), the youngest (8.83 years), the least efficient (3.37%), and have the lowest quality loan books (3.71%).

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Table 1. Community Involvement Indicators: Descriptive Statistics Analyzed by Trade Association.

	ILCU	Antigonish	UFCU	Other	Total population
No. of credit unions[a]	**104**	**3**	**51**	**30**	**188**
No. of annual returns (years)[b]	**1,342**	**37**	**580**	**316**	**2,275**
Deprivation index					
M	28.66	52.08	25.15	26.96	27.91
SD	15.52	17.51	17.95	16.41	16.68
Median	25.04	44.72	20.45	21.04	23.74
Growth (%)					
M	12.35	7.25	20.89	24.17	15.96
SD	6.77	9.40	23.71	29.92	17.65
Median	11.55	7.54	15.21	17.22	12.43
Total payout (%)					
M	3.30	3.69	1.65	2.28	2.74
SD	1.00	0.81	1.23	1.25	1.32
Median	3.28	3.55	1.82	2.40	2.93
Community expenditure (£)					
M	946	3,003	17	145	631
SD	3,577	3,502	103	760	2,875
Median	0	0	0	0	0
Community expenditure (%)					
M	0.014	0.115	0.001	0.005	0.012
SD	0.03	0.13	0.03	0.02	0.04
Median	0.00	0.00	0.00	0.00	0.00
Volunteering (%)					
M	0.78	0.69	0.20	0.32	0.56
SD	0.50	0.81	0.56	0.61	0.60
Median	0.79	0.54	0.00	0.00	0.50

Note. Deprivation Index; measures credit union's access to social services; Growth_t = (total assets_t – total assets_{t-1}) / total assets_{t-1}; Total payout = [(dividends_t + loan rebates_t) / total assets_t]; Philanthropy (Community payments_t / total assets_t); Utilization of volunteers (wages_t / total assets_t). ILCU = Irish League of Credit Unions; UFCU = Ulster Federation of Credit Unions.

[a]By 2008, the number of credit unions registered had fallen to 177 as some of the entities closed, or were taken over by another credit union.

[b]The number of annual returns is constant across the variables with the exception of growth (data from 67 annual returns were dropped as there were no prior year figures) and Regulator's recommended provision for loan losses (data from 129 annual returns were lost as this part of the annual return had not been completed).

Credit unions in the "Other" category are relatively young (10.08 years) and over two thirds are registered with a common bond of association (the tightest common bond), with the remainder having a common bond of residence and one that is employment. These univariate relationships may, however, be affected by the control variables that differ by model type. Therefore, multivariate analysis is required.

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Table 2. Financial Management and Control Variables: Descriptive Statistics Across Trade Associations.

	ILCU	Antigonish	UFCU	Other	Total
No. of credit unions[a]	**104**	**3**	**51**	**30**	**188**
No. of annual returns (years)[b]	**1,342**	**37**	**580**	**316**	**2,275**
Efficiency (%)					
M	4.67	4.46	3.37	3.97	4.23
SD	1.22	1.63	2.32	2.03	1.78
Median	4.74	4.80	3.58	4.06	4.40
Capital reserves (%)					
M	11.11	12.42	7.90	7.32	9.79
SD	2.35	3.23	4.81	4.27	3.84
Median	10.62	10.40	7.24	7.41	10.08
Registrar's provision for loan losses (%)					
M	1.83	2.87	3.71	3.27	2.47
SD	1.65	2.25	4.92	4.10	3.21
Median	1.39	2.27	2.19	1.88	1.53
Size £m					
M (£'M)	5.347	1.797	0.429	1.359	3.482
SD (£'M)	8.261	1.260	0.541	1.990	6.782
Median (£'M)	2.820	1.814	0.245	0.509	1.409
Age (years)					
M	31.77	25.57	8.83	10.08	22.81
SD	8.47	4.54	4.42	4.82	13.06
Median	33	26	9	10	26
Common bond	No.	No.	No.	No.	No.
Residential	1,316	25	260	97	1,698
Employment	13	0	0	10	23
Associational	13	12	320	209	554
Total	1,342	37	580	316	2,275

Note. Efficiency = Return on $assets_t$ = $surplus(deficit)_t$ / total $assets_t$); $CapRes_t$ = capital $reserves_t$ / total $assets_t$; Regulator's provision for loan $losses_t$ = Regulator's recommended provision for loan $losses_t$ / yearend loans to $members_t$; $Size_t$ = total $assets_t$. ILCU = Irish League of Credit Unions; UFCU = Ulster Federation of Credit Unions.

[a]By 2008, the number of credit unions registered had fallen to 177 as some of the entities closed, or were taken over by another credit union.

[b]The number of data observations is constant across the variables with the exception of growth (67 data observations were dropped as there were no prior year figures) and Regulator's recommended provision for loan losses (129 data observations were lost as this part of the annual return had not been completed).

Multivariate analysis. The results of the binomial PROBIT regressions are reported in Table 3. In Model 1, significant differences are identified for two of the five variables that proxy for community impact. As predicted by Hypothesis 1, and contrary to the univariate analysis, the more deprived the location the higher the probability (0.027,

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Table 3. Bivariate PROBIT Estimation: Credit Union Community Involvement, Financial Management and Choice of Management Model.

	Predicted sign	Model 1	Model 2
No. of credit unions		**187**	**153**
Valid annual returns		**2,082**	**1,762**
Constant		10.19*** (2.291)	12.30*** (3.841)
Community involvement			
Deprivation index (*d*)	+	0.027*** (0.008)	0.026** (0.012)
Growth (widening access) (*g*)	−	−0.006 (0.007)	0.001 (0.008)
Distributions to members (*r*)	+	0.063 (0.122)	−0.022 (0.166)
Community expenditure (*c*)	+	5.917*** (2.140)	−1.334 (3.681)
Utilization of volunteers (*v*)	−	−0.135 (0.262)	−0.160 (0.290)
Financial management and control variables			
Efficiency (*e*)	+	−0.024 (0.057)	0.036 (0.064)
Capital reserves (*f*)	+	−0.090** (0.045)	−0.067 (0.062)
Regulator's provision for loan losses (*l*)	−	0.104** (0.041)	0.141** (0.059)
Size (*s*)	−	−0.363** (0.182)	−0.602* (0.348)
Age (*a*)	−	−2.712*** (0.472)	−2.966*** (0.829)
Year effects		Yes	Yes
Wald stat		125.05 (0.000)	109.60 (0.000)
Pseudo R^2		.750	.811

Note. Standard errors adjusted for clustering are in parenthesis.
*$p < .1$. **$p < .05$. ***$p < .01$.

$p = .001$) of choice of "old model" management (Antigonish, UFCU and "Other"). Community expenditure also strongly influences the choice of "old model" (5.917, $p = .006$). Hypothesis 2 is, however, rejected for all the variables. The negative signs indicate a significantly lower probability that "old model" credit unions are more prudent (–0.090, $p = .047$) and poorer quality loan books increase the probability that "old model" management is selected (0.104, $p = .012$).The probability of "old model" management is negatively related to size and age.

The robustness of these findings is investigated in Model 2 by restricting the dichotomous characterization of "old model" and "new model" of management to the polar cases of the UFCU and ILCU. The effect of excluding the Antigonish and "Other" memberships confirms, that after controlling for the effect of size and age, UFCU-affiliated credit union members are located in more deprived areas relative to ILCU credit union members. However, Hypothesis 1, which predicts a positive association with "old model" management, is rejected for widening access, distribution to members, community expenditure or reliance on volunteers as there is no evidence of an association with choice of "old model" management. Consistent with Model 1, Hypothesis 2 is rejected as the "old model" of management pursued by UFCU is associated with weaker financial management given by a higher probability of recommended loan-loss provisions (0.141, $p = .017$).

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Table 4. Multinomial PROBIT Estimation: Credit Union Community Involvement, Financial Management, and Choice of Management Model.

	Antigonish	UFCU	Other
No. of credit unions	**3**	**51**	**30**
Constant	10.60*** (3.126)	17.06*** (3.741)	8.925** (3.748)
Community involvement			
Deprivation index (*d*)	0.048*** (0.015)	0.027** (0.013)	0.034** (0.014)
Growth (widening access) (*g*)	−0.084*** (0.023)	−0.010 (0.009)	−0.002 (0.009)
Distributions to members (*r*)	1.230*** (0.272)	−0.130 (0.173)	−0.043 (0.194)
Community expenditure (*c*)	15.81*** (2.414)	−2.045 (4.119)	−3.362 (3.482)
Utilization of volunteers (*v*)	−0.153 (0.681)	−0.105 (0.360)	−0.061 (0.419)
Financial management and control variables			
Efficiency (e)	−0.466*** (0.145)	−0.017 (0.080)	0.026 (0.088)
Capital reserves (*f*)	−0.051 (0.091)	−0.101 (0.072)	−0.157** (0.069)
Regulator's provision for loan losses (*l*)	0.010 (0.107)	0.146** (0.063)	0.134** (0.060)
Size (*s*)	−1.008** (0.395)	−0.678** (0.281)	−0.101 (0.289)
Age (*a*)	−0.647 (0.557)	−4.307*** (0.857)	−4.060*** (0.817)
Year effects	Yes	Yes	Yes

Note. No. of observations = 2,082. Wald statistic 1301.96(p = .000). In the multinomial regression, Model 3, the dependent variable is a categorical variable coded 1 for membership of the ILCU, 2 for membership of the Antigonish trade association, 3 for membership of the UFCU, and 4 for credit unions in the Other category. Standard errors adjusted for clustering are in parenthesis. UFCU = Ulster Federation of Credit Unions; ILCU = Irish League of Credit Unions.
*p < .1. **p < .05. ***p < .01.

To further investigate the sensitivity of choice of management model to community involvement and financial management, a multinomial PROBIT model is estimated to capture differences across membership of different trade associations. The results are reported in Table 4.

Relative to ILCU members, there is a higher probability that credit unions registered as Antigonish are located in significantly more deprived locations (0.048, p = .001), make significantly larger distributions to their membership (1.230, p = .000), and spend more on their communities (15.81, p = .000). However, there is a lower probability for growth relative to credit unions that choose "new model" management (–0.084, p = .000).

The results differ for UFCU and "Other" credit unions. No significant differences are identified for growth, distributions to members, the proportion of funds spent on the community, or in the use of volunteers relative to ILCU credit unions. However, the deprivation of their localities is significantly greater to that reported for ILCU-registered credit unions.

Different profiles between management models emerge for financial management and the control variables. Antigonish-registered credit unions are less efficient than

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ILCU member credit unions. "Other" credit unions have lower capital reserves. Credit unions within the UFCU and "Other" groupings have poorer quality loan books relative to credit unions affiliated to the ILCU (0.146 and 0.134 respectively, $p = .020$ and .027), although no significant difference is noted for Antigonish credit unions. Finally, Antigonish and UFCU credit unions are significantly smaller, and UFCU and "Other" credit unions are younger.

Discussion and Conclusion

This article addressed the research question, "does the pursuit of for-profit style financial management crowd out the community involvement of credit unions?" In particular, we test hypotheses to assess whether credit unions that operate according to "old model" management objectives contribute more to their communities compared with those that operate according to "new model" management objectives (Hypothesis 1), and whether credit unions that pursue "old model" management objectives have stronger financial management compared with those that pursue "new model" management objectives (Hypothesis 2). In support of Hypothesis 1, we find that credit unions that are located in more deprived areas and that spend significantly more on their respective communities are more likely to choose to affiliate with trade associations that promote "old model" management (Model 1). However, the strength of this relationship is diminished when the Antigonish unions are excluded from the analysis (Model 2) wherein Hypothesis 1 is rejected for all but one variable (deprivation of location). The rejection of Hypothesis 1 for all but one variable suggests that an increased emphasis on growth and financial efficiency in the credit union sector will not diminish the industry's role in community involvement, and credit unions that choose to follow the "new model" of management may still play an important role in developing and supporting their communities.

The managerial implications are that credit unions can thus consider the adoption of "new model" management practices without the implication that they have to choose community development over profit or vice versa. Rather than for-profit management practices being the antithesis to community involvement and development, our findings suggests that the two management practices instead may be complementary. Credit union management may therefore draw benefits from the pursuit of improved financial performance while still retaining a commitment toward community involvement and development. This finding also has potential implications for the management of other nonprofit organizations that wish to improve their financial performance without diminishing their intrinsic purpose. Our findings suggest that a crowding-out effect of the normative goals of the organization is absent, which suggests that the "reduction of effort in activities carried out for intrinsic motivation" as predicted by Stanca et al. (2009, p. 243) does not necessarily take place when an emphasis on improved financial performance is introduced. Instead, organizations may find that improved financial performance enables them to provide more and better services to their members.

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These findings also have implications for our understanding of crowding out. The result that an emphasis on philanthropy, community development, and financial performance management can coexist indicates that rather than crowding one element out at the expense of another, both the objectives coexist and rather "crowd together" to act as complementary practices. The particular institutional setting of Northern Ireland's credit unions meant that both forms of management practice could coexist, without diminishing intrinsically motivated behavior, and this opens the possibility that institutional setting maybe important for whether crowding out takes place. Northern Ireland credit unions' institutional history still plays a central role in their operations today. This finding adds to the work of Moulton and Eckerd (2012) who argued that nonprofit and volunteering-based organizations espouse the values they are institutionally sanctioned to, which in the context of Northern Ireland is, among others, a strong commitment to poverty alleviation, prudence, and community development.

Notwithstanding these results, this study suffers from some limitations that we suggest will provide interesting opportunities for future research. We have conducted our study based on Northern Ireland, which has a uniquely restrictive regulatory environment that enabled a variety of self-regulatory forms supporting differing management models. The results presented herein may therefore in part be the result of the particular national institutional characteristics that have similarly shaped credit union operations in Northern Ireland over time. A fruitful extension of this study would be a cross-national view of how the regulatory environment that governs credit unions elsewhere helps or hinders social engagement and philanthropic behaviors on the part of credit unions. The role of path dependency in explaining the changing environment of credit unions is also worthy of investigation, as is the question of whether a change in the objectives of a given credit union, as reflected in the change to "new model" management, has an impact on the extent to which the credit union's members experience a diminished sense of belonging and identity with the group. Finally, given credit unions' historic emphasis on poverty alleviation, it would be interesting to better understand the differing objectives of credit unions that establish themselves in deprived versus less deprived areas.

To conclude, this article examines a study site based in Northern Ireland that includes credit unions that pursue four different management approaches ranging from "new model" to "old model," to determine whether "new model" management as promulgated by WOCCU on a global basis will crowd out or complement the community benefits being derived from credit unions that pursue "old model" development. Our findings suggest that communities will not be disadvantaged by "new model" management practices

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