Expanded abstract

The contribution of credit cooperatives to alleviate geographical financial exclusion in less populated areas. The case of Spain

Objective

The last economic crisis had a significant impact on the Spanish economy and particularly on national financial activity, causing a sharp decline in credit activity. This forced most savings banks to transform into commercial banks. For their part, credit cooperatives, as entities linked to the third sector, have more firmly resisted the credit collapse, granting greater credit stability to the financial system in those areas where they are located, contributing to regional balance (Arnone, 2015; Ammirato, 2018; Giagnocavo et al., 2012). In fact, from 2008 to the present they have increased their market share by more than two percentage points, representing 7.4% and 8.9% of the total credit and deposit of the banking system. The reasons for this relative immunity are found in their own characteristics: small size, localism, and proximity banking, which allow them to distinguish their activity from the profitable banking business. In this sense, credit cooperatives are positioned as an instrument for the fight against financial exclusion, the availability of credit and the provision of services to the population with difficulties in accessing credit. (McKillop et al., 2007; McKillop et al., 2011; Myers et al., 2012).

Thus, in a context of growing financial exclusion, as a consequence of the location patterns followed by the different financial entities, it is the municipalities with the lowest income and the largest drop in population where this phenomenon intensifies (Martín-Oliver, 2019). These spaces, which are less profitable for financial intermediaries aimed at maximizing shareholder value, have been occupied by credit unions, targeted at maximizing value for all interested parties (stakeholder value). In this way, they act by financing the economic development of the area through the mobilization of resources, reinvestment of their funds and financial inclusion, contributing to regional balance.

In an attempt to vindicate the role of cooperatives in shortening financial exclusion, especially in the most depressed areas of the Spanish geography, the present work aims to analyze to what extent the presence of credit cooperatives in sparsely populated areas in Spain is larger, contributing more to facilitating credit in its immediate surroundings and reducing the effects of the financial crisis.

Methodology

To meet the proposed objective, we define a structural equation model (SEM), based on a partial least squares (PLS) technique. This technique is appropriate for causal-predictive analysis when there is not enough theoretical information. It allows establishing a correlation between latent variables (Haenlein and Kaplan, 2004), through the estimation of the measurement model and the structural model (Chin et al, 2003), which allow to quantify direct and indirect effects between variables (Barclay et al. , nineteen ninety five). In addition, it has several advantages, such as its greater statistical power (Hair et al., 2017b) to identifying the significance of the relationships (Sarstedt y Mooi, 2019).

PLS adapts to the data and variables included in the model, which are characterized by their heterogeneity. The proposed model was configured in three constructs, two exogenous, of which one of them also acts as endogenous (population and economic activity) and one endogenous. All of them linked to a provincial database created from information published by the INE and the Bank of Spain, where the province is used as the unit of analysis.

In this framework of analysis, the three working hypotheses are:

H1: The existence of a more intense financial activity is a good predictor of the existence of a denser population and a higher level of economic activity and job creation.

H2: Credit cooperatives tend to be more present in less populated areas and with weaker economic activity.

H3: Credit cooperatives serve market niches not supplied by the rest of financial intermediaries.

Results and Conclusions

The results allow us to accept all the hypotheses raised. In this way, credit cooperatives collaborate in the fight against financial exclusion, the availability of credit and the provision of financial services, mainly in territories with low demographic density, which contributes both to the revitalization of the territories and the well-being of the societies where they operate, thanks to close relationships with the environment. On the other hand, this work also shows that credit cooperatives have a greater presence in the territories where the population and employment are lower, which highlights the differences between them and the rest of the banking entities in what banking activity is concerned. In conclusion, credit cooperatives collaborate in the generation of virtuous growth circles in less populated areas, acting as a factor of resilience and attraction of new migratory flows, collaborating in the reduction of local poverty thanks to the greater expansion of the number of financial services.

Limitations and Original Value

The limitations presented by the results are associated with the use of the structural equation model (SEM). On the one hand, this technique does not allow to identify circular causation (recursive models) and therefore the existence of virtuous and vicious circles. On the other hand, due to its static nature, it does not allow the analysis of whether credit unions contribute to limiting the decline in credit.

The originality provided by this work has to do with the expansion of the measure used in other studies as a proxy for financial inclusion, having incorporated a construct that includes the dimension of the financial sector, measured through credit and deposits. The model presented has also allowed us to find direct and indirect relationships that help to explain the differential behavior of credit unions with respect to capitalist financial intermediaries.