

BLOG POST – CONOR RUTH

Much ink has been spilt over the ever-quicker onward march of online banking. Amongst my own friend group, there are no modern-day Luddites who cannot access banking services from the convenience of their pockets. According to CSO (2023) figures, 96% of those aged 16-29 use internet banking. Whether it's with traditional financial institutions or fully digital challenger banks, online banking is now the norm.

The more cynical among us may attribute this to laziness or the anti-social disposition of a technology-addicted generation, but this does not tell the full story. Whilst the convenience of online services accessible anywhere at any time is attractive, no doubt, I'd like to highlight a socioeconomic issue – the housing crisis – as another explanation for this phenomenon.

How does this affect the digitalisation of financial services, you might ask. Well, in 2023 research revealed that the average age of first-time buyers in Ireland had risen to 35 years old (BPFI, 2023). This is the oldest on record. In the meantime, younger generations are subject to precarious rental accommodation, rendering it almost impossible to plant roots in a community. Digital banking is therefore an attractive option, offering permanence in a world of uncertainty and instability.

This poses particular and unique challenges to credit unions like Donore, founded upon the principles of a geographical common bond. Community is at the heart of credit unions' offering – which is admirable, and something my generation of climate-conscious, socially aware citizens could identify with. However, until we can settle in a community through home ownership – currently out of reach for most – credit unions' face-to-face offering is of limited benefit.

Common Bond Reform

The geographical common bond upon which many credit unions, including Donore, are founded limits membership to residents of a defined area. With major challenges facing young people who wish to buy a home and the insecurity of renting in a squeezed market, digitalisation offers flexibility whilst adherence to a strict common bond increasingly feels like a relic from a rigid past.

A further complicating factor is the changing nature of employment. Whereas once it was the norm to seek a permanent and pensionable ‘job for life,’ young people are now less tied to their workplaces (Keogh, 2023), particularly in this interconnected, globalised world. This has contributed to a situation whereby in one medium-sized credit union, 30% of younger members live outside the area of the common bond (CUAC, 2017).

This not only poses questions for the sustainability of the currently dominant model of credit union organisation in Ireland, but also further explains the allure of digital banking. Whilst convenience is a strong factor, there are broader economic conditions at play which shape our choices ever more. Young people are at the frontline of these changes, and credit unions must offer flexibility. A looser, reformed common bond would facilitate more flexibility for us mobile younger members.

Although the housing crisis and increased mobility of labour is beyond the control of credit unions, hope remains. For it is not necessarily by choice that we have converted to online services, but often by necessity.

Social Responsibility

To maximise the appeal of Credit Unions’ social responsibility to young adults, investment which addresses our priorities – housing, according to The Irish Times Ipsos MRBI (2020)

2020 General Election exit poll, was the most important issue for 18–34-year-olds – must be prioritised and communicated.

The Credit Union Approved Housing Bodies Fund (CUAHB) does just that, allowing credit unions to “participate in the delivery of the largest investment in housing in the history of the state” (CUAHB Fund, 2022), delivering social and affordable housing. Albeit positive, public awareness is lacking; I for one was unaware of the existence of such a fund, and I’m studying credit unions! Readers can make up their own mind as to whether that reflects worse on myself or credit unions’ communication...

Credit unions have a progressive brand for young people to buy into. It’s time to market that properly – to the youth of today, and the future of tomorrow.

The same cannot be said for the financial behemoths or challenger banks operating in pursuit of profit. However, using aggressive marketing, young banks like Revolut have become a cultural currency as much as a digital financial institution.

Credit unions can reach a similar destination, using their social conscience as a vehicle for counter-cultural growth. With an existing reputation for trustworthiness, the first hurdle in the development of digital services for many challenger banks (Windasari et al, 2022: 2) has already been surmounted.

Scattered Showers with Sunny Spells

What then is the outlook for the relationship between young people and credit unions into the future? Although there are plenty of challenges, such as those outlined above, it is not all doom and gloom.

Credit unions have a unique offering, which goes beyond that of the banking giants and digital challengers. From mortgages with interest rates unaffected by European Central Bank changes

to the provision of loan interest rebates which return money to your pocket, credit unions are an attractive option financially alongside the social and community dividend.

However, for young people to take advantage of the benefits credit unions have to offer, we must be aware of them. Research suggests those aged between 18-24 are “more likely to say they know little about credit unions” (RTÉ, 2023). Therefore, a targeted marketing campaign is required on social media platforms used by young people – TikTok, Instagram, and Snapchat.

Furthermore, digitalisation has a role to play within credit unions. Banking habits have changed, and credit unions must adapt. Although a majority stated that they preferred managing their finances by mobile, a third of active credit union members *never* used their credit union app (Weston, 2023). With an improved digital offering, credit unions such as Donore would be better placed to compete for the custom of young people.

The post-Covid twenty-first century is an era of flexibility. Credit unions must follow the lead of chameleons and adapt to this changing climate – whilst safeguarding those valuable unique selling points.

Bibliography:

Banking & Payments Federation Ireland (BPI). (2023). *Mortgage Market Profile Report – H1 2023* [online]. Available from: <https://bpfi.ie/publications/mortgage-market-profile-report-h1-2023-2/> [accessed 8/2/2024]

Central Statistics Office. (2023). *Household Digital Consumer Behaviour 2023: Internet Activities* [online]. Available from: <https://www.cso.ie/en/releasesandpublications/ep/p-isshdcb/householddigitalconsumerbehaviour2023/internetactivities/> [accessed 8/2/2024]

Collins, S. (2020). Detailed Election 2020 Exit Poll Results: How Voters Answered 15 Questions. *The Irish Times* [online], 9 February 2020. Available from: <https://www.irishtimes.com/news/politics/detailed-election-2020-exit-poll-results-how-voters-answered-15-questions-1.4167016> [accessed 10/2/2024]

Credit Union Approved Housing Bodies Fund (CUAHB). (2022). *Housing For All* [online]. Available from: <https://www.cuahbfund.ie/about-us/housing-for-all> [accessed 10/2/2024]

Credit Union Advisory Committee (CUAC). (2017). *Policy Paper: Common Bond* [online]. Available from: <https://www.gov.ie/en/publication/355a64-common-bond/> [accessed 10/2/2024]

Keogh, O. (2023). Younger people's expectations are vastly different – and employers need to get on board. *The Irish Times* [online], 17 August 2023. Available from: <https://www.irishtimes.com/business/work/2023/08/18/younger-peoples-expectations-of-work-are-vastly-different-and-employers-better-get-on-board/> [accessed 10/2/2024]

RTÉ. (2023). *Credit Unions at Risk of Losing Relevance Among Younger People* [online]. Available from: <https://www.rte.ie/news/business/2023/12/01/1419515-metamo-credit-union-survey/> [accessed 12/2/2024]

Weston, C. (2023). Credit Union risk becoming irrelevant to young people, report says. *Irish Independent* [online], 1 December 2023. Available from: <https://www.independent.ie/business/personal-finance/credit-unions-risk-becoming-irrelevant-to-young-people-report-says/a1070534893.html> [accessed 12/2/2024]

Windasari, N. A., Kusumawati, N., Larasati, N., and Amelia, R. P. (2022). Digital-only Banking Experience: Insights from Gen Y and Gen Z. *Journal of Innovation and Knowledge* [online], 7(2), 100170. Available from: <https://doi.org/10.1016/j.jik.2022.100170> [accessed 26/2/2024]