



CIRIEC
españa

CIRIEC-España, Revista de Economía Pública, Social y Cooperativa, n° 80, Abril 2014, pp. 137-159

Social Financing Alternatives for Social Economy Enterprises: Coop57

Glòria Estapé-Dubreuil
Consol Torreguitart-Mirada
Universitat Autònoma de Barcelona

CIRIEC-España, revista de economía pública, social y cooperativa
ISSN edición impresa: 0213-8093. ISSN edición online: 1989-6816.

© 2014 CIRIEC-España

www.ciriec.es www.ciriec-revistaeconomia.es

Social Financing Alternatives for Social Economy Enterprises: Coop57

Glòria Estapé-Dubreuil
Consol Torreguitart-Mirada

ABSTRACT

This paper focuses on the ethical and solidarity financial project of a Spanish cooperative. Coop57 is a provider of financial services, allocating its own financial assets to fund viable projects of the social economy organizations. The success of the cooperative is linked to its savings program, attracting both individuals and social economy enterprises and organizations seeking a double bottom line: earning profits from their deposits, while also helping build a more human and inclusive economy.

The paper analyzes the main activity of Coop57 during the years 2001-2012. In this period, an increasing number of loans have been granted to the social economy enterprises, in an increasingly widespread area encompassing now seven different regions of Spain. We study the main characteristics of the loans as well as of the borrowers, to see the extent to which Coop57 has in fact build a real funding alternative for the social economy at a time when the traditional banking system has substantially reduced its total investments.

KEYWORDS: Cooperatives, Social Economy Enterprises, Microfinance Institutions, Financial Services, Ethical Banking.

ECONLIT DESCRIPTORS: G210, P130, M140.

Reference: ESTAPÉ-DUBREUIL, G. & TORREGUITART-MIRADA, C. (2014): "Social Financing Alternatives for Social Economy Enterprises: Coop57", *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, 80, 137-159.

Contact: Glòria Estapé-Dubreuil, e-mail: gloria.estape@uab.cat; Consol Torreguitart-Mirada, e-mail: consol.torreguitart@uab.cat, Departament d'Empresa, Universitat Autònoma de Barcelona – Spain

Alternativas de financiación social para la economía social: Coop57

RESUMEN: Este artículo se centra en el proyecto de finanzas éticas y solidarias iniciado por la cooperativa Coop57 desde su fundación en Barcelona en 1987. Coop57 proporciona servicios financieros a sus socios, empresas y entidades de la economía social, financiando proyectos que sean económicamente viables. El éxito de la cooperativa está relacionado con su programa de ahorro, con el que atrae un número creciente de personas físicas que esperan tanto una cierta remuneración por sus ahorros, cómo ser partícipes del esfuerzo por construir una economía más humana e inclusiva.

El artículo analiza los préstamos llevados a cabo por Coop57 entre los años 2001 y 2012, un período caracterizado por un incremento notable de su actividad, que actualmente abarca 7 regiones autonómicas españolas. Se tienen en cuenta los diversos tipos de préstamos, sus importes, los sectores económicos en los que se utilizan, en un esfuerzo por estudiar hasta qué punto Coop57 constituye una alternativa real de financiamiento para la economía social, en un momento en el que el sistema bancario tradicional ha reducido notablemente sus inversiones.

PALABRAS CLAVE: Cooperativas, Economía Social, Instituciones Microfinancieras, Servicios Financieros, Banca Ética.

Alternatives de financement social pour les entreprises d'économie sociale : Coop57

RESUME : Cet article porte sur le projet de financement éthique et solidaire mis en place par la coopérative Coop57 depuis sa création en 1987 à Barcelone. Coop57 fournit des services financiers à ses membres, à des entreprises et des entités de l'économie sociale en finançant des projets viables d'un point de vue économique. Le succès de cette coopérative se doit à son programme d'épargne, qui attire un nombre croissant de personnes qui souhaitent d'une part percevoir un bénéfice en échange de leurs économies, et d'autre part, participer à la construction d'une économie plus humaine et inclusive.

Cet article analyse les prêts effectués par Coop57 de 2001 à 2012, période caractérisée par un essor notable de son activité, qui couvre actuellement sept régions autonomes espagnoles. Sont pris en compte les différents types de prêts, leur montant et les secteurs économiques auxquels ils se destinent afin d'étudier de quelle manière Coop57 constitue une réelle alternative de financement pour l'économie sociale, à une époque où le système bancaire traditionnel a fortement réduit ses investissements.

MOTS CLÉ : Coopératives, économie sociale, institutions microfinancières, services financiers, secteur bancaire éthique.

1.- Introduction

Historically, the most significant references of Social Finance in Spain can be traced to three different Institutions: the *mounts of piety* or pawnbrokers linked originally to the Catholic Church that were first established in Spain at the beginning of the eighteenth century; the Savings Banks, established from the mid-nineteenth century and linked to the mounts of piety by law; and, more recently, the credit cooperatives – and especially the rural credit cooperatives – spread in Spain from the beginning of the twentieth century. According to Belmonte (2007), the endorsement of the credit cooperatives made by the Spanish state during the first third of the twentieth century was a decisive step towards the creation of a financial system based on social solidarity, having a great impact on several rural areas of the country. In turn, cooperatives, and particularly credit cooperatives, have been the drivers of modern social finance in Spain (Gutiérrez-Nieto, 2004).

Multiple and diverse initiatives are nowadays related to social finance. Among them, the microfinance programs started by several organizations from the early years of the 1980s. The first one was established in 1981 by the foundation ASCA (*Acció Solidària Contra l'Atur*, or Social Action Against Unemployment), meant to offer financial support to social groups marginalized by unemployment and unable to provide collateral. The diverse programs of the private funds of ASCA support both self-employment initiatives and the consolidation of social economy enterprises by providing micro-credits at nil interest rate. The establishment in 1987 of COOP57, a cooperative with a specific program to provide financial services to its associates, cooperatives and other actors of the Spanish social economy, is another instance of a microfinance program that has arisen from the social economy itself. From 2000 on and sadly interrupted by the current economic crisis, both public and private initiatives provided funds for microfinance programs in Spain. Among them, the microcredit program of the Instituto de Crédito Oficial (ICO) as well as the programs of many Spanish Savings Banks, usually supported or driven by social economy organizations such as the Spanish delegation of the Women's World Banking (Gutiérrez-Nieto, 2004; Estapé-Dubreuil and Torreguitart-Mirada, 2009, 2013).

Furthermore, credit cooperatives have also played a key role in facilitating external funding sources appropriate to the needs of social economy enterprises. In a broader sense, we shall consider among them both Institutions expressly included in the Spanish banking system (credit unions, rural banks) and others less formalized, such as the credit sections of regular cooperatives (Melián et al. 2010).

Such initiatives for collective action, aimed at strengthening networks of citizens committed to transform society through social finance initiatives, have been grouped in what is currently known in Spain as ethical banking initiatives. Ethical banking initiatives support lending to double/triple bottom line projects promoted either by individuals or social organizations even without collateral. That is, both the

economic viability of the project and its social and environmental benefits are sought. Ethical banking initiatives allow savers to invest in activities consistent with their ethical beliefs: projects in which human rights are respected and observed, caring for social or environmental protection, promoting employment for disabled people, etc. More interestingly for investors, ethical banking initiatives are also committed to operate using active mechanisms of participation and transparency.

Coop57 is a financial services cooperative that has embraced and promoted the principles and values of the ethical banking. Other than being a credit cooperative, it has been in the grassroots movement to provide financial support to social economy enterprises. Our study therefore aims to present the ongoing work of Coop57 as a social financing alternative. We analyze how, why and to who it offers financial services, which are its underlining management principles, as well as its main results and future perspectives.

The rest of the paper is organized as follows. Section 2 summarizes the role of the principal groups of Spanish Institutions capable of acting as social financial institutions. Section 3 introduces the main distinctive traits of Coop57. Section 4 details methodology and databases used for our study. Section 5 presents our main results. Section 6 discusses the results and also concludes.

2.- Social Financial Institutions

The Spanish banking system consists of three different types of organizations: banks, saving banks and credit cooperatives. The last two groups form what has come to be known as *social banking* in Spain (Belmonte, 2007). Although being depository institutions with diverse legal status, both saving banks and credit cooperatives have similar social purposes shown not only in the social reinvestment of part of their benefits, but also in their banking activities, which are developed with their clients benefits in mind (Chaves & Soler, 2004; Iturrioz *et al.*, 2005; Calvo & Paul, 2010).

Saving banks were traditionally characterized by being “true” credit institutions, capable of mobilizing savings to drive investment in social projects, promoting economic and financial development while avoiding social and financial exclusion (Balado, 2010). Nevertheless, recent reforms introduced on their legal status have in fact driven the Spanish saving banks to annihilation (Soler & Melia, 2012), and forced them to transform into banks (Peña, 2011).

Credit cooperatives are private credit institutions born with a social purpose, since their main aim is the funding of its partners; groups with poor access to the financial markets. They compete with

the remaining credit institutions of the Spanish banking system, but unlike them, their lending practices are linked with its social base. In most cases, customers are both shareholders and owners of the credit cooperative. However, Spanish legislation also allows credit unions to operate with non-members, both in savings and loan operations (Palomo, 1993, 1997; Palomo & Mateu, 1999; Soler, 2002).

In fact, credit cooperatives finance economic activities in any sector. Those financing the agricultural sector are called rural banks. Rural banks are the largest group of credit cooperatives in Spain, accounting for 90% of the total. The remaining are known as professional and popular saving banks, respectively, according to the main group of members of the cooperative (lawyers, architects, engineers, etc. in the first case; owners of small and medium commercial and industrial companies in the second).

Despite the increasing globalization of the credit cooperatives, that is, the generalization of its services to non-members, there is still a strong commitment to their home territory, with its foundational basis. In this sense, compliance with its social objective, the financial support to its members, often goes hand to hand with low expectation of profitability. In particular, unlike other banking intermediaries, credit cooperatives have been characterized by their geographic footprint, helping to mitigate the risk of financial exclusion on the territories where they operate regularly (Cortés & Belmonte, 2010; Palomo & Valor, 2001).

Although excluded from the Spanish financial system (RD 2680/78), the credit sections of cooperatives have been a basic instrument of rural finance (Belmonte, 2010). The Spanish Act of Cooperative Societies (Law 27/1999) in its article 5 states: "Cooperatives of any kind other than credit, may have, if their statutes so provide, a credit section, which will not have a separate legal personality of the cooperative to which it belongs. Their lending and deposit services will be limited to the cooperative and its members [...]. The outstanding loans of the credit section of any cooperative shall in any case not exceed 50% of the total equity of the cooperative".

Credit sections of cooperatives play a key role in financing the cooperative, since they provide the financial services most required by these organizations in the needed terms and below-market cost. Its main activity consist of taking deposits from the members of the cooperatives, as well as from of other sections of the same cooperative, investing such deposits both to offer loans to the members and sections of the same cooperative, and to place them either in cash or investment securities (Campos et al., 2006; Melián et al., 2010).

Credit cooperatives and credit sections of other regular cooperatives have been in Spain and other European countries the basis of the so called social banking (Castro & Romero, 2011). Social Banking includes organizations pursuing a social impact, either fighting against poverty and exclusion, or favoring sustainable development, respecting ethical values. Their proceedings and management are guided by three principles: transparency, communication and participation.

Social or ethical banking can be pursued within or without the traditional banking system. When included in the banking system, the usual savings and investment products are offered, including regular accounts, savings deposits and socially responsible investment funds tailored to the different profiles of their clients. Interest rates are usually fixed in line with the market, but offering the customer lower repayment rates while diverting the difference to financial projects with social value added.

As for the loan products, social banking financing products are usually directed to nonprofit organizations or to social, environmental or cultural projects. Interest rates are similar to those of the market, but may exhibit also some flexibility when funding social projects of special interest. Although usually loans do not require collateral, the economic viability of the project is carefully analyzed, taking also into account the particular assessment criteria of the financial institution itself.

Nowadays several banking organizations in Spain are known for their social or ethical banking practices. Triodos Bank, Fiare, Oikocredit España, and certainly Coop57 are included among them. The analysis of the loan program of Coop57 is the central part of our paper, developed in the next sections.

3.- General description of Coop57

Coop57 was established in Barcelona in 1987, just after a main industrial recession in Spain, following the oil prices crisis suffered a few years before. A certain number of industrial enterprises at risk were yielded by their former owners to their employees. In most cases the employees decided to turn the enterprises into cooperatives, in an effort to retain their jobs. Quite understandably, most co-operatives formed at that time were considered “unstable” and therefore unable to obtain credit from the traditional banking system.

The origins of Coop57 are related to a group of 57 workers of a publishing company who decided to put together part of the redundancy received after their dismissal. They choose to set up an institution that could provide financial services to the newly created cooperatives in their own industrial sector. Their promoters also determined that the institution should be a co-operative itself, where members could collectively decide the use of their funds.

From 1995, the activity of Coop57 has become progressively involved in the ethical financial movement. Nowadays it is defined as “*a cooperative that allocates its own resources to provide loans to social projects that promote employment, contribute to the development of cooperatives, associations and other forms of solidarity, and support sustainability on the basis of ethical principles*”¹.

1.- Translated from the original in Catalan that can be found in Coop57 website, under the epigraph “Who are We?”, http://www.coop57.coop/index.php?option=com_content&task=view&id=12&Itemid=26.

Besides, from 2004 on, the cooperative has grown in a non-conventional style to become a multi-territorial institution serving five different regions in Spain: Catalonia, Aragon, Madrid, Andalusia, and Galicia. To these, other two regions (Comunidad Valenciana and Asturias) have been recently added. Each regional section is responsible for the procurement and management of their economic resources. The General Assembly of Coop57 is since then constituted by elected members representing the different regional sections, and is responsible for setting the vision and strategy of the whole cooperative. It also elects the Board of Directors of Coop57. At regional level, there is a Regional Assembly – involving all members of Coop57 on that region –, and also an elected Regional Board. Technical and social committees at the regional level, as well as the Audit and Control Committee at the central level, complete the organizational structure of Coop57.

From a legal point of view, the cooperative is regulated by the Catalan Law of Cooperatives. Two different figures of membership are considered: “full” members and “collaborating” members². Only organizations of the social economy qualify for *full membership* in Coop57. These consist primarily of cooperatives, associations and foundations, but include exceptionally also some individual entrepreneurs³. Membership entails a minimum investment in equity of € 901.51, and at most an equity stake of 4%. Furthermore, members can make term deposits to the cooperative. Such deposits form what can be considered as the savings program of Coop57. One or three year fixed term deposits are eligible, with fixed interest rates settled by the annual general meeting of the cooperative. In their 2010 annual meeting, the cooperative has also agreed not to charge penalties for early withdrawal.

Organizations wishing to join Coop57 have to meet certain criteria related to their values, mission and management. These include the triple bottom line of the organization, which should be socially and environmentally sustainable, rooted in the territory, managed with democratic criteria, creating permanent jobs with an equitable distribution of profits. The regional social committees are in charge of the evaluation and eventual proposing of a new member.

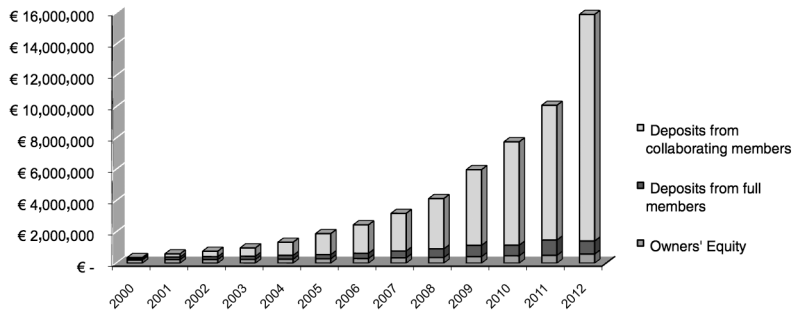
Individuals or legal organizations can also join Coop57 through *collaborating membership*. A collaborating member of Coop57 is usually an individual sharing the ethical principles of the cooperative and willing to support it through his/her participation in the so called savings program. Membership entails for them an investment in equity of € 300.51, but they are not legally liable for any corporative debt. By legal requirement, collaborating members can at most constitute 40% of the total equity stake of any given cooperative. Unlike full members, collaborating members can only access the savings program of Coop57, under the exact same rules and benefits than full members.

2.- In fact, both are full members of the cooperative. The distinction is made here because of historical reasons, and because organizations of the social economy are the primary target of the cooperative.

3.- They must meet certain conditions: their economic activity cannot be carried out collectively (as f.i. artists), and should be related to the social economy. Furthermore, to be considered for membership they should provide “social guarantees” issued by full members of the cooperative.

Figure 1 shows the evolution of the financial resources of Coop57 from 2000 on. Under the label of owners' equity only the full members' equity is considered, since collaborating members' equity is considered as one year fixed term deposit, thus yielding also interests. As reflected in Figure 1, the progressive annual increment of the total financial resources of the cooperative is one of the major accomplishments of Coop57. Both Coop57's equity and liabilities arising from deposits made by its members have grown over time (Torreguitart-Mirada & Estapé-Dubreuil, 2011).

Figure 1. Evolution of the economic resources of Coop57



SOURCE: Data from Coop57 bulletin (Coop, 2008, 2013).

As has been mentioned before, Coop57's economic resources have a main purpose: to offer loan services to their full members. Any full member is eligible to receive a loan. Approval of formal loan requests is usually decided by one of the Regional Board, according to a report submitted by the technical committee that has to be issued within 15 days after the request.

Coop57 offers four different and complementary financial products on its loan program: (1) *long-term loans* to finance investments in new projects; (2) *short-term loans*; (3) *instruments facilitating working capital finance*, such as invoice discounting and invoice factoring; and (4) *advance of subsidies*, consisting of loans to endow a member of Coop57 with up to the 90% of the amount awarded by a public institution. The purpose is for the organization to be able to afford up-front expenses till the funded project receives the awarded funds. Such a loan can be needed either because the public institution will only provide the funds on completion of the project or because of the delay (up to more than a year sometimes) of the public authorities in the transference of the awarded funds.

Long-term loans have a maximum repayment term of a somewhat flexible 7 years, with a principal up to € 300,000 in 2013. The interest rate charged for the loan is based on the annual interest rate settled by the cooperative in its annual assembly on the 3 year-term deposits of the members, and has been fixed to 6.5% for 2013. There is no distinction between long and short term loans related to the charged interest rate, although short-term loans have a maximum repayment term of 18 months. Advance of subsidies has flexible repayment terms of up to 12 months, whereas in the instrument facil-

itating working capital finance maximum repayment term is 18 months. In both cases interest rate is fixed to 7.25% for 2013. With the exception of the later, no disbursement fees are charged. Early repayments are permitted without additional costs. Coop57 also offers to renegotiate the terms of some loans, should the organization fall behind in the scheduled repayment.

Loans do not require collateral, and Coop57 divides the responsibility to repay any loan between the members of the borrowing cooperative or organization. Therefore, in a 5 member cooperative, for example, each individual would be held responsible for just one fifth of the total amount lent. In a sense, this methodology is similar to that used by other Microfinance Institutions, like the *Grameen Bank*, “there is no form of joint liability, i.e. group members are not responsible to pay on behalf of a defaulting member” (Grameen Bank, 2009). In addition to that, Coop57 encourages the submission of guaranties by individuals, both members and outsiders, with the loan request. They are called “social guaranties” by Coop57. Priority is given to projects that have the back-up of many people, each of them with a small amount, thus expanding the network of the organization requesting the loan. No material collateral is required, but in the event of default the guarantors will be asked to fulfill their obligations. This has seldom been the case in Coop57, because loans are usually monitored and default repayment plans are set up to help potential defaulters remain current on their loans. There is no official delinquency rate published.

4.- Methodology and Databases

The paper analyzes the loan program of Coop57 between 2001 and 2012. Our study is based on primary and secondary information. Details on the loans approved by Coop57 between 2001 and 2006 were provided by the cooperative itself at the authors' request. Data for the remaining years was collected by the authors through the electronic journal published twice a year by Coop57 since 2001. All issues of the journal were analyzed, to be able to obtain a detailed account of the temporal evolution of the activity of the cooperative.

Furthermore, the Website of Coop57 has also been used, since it contains relevant up to date information concerning all aspects of the cooperative. For once, its mission, objectives and legal status, including the full text of its statutes and rules of operation, are well documented. The site also contains details on the savings program and loan services provided by the cooperative.

As a result, a database with full detail on 980 loans was compiled. It includes the amount of the loan, its repayment period, the reason for the request, as well as the institution to which it has been granted. The database is statistically representative of the total loans made by Coop57 during the ana-

lyzed period, since it contains up to the 97.8% of such transactions. It is also well distributed among the 7 regions served by the cooperative. Table 1 provides some details on the resultant database; sorting the loans by region. The table also mentions the year of starting activities in each of the regions, for comparative purposes.

Table 1. Regional distribution of the loan transactions made by Coop57 between 2001 and 2012

	starting year	# approved loans	# loans analyzed	%
Catalonia	before 2001	819	807	98.5%
Aragon	2006	72	70	97.2%
Madrid	2007	42	35	83.3%
Andalusia	2008	34	34	100.0%
Galicia	2009	30	29	96.7%
C. Valenciana	2011	4	4	100.0%
Asturias	2011	1	1	100.0%
Total		1002	980	97.8%

5.- Results

We start with a study of the temporal evolution of the amounts of the loans granted by the cooperative. Next, we consider the industrial sectors in which the loans have been granted; the different types of social enterprises that have been funded; and the different types of loans considered. Finally, we carry out a multivariate analysis taking into account at the same time two of the three dimensions previously studied.

5.1. Temporal evolution of the loans granted by Coop57 between 2001 and 2012

Table 2 shows the main characteristics of the loans granted by Coop57 in each of the 12 years in which the analysis is made. Two features shall be highlighted. On the one hand, the annual increment of both the number of loans and their total amount. On the other, the few changes experienced over time by the amounts on the minimum amount column. Combined with the maximum loan amounts disbursed, they reflect the diverse needs of the social organizations served by Coop57, capable of funding large loans up to €200,000 in the last years, but also providing loans as small as €1,300.

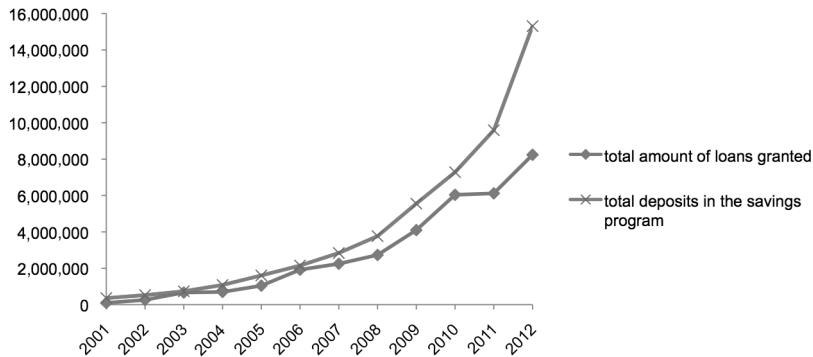
The temporal evolution of the average loan over time is also of interest. Note the almost linear increase of the mean in the last five years. Between 2008 and 2012, the slope found for a lineal regression of those values predicts annual increments of €2,500 for the average loan. The regression has a goodness of fit of 87.3%, and highlights the growing demands for credit from social economy enterprises in the current economic crisis.

Table 2. Characteristics of the loans granted by Coop57 during the years 2001-2012

year	# Loans	Total amount of loans granted	Mean	Std. Dev.	Min	Max
2001	6	98,413.33	16,402.22	11,854.55	2,251.39	30,050.61
2002	13	262,370.70	20,182.36	14,101.27	2,250.50	60,000.00
2003	16	665,966.00	41,622.88	26,511.42	6,000.00	78,150.00
2004	24	699,373.60	29,140.57	20,476.41	6,000.00	96,600.00
2005	33	1,045,450.00	31,680.30	22,954.31	5,000.00	98,079.00
2006	61	1,921,246.00	31,495.84	24,781.11	2,000.00	150,000.00
2007	56	2,249,722.00	40,173.60	34,568.47	5,000.00	180,000.00
2008	93	2,731,880.00	29,375.06	25,340.53	5,000.00	120,000.00
2009	136	4,099,264.00	30,141.65	26,323.81	1,300.00	140,000.00
2010	164	6,039,514.00	36,826.30	31,634.62	3,000.00	200,000.00
2011	165	6,118,781.00	37,083.52	29,012.61	3,000.00	180,000.00
2012	213	8,239,050.00	38,680.99	34,198.98	3,000.00	200,000.00

Figure 2 shows the comparison between the total amounts in loans granted by Coop57 and the total deposits made over time both by its full members and collaborating members. The close relationship between the two annual figures until 2010 is broken in the last two years, when only the 64% and 54%, respectively, of the available deposits have actually been used to disburse loans. Whether the main reason behind this change is due to caution in granting credit by Coop57 or to the lack of demand on the part of the social economy enterprises remains uncertain. Nonetheless, the 2012 annual report of Coop57 gives an outstanding loan of €9,431,599 (Coop57, 2013). This is approximately 14.5% more than the total amount of loans disbursed in 2012 (see table 2), and seems to indicate a very low level of default. Therefore, Coop57 should not have too much reason to increase the level of risk associated with its loans, thus pointing to the lack of demand as the main reason.

Figure 2. Temporal evolution of the loan and savings programs of Coop57



It must also be signaled that the exponential increment on the total deposits in the Coop57's savings program is due almost entirely to the increment of deposits made by the collaborating members of Coop57 (see also Figure 1). Since this increment is not proportional to the increase in the number of new full members (following a linear pattern, with approximately 24 new members per year, Torreguitart-Mirada & Estapé-Dubreuil, 2011), the amount available for disbursement on loans per full member has increased well above the expectations of the previous years, forcing Coop57 to adjust its loan politics, not so easy a task during a recession period.

5.2. Loans disbursed by industrial sector

Figure 3 shows the distribution of loans disbursed by Coop57 between 2001 and 2012, sorted by industrial sector, both considering the absolute number of loans and its total amount. Data could be obtained for 82.1% of our database. Additionally, Table 3 provides the number of loans per sector split by year.

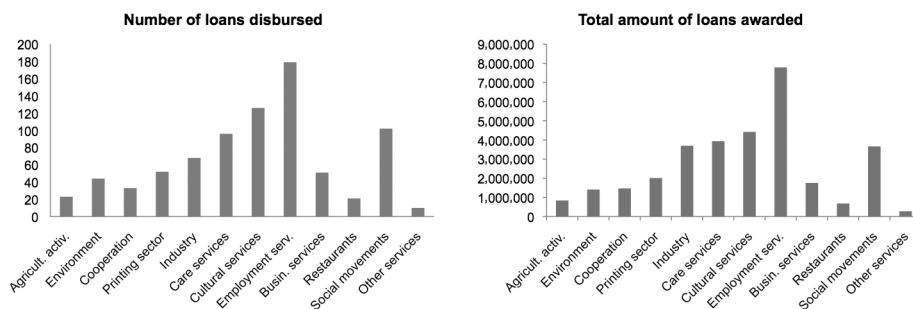
Note the great diversity of activities undertaken by such enterprises. Both cooperatives and social enterprises undertaking industrial activities or services to other enterprises are in the kernel of Coop57 membership, as well as social enterprises providing employment services (seeking labor market inclusion for disabled or socially marginalized people), cultural services or care services. Enterprises undertaking other activities have also been considered as eligible for loan by Coop57, such as those related with agricultural or environment activities.

Table 3. Distribution of loans disbursed by Coop57 per year and industrial sector

	Agricult. activ.	Environ ment	Coope ration	Printing sector	Industry	Care services	Cultural services	Employ ment serv.	Busin. services	Restau rants	Social movements	Other services
2001				1	1	1	1	1	1			
2002		1	2	1	3	4	1			1		
2003				4	4	2	3				1	1
2004	2		2	2	4	4	4	4	2			
2005	1		2	2	7	4	2	7	4	2	1	1
2006	2	3	2	2	4	7	8	23	3		6	1
2007			3	1	6	4	14	18	3	2	3	2
2008	3	2	4	4	7	8	13	18	3	1	9	1
2009	5	8	7	13	13	8	16	31	8	1	4	2
2010	4	9	1	1	7	25	22	4	9	4	15	1
2011	2	7	9	14	1	18	18	38	1	2	18	1
2012	4	14	1	7	11	11	24	35	17	8	45	

We have also computed the average loan amount per sector. It turns out that the sector with the highest loan average is the industrial sector (€ 54,380.78), followed by the organizations in the cooperation sector and those providing employment services (€ 44,452.18 and € 43,498.01 respectively). The industrial sectors with the minimum loan average are the environmental sector (€ 32,041.14) and restaurants (€ 32,470.65).

Figure 3. Number of loans and total amount per industrial sector in Coop57



5.3. Loans disbursed by type of organization

Since full membership in Coop57 is entitled to any enterprise or organization of the social economy, it is also interesting to study the distribution of loans according to the type of organization. Following the Spanish law on Social Economy (BOE, 2011), “the social economy is the set of economic and business activities performed by private sector organizations pursuing either the collective interest of its members or the general economic or social interest, or both”. Cooperatives, worker-owned societies and insertion enterprises form the bulk of the social economy enterprises, and together with private foundations and non-profit associations, define the main types of organizations in the Spanish social economy. Among the first ones, cooperatives account for the 52% of the social enterprises in Spain, whereas worker-owned societies constitute 35% and Insertion Enterprises a bit less than 1% (CEPES, 2011). Furthermore, following Monzón (2010), at least 4,200 private foundations and around 150,000 active associations (6 times the number of cooperatives) must also be considered within the Spanish social economy.

Figure 4 shows the temporal evolution of the loans disbursed to each of the different types of Coop57’s social economy organizations. The origin of Coop57 as provider of financial services to cooperatives is clearly reflected in this chart. Such role has not changed much over time; since cooperatives remain the most frequent type of organization to which Coop57 has disbursed loans. On the contrary, there are very few loans granted to worker-owned societies.

Figure 4 also illustrates the transformation occurred in Coop57 from 2006 on. The notable increase in the number of nonprofit associations joining Coop57 lead to a comparable increase in the number of loans granted to this form of social organization. In fact, the increase on loans granted to nonprofit organizations from 2006 on is comparable to the increase in loans granted to cooperatives, in a proportion which remains around 1.2 annually (that is, 6 loans granted to cooperatives for every 5 granted to nonprofit associations).

Figure 4. Distribution of the loans granted annually to the different types of social organizations in Coop57

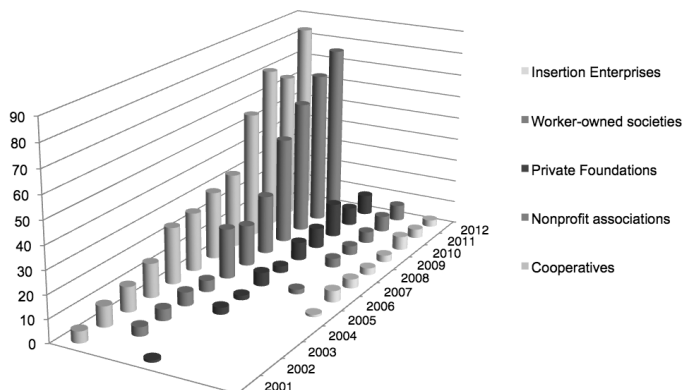


Table 4 provides further details concerning the amounts granted to the different types of social economy organizations members of Coop57. Note that for both nonprofit associations and insertion enterprises the average loan granted by Coop57 is clearly lower than in the other groups. This feature can be attributed to the type of loans commonly required by these organizations, probably mostly associated with the funding of specific activities and specific projects. On the contrary, in cooperatives, foundations and worker-owned societies, loans are most commonly used to finance its economic activity as a whole. In the following sections we shall confirm the hypothesis formulated here.

Table 4. Basic characteristics of the loans granted by Coop57, sorted by type of organization

	# loans	Total amount of loans granted	Mean	Std. Dev.	Min	Max
Cooperatives	431 (45.32%)	15,644,135.00 (46.14%)	36,297.30	30,291.02	2,000	200,000
Nonprofit associations	336 (35.33%)	10,388,509.00 (30.64%)	26,621.32	26,621.32	1,300	200,000
Private Foundations	64 (6.73%)	2,860,228.00 (8.44%)	44,691.06	33,363.38	5,000	150,000
Insertion Enterprises	29 (3.05%)	820,895.00 (2.42%)	28,306.72	15,464.05	7,000	75,000
Worker-owned societies	29 (3.05%)	1,405,320.00 (4.14%)	48,459.30	38,635.32	6,000	190,000
Others	62 (6.52%)	2,787,533.00 (8.22%)	44,960.20	33,552.92	3,271	140,000

It is also worth noting that, irrespectively of the type of organization, minimal amounts of loans are very small, almost certainly corresponding to specific needs of cash covered by short-term loans. Finally, the maximum loan amount granted to insertion enterprises is very low compared to the other groups, maybe also an indication of the modest size of the projects in which the loans are being used in those enterprises.

5.4. Loans disbursed by type of transaction

Taking into account the diversity of terms and conditions of the loans offered by Coop57, an obvious part of this study should involve the frequency of granting of its four basic products: long and short term loans, instruments facilitating working capital finance and advance of subsidies. Table 5 provides a first approximation to this study, showing the aggregate characteristics of each type of loan during the period 2001-2012.

Table 5. Basic characteristics of the four types of loans offered by Coop57

	# loans	Total amount of loans granted	Mean	Std. Dev.	Min	Max
Long-term loans	251 (26.34%)	10,318,629.00 (30.95%)	41,110.07	36,630.40	2,250	200,000
Short-term loans	234 (24.55%)	8,220,216.00 (24.66%)	35,129.13	30,499.55	1,300	180,000
Instr. for working capital finance	43 (4.51%)	1,269,866.00 (3.81%)	29,531.78	23,362.66	3,000	90,000
Advance of subsidies	425 (44.60%)	13,527,319.00 (40.58%)	31,828.99	24,900.72	3,271	190,000

Note that the average long-term loan is higher than any other type of loan. Curiously enough, judging by the minimum loan amount some microloans are also included in the long-term loans category. Table 5 also shows that, on the whole, Coop57 has devoted a bit more than 55% to long and short term loans. Both mean and standard deviation are in fact similar in both types of loans, although larger amounts should theoretically correspond to long-term loans. Table 6 provides some additional statistics concerning these two types of loans. Note that although most of the long term loans have a repayment term of up to 7 years (84 months, roughly obtained adding up the mean term and two standard deviations), there is actually some flexibility in Coop57 concerning the maximum repayment term, because some of the loans are granted with a repayment term of 10 years.

Table 6. Basic statistics for long and short term loans

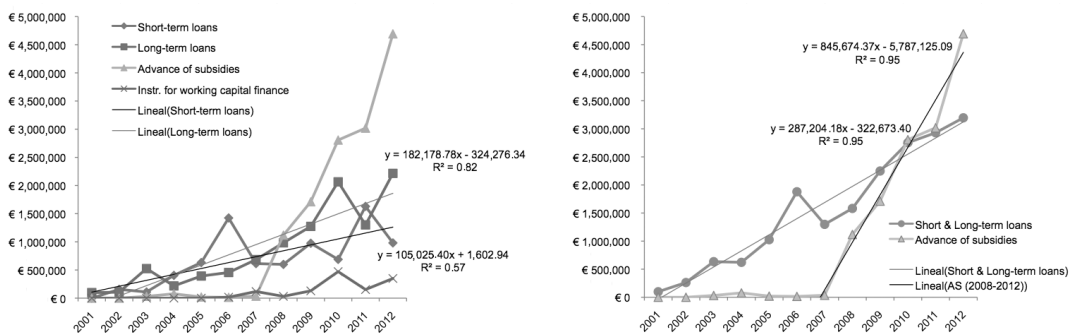
	Term (months)	Mean	Std. Dev.
Long-term loans	19 - 121	50.89	18.69
Short-term loans	1 - 18	8.61	4.14

The temporal evolution of the total amount of loans granted annually by Coop57, shown in Figure 5(a), indicates increasing figures in three main categories: long- and short-term loans, and advance of subsidies. Short-term loans have the mildest increase among them. Furthermore, both long-term loans and advance of subsidies have annual increases well above short-term loans from 2008 on, showing that the loan services of Coop57 have been able to back-up the medium and long term plans of its

members. The fourth type of loans, related to the instruments facilitating working capital finance, remains mostly marginal through time.

Compared to the advance of subsidies, Coop57 takes more risk in granting other types of loans, because advance of subsidies can be considered as endorsed by the governmental agency that has agreed to the subsidy. This fact, combined with the number of nonprofit organizations joining the cooperative from 2008 on, can explain the changes in the loan behavior of Coop57 summarized in Figure 5(b): from 2008 on, the total amount allocated by Coop57 each year to advance of subsidies triples the amount allocated to riskier loans, either short-term or long term loans. In the last three years (from 2010 on) the previous tendency is reversed, thereby allocating more resources to the advance of subsidies than to fund through traditional loans, either short or long term ones.

Figure 5. (a) Annual disbursement of loans according to the type of loan; (b) aggregating the two main loan products of Coop57



5.5. Multivariate data analysis

To be able to further discuss our results, some multivariate data analysis is needed, relating the different types of social economy organizations with the type of loans they require from Coop57 and also with the industrial sector in which their economic activity takes place.

Table 7(a) shows the ratios between loans approved by Coop57 to cooperatives and to nonprofit associations, both in number and in the total amount granted, according to the type of loan. It shows substantial differences, because both long-term and short-term loans are mostly granted to cooperatives (more than the triple in the long-term case and as much as the double in short-term loans); whereas there is a double chance to see an advance of subsidy going to a nonprofit than to a cooperative.

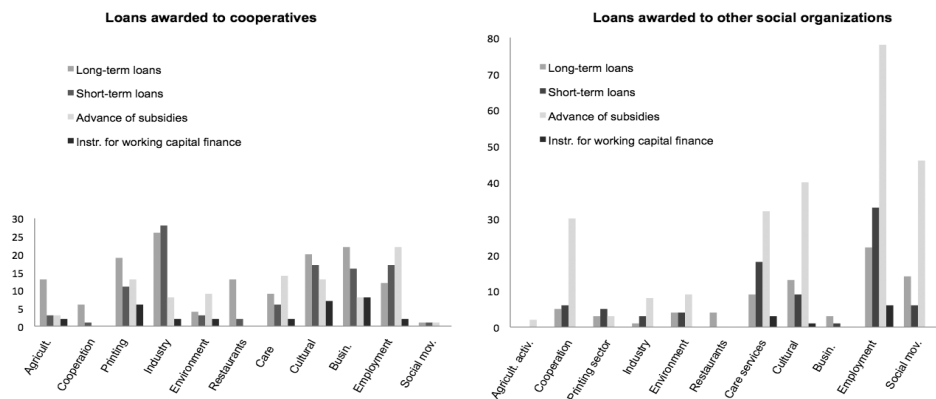
The proportions remain unchanged when considering the whole group of social economy enterprises (cooperatives, insertion enterprises and worker-owned societies) versus the aggregation of non-profits and private foundations, which constitute the two main groups of the social economy in Spain. As shown in Table 7(b), for each 5 long-term loans issued to social economy enterprises only 2 will have been requested and accepted from nonprofits or foundations; the proportion in the amounts of the loans being also similar. Proportions are also similar, with odds 7 to 4 for the short-term loans; whereas odds remain reversed, 2 loans for nonprofit for each one going to a social economy enterprise when only advances of subsidies are considered.

Table 7. Loan Ratios considering diverse types of organizations

(a) Cooperatives vs. nonprofit associations				
	Long-term loans	Short-term loans	Instr. for working capital finance	Advance of subsidies
# loans granted	3.15	1.88	5.33	0.56
Total amount disbursed	3.36	2.09	4.24	0.58
(b) social economy enterprises vs. nonprofit associations and private foundations				
	Long-term loans	Short-term loans	Instr. for working capital finance	Advance of subsidies
# loans granted	2.54	1.72	3.30	0.49
Total amount disbursed	2.35	1.75	2.55	0.48

Figure 6 shows both the distribution of loans granted by Coop57 to its cooperative members, and the loans granted to the remaining of social organizations. It is easy to see a much widespread distribution in the cooperatives case, showing that there is cooperative activity among many of the diverse industrial sectors considered. Moreover, there is a slightly advantage of the cooperatives in industry activities, but those in the cultural services, business services and employment services are fairly at the same level. Furthermore, almost 70% of the loans granted to cooperatives are either short-term or long-term loans; and only in the employment services sector advance of subsidies are preponderant over any other types of loans.

Figure 6. Distribution of loans granted by Coop57 by economic sector and type of organization



By comparing the two distributions showed in Figure 6, we can also comment on the differences in number of loans granted to cooperatives and other social organizations. Note that the number of loans in the advance of subsidy type is bigger than in the cooperative case, near the 60% of the total number of loans. Moreover, its distribution among the industrial sectors is much less widespread, with 88% of the loans aiming at only five sectors: employment services, loans providing back-up to diverse social movements, cultural services and care and cooperation organizations.

The last point we shall make in this section refers not to the number of loans or its respective amounts, but to the number of different organizations involved in those loans. Of the 980 loans in our database, we have been able to identify the organization that has been granted the loan on 952 of them. It turns out that these 952 loans have been granted to a grand total of 367 different organizations. Approximately half of the organizations involved have only been granted one loan between 2001 and 2012, while, on the other hand, one third of the organizations have been granted three or more loans (see Table 8).

Table 8. Distribution of the number of loans granted by Coop57 per organization

	# organizations	%
Only one loan awarded	181	49.3%
2 loans awarded	63	17.2%
3 loans awarded	40	10.9%
More than 3 loans awarded	83	22.6%
Total	367	

Furthermore, using information made available by Coop57 in its website, we have been able to list the organizations that are actually members of Coop57 or have been members sometime between 2001 and 2012. Its number adds up to a grand total of 517 full members. Taking into account the organizations that actually have been granted loans of any type, it turns out that only 71% of the full members of Coop57 have ever used the loan services of Coop57.

6.- Discussion and conclusions

The first striking characteristic arising from the previous analysis is the sustained increase of both the savings and, more to our point in this paper, the loan program of Coop57 throughout the whole period of time studied. The increase is especially notable from 2008 on, when there is also evidence of a sustained annual increase in the average amount of the loans granted.

We have also shown that on the last five years, 2008-2012, growth in the loan program is particularly linked to the advance of subsidies, which have taken primacy among other types of loans. Such growth has also been related to a similar growth on the number of social organizations – and most specifically nonprofit organizations – joining Coop57 during those years. Here we have a twofold explanation; it is likely that most of these organizations have joined Coop57 because of their need of temporary financing while the diverse government agencies did not make available their awarded grants; but at the same time they were very welcomed to the cooperative, because their needs allowed Coop57 to diversify its investments, placing part of its economic resources in safer and less risky loans than the long-term and short-term loans most commonly granted until then. And all in all was possible following the same principles of ethical and solidarity finance that have been at the roots of Coop57 from its beginning.

Such growth has also enabled Coop57 to serve the needs of a growing and more diverse group of social economy enterprises. In the analyzed period, Coop57 went from offering its loan services to a small group of cooperatives in the industrial sector to serve a whole spectrum of social organizations. Coop57 has furthermore refined and tuned its loan program to serve third sector organizations of a growing number of regions in Spain.

A most salient characteristic of Coop57 is also the number of its members not seeking the loan program of the cooperative when joining. A huge 30% of the full members of the cooperative have not been granted a loan for at least the 12 years analyzed in this paper. Furthermore, this is also the case for all collaborating members of the cooperative. In both cases, the project of Coop57 is surely considered a good alternative to the dominant traditional banking system.

The latter is likely the main reason of the almost exponentially increase of the funds that Coop57 has raised in the last years. At the same time, advance of subsidies – the most successful of its loan products during this period – might be at jeopardy from now on, since subsidies to third sector organizations will be most surely affected by cuts in the public sector as a consequence of the actual economic crisis. Considered together, this situation can challenge the stability of the current model of Coop57 in the near future. The cooperative would then be forced to evolve continuously to provide effective support to the social economy organizations. The analysis made in this paper has nevertheless proven that Coop57 is indeed capable of such transformation upon time, and therefore we can affirm that it has so far provided a true – even if not widespread – alternative to alternative financing of the social economy in Spain.

References

- BOE (2011): “Ley 5/2011, de 29 de Marzo, de Economía Social”, *Boletín Oficial del Estado*, 76, 33023-33033.
- BALADO GARCÍA, C. (2010): “Las cajas de ahorros, precursoras en Responsabilidad Social Corporativa”. En J.J. Almagro, J.A. Garmendia Martínez & I. de la Torre Prados (coords.), *Responsabilidad social una reflexión global sobre la RSE*, Prentice Hall, Madrid, 191-203.
- BELMONTE, L.J. (2007): *El sector de cooperativas de crédito en España. Un estudio por Comunidades Autónomas*, Consejo Económico y Social de Andalucía – Colección Premio de Investigación, Sevilla.
- CALVO BERNARDINO, A. & PAÚL GUTIÉRREZ, J. (2010): “Las cajas de ahorro y las cooperativas de crédito ante la crisis: evolución en su presencia territorial y en su operativa”, *REVESCO, Revista de Estudios Cooperativos*, 100, Extraordinario, 68-100.
- CAMPOS CLIMENT, V., FAJARDO GARCÍA, G. & SANCHIS PALACIO, J.R. (2006): “Triple justificación de las secciones de crédito de las cooperativas agrarias de la Comunidad Valenciana: jurídica, económica y social”, *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, 54, 129-166.
- CASTRO COTÓN, M. & ROMERO CASTRO, N. (2011): “Cooperativas de crédito y banca ética ¿un camino por explorar?”, *CIRIEC-España, Revista de Economía Pública, Social y cooperativa*, 72, 263-300.
- CEPES (2011): *The Social Economy in Spain. 2010-11*, Confederación Española de la Economía Social. Retrieved October 2011, from www.cepes.es/media/docs/MEMORIA_CEPES_10_11.pdf

- CHAVES, R. & SOLER, F. (2004): *El gobierno de las cooperativas de crédito en España*, CIRIEC-España, Valencia.
- COOP57 (2006): Butlletí informatiu 10, July 2006. Available at http://www.coop57.coop/index.php?option=com_docman&task=cat_view&gid=43&dir=DESC&order=date&Itemid=219&limit=10&limitstart=10
- COOP57 (2013): Butlletí Informatiu 23, March 2013. Available at http://www.coop57.coop/index.php?option=com_docman&task=cat_view&gid=43&Itemid=219
- CORTÉS, F.J. & BELMONTE, L.J. (2010): "La base social de las cooperativas de crédito. La importancia de la responsabilidad social corporativa", *Revista de Estudios Empresariales. Segunda época* (2), 35-53.
- ESTAPÉ-DUBREUIL, G. & TORREGUITART-MIRADA, C. (2009): "L'esperit emprenedor i el microcrédit: deu anys de microcrédit a Catalunya (1998-2007)", *Revista Econòmica de Catalunya*, 52, 9-21.
- ESTAPÉ-DUBREUIL, G. & TORREGUITART-MIRADA, C. (2013): "The Public Sector and the development of Microfinance in Spain", *International Journal of Social Economics*, forthcoming.
- GUTIÉRREZ NIETO, B. (2004): "Hacia una clasificación de los productos de financiación social en España. Consolidación del microcrédito y primeros pasos hacia la creación de un banco ético", *Boletín de Estudios Económicos*, LXI (182), 323-342.
- ITURRIOZ, J., MATEU, J.L. & VALOR, C. (2005): "La implicación de las sociedades cooperativas de crédito y las cajas de ahorro en los productos y servicios financieros socialmente responsables", *Revista Vasca de Economía Social*, GEZKI, 1, 63-84.
- MELIÁN NAVARRO, A., SANCHIS PALACIO, J.R. & SOLER TORMO, F. (2010): "El crédito cooperativo como instrumento para el fomento del emprendimiento en tiempo de crisis", *CIRIEC-España, Revista de Economía Pública, Social y cooperativa*, 68, 111-139.
- MONZÓN, J.L. (Dir.) (2010): *Las grandes cifras de la economía social en España. Ámbito, entidades y cifras clave. Año 2008*, CIRIEC España. Retrieved October 2011, from www.ciriec.es/CIRIEC_Grandes_Cifras_Economia_Social.pdf
- PALOMO, R. (1993): "La banca cooperativa y la financiación empresarial en España: estructura y función de las sociedades cooperativas de crédito", *Economía Industrial*, 293, 151-162.
- PALOMO, R. (1997): "Los grupos financieros cooperativos", *CIRIEC-España, Revista de Economía Pública, Social y cooperativa*, 27, 35-68.
- PALOMO, R. & MATEU, J.L. (1999): "Evaluación de la banca cooperativa: un análisis de las cajas rurales de ámbito provincial mediante técnica de decisión multicriterio", *REVESCO, Revista de Estudios Cooperativos*, 67, 175-186.

- PALOMO, R. & VALOR, C. (2001): *Banca cooperativa. Entorno financiero y proyección social*, Madrid, UNACC.
- PEÑA MOYANO, M.J. (2011): "La privatización de las cajas de ahorros y el papel de la comisión de obra social", *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, 70, 209-226.
- SOLER TORMO, F.V. (2002): "La identidad cooperativa como garantía de futuro: Las cooperativas de crédito ante la trivialización de sus principios", *CIRIEC-España, Revista de Economía Pública, Social y cooperativa*, 40, 215-242.
- SOLER TORMO, F.V. & MELIÁN NAVARRO, A. (2012): "Cooperativas de crédito y banca social: viejas y nuevas respuestas éticas y solidarias a problemas de siempre", *REVESCO, Revista de Estudios Cooperativos*, 109, 45-80.
- TORREGUITART-MIRADA, C. & ESTAPÉ-DUBREUIL, G. (2011): "El proyecto de finanzas éticas y solidarias seguido por la cooperativa Coop57", *Revista Española del Tercer Sector*, 19, 121-140.

