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Financial Resources in Rural Development – An Analysis of Relational Capital in Credit Cooperatives

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1. Introduction

Rural areas have chronic difficulties in accessing financial resources. Besides their structural weaknesses, these areas have to add the financial constraints that threaten rural development. In many parts of the world, numerous official reports show lack of rural access to formal financial services, the main reasons being excessively conservative bankers and lack of interest in rural credit (for example, loans to poor farmers). In addition, the harsh conditions of informal lenders (in particular, high interest rates) become a form of usury.

Accordingly, rural finance problems have been attributed to private commercial banks' lack of willingness and to the intention of exploiting informal lenders. Therefore, one of the solutions mitigating lack of credit in rural areas has been credit cooperatives. These financial resources are usually characterised as being closely linked to rural territories and specific productive sectors (agri-food, etc.).

On the other hand, financial markets have identified the existence of a growing invisible *balance sheet* in corporations (Sveiby, 1997). This invisible balance sheet is the result of differences between corporations' real value (market value) and the resulting value of applying generally accepted accounting criteria and principles (accounting value). This very difference has been one of the main reasons why methodologies to identify, measure and manage the intangible and intellectual assets of an organization have emerged, especially those that accounting cannot collect.

Management of an organization's intangible assets has been an outstanding competitive factor in the business literature over the last decade. Today, knowledge plays an essential role in social and economic development because its emergence, process and transfer have been shown to be sources of power and productivity (Castells, 1997).

Relational capital is defined as the knowledge value joining individuals and the organization which leads to more or less permanent relationships that remain with market players and society in general (IADE, 2003). This block of intangibles is justified by the fact that organizations cannot be considered isolated systems because much of their future competitive advantage will depend on organisations' ability to capture external knowledge

(Cohen and Levinthal, 1990). The definition of relational capital includes all the value generated by the organisations' relationships with reference groups, both internal (shareholders, etc.) and external (customers, suppliers, etc.) stakeholders (Bontis, 1996).

The link between credit cooperatives' financial resources and rural areas forms a unique relational capital. Proof of this lies in the social action that credit cooperatives develop in their operating area in relation to cultural, educational or social services. In an environment of structural changes within the banking sector, the development of rural areas seems to largely depend on the management of intangibles, such as social bonding, reputation or customer loyalty.

The origin of the economic crisis we are currently experiencing is a banking crisis that has undermined a large part of the economic world's trust. Credit cooperatives possess a network of particular relationships with their environment which provide them with specific strong points and weak points. Their capital structure, their closeness to customers and their social actions confer them specific competitive advantages. Thus, corporate reputation, social relationships with the government or with the media, and exercising social responsibility, grant them specific characteristics which merit study in order to better manage their competitive advantages (for example, use of their Education Fund).

This study therefore approaches the accounting of relational capital intangibles within a specific business reality: credit cooperatives. These financial corporations have been a key element for recent rural development in extensive regions (their role is evident in sectors such as the agri-food industry). However, whereas there are practical applications implemented in banks and savings banks, there have been very few empirical studies conducted into this legal banking system form.

This work uses a Delphi analysis to identify the peculiarities of the relational capital of credit cooperatives. The qualitative Delphi methodology is the most appropriate for this type of analysis where information about the analysed phenomenon is clearly lacking (Sanchez et al, 1999).

As a result, this study approaches the description of relational capital in credit cooperatives to provide relevant information for decision making for this type of corporations in a highly complex and increasingly competitive environment such as the banking industry. In addition, it discusses the implications on the financial resources available for rural development.

2. Cooperative banking in the financial crisis context

Today's economic crisis has hit the financial system as a whole but, logically, different types of credit organisations have not been affected equally. Traditionally, analysing cooperative banking has identified unique competitive advantages such as their greater liquidity structure, this being the result of their traditional retail-type business model where gaining resources predominates as opposed to investment (Belmonte, 2007). Another of their outstanding features is their better margin from interests on total mean assets or the lower costs that their liabilities incur. Nevertheless, the scenario with low interest rates and intense competition has brought about a drop in all the margins from outcomes in banking sector and, more markedly, in credit cooperatives. Traditionally, however, their main weaknesses

have been their high running costs, their poor efficiency and their low economic and financial returns.

This financial crisis has outlined a scenario where these strong and weak points have converged with the remaining credit entities. Along these lines, and in relative terms, credit cooperatives have been the type of organisation whose efficiency has best improved in recent years, and whose economic and financial returns have least diminished during this period. Moreover, the sharp increase in doubtful debt rates in credit entities has been lower in credit cooperatives (if compared with their competitors).

Similarly, their competitive advantages have faded with the economic crisis because their greater relative liquidity, their lower margin from interests or their lower liabilities costs have gradually reached the levels of those of banks and savings bank.

By way of conclusion, today's scenario presents significant uncertainties for banking sector, some of which are structured in nature, which is the case of credit cooperatives, as several studies have indicated previously. Thus, this situation appears to require the development of certain critical policies (AFI, 2009; Palomo, 2001):

1. Change in the growth model and in the diversification of sources of income: the strong expansion of credit investment which took place in the years prior to the economic crisis is not compatible with the new economic scenario. Nowadays, financial institutions are restricting credit and the growth pattern needs to move towards improved returns (by setting prices). In a scenario with low interest rates, increasing the ordinary margin (via commissions) and/or the operating margin (by cutting costs) will need to be prioritised. In this sense, innovating in the business model will also involve operations for integration into the sector (IPS; Institutional Protection System; and cooperative groups) with a view to generating economies of scale. In other words, the birth of new competitors with greater solvency and efficiency needs to be ensured.
2. Managing liquidity: the current climate of mistrust has strangled financial markets. Consequently, it will be essential to diminish any liquidity tensions by particularly considering the gradual withdrawal of liquidity policies from the ECB's system and public aid. Accordingly, conditions that favour the emergence of a new "liabilities war" are ideal.
3. Managing risks and doubtful debts: the foreseeable increase in the doubtful debts rate will affect cooperatives' outcomes owing to greater endowments. Organisations will need to have a suitable risk management policy where provisions will play a key role.
4. Strengthening solvency: despite the traditional strength that Spanish bank companies have maintained, the new scenario will require having to pay special attention to solvency as the current sources of risk could affect it substantially.
5. Managing efficiency: the economic crisis also considers important challenges to improve efficiency, especially running costs. In this sense, expansion policies will have to be reconsidered as the organic growth model seems to have been exhausted. Furthermore, applying policies such as opening new business channels, streamlining the branches network or subcontracting activities with a view to cutting running costs seem recommendable.

Basically, the complex postcrisis banking market will force credit cooperatives to swiftly put right their weak points. The main objective will be to seek a diversified increase income and

to cut running costs while attempting to not interfere with the sector's own strong points (closeness, social character, etc.). Opportunities now lie more than ever in exploiting the dense network of relationships it maintains with (and gives meaning to) a credit cooperative: its relational capital.

3. Relational capital

The general consensus on intellectual capital models classifies components in accordance with their nature into human capital, relational capital and structural capital. Relational capital is defined as the value of the knowledge provided to people and to the organisation which derives from the (more or less permanent) relationships they maintain with market agents and with society in general (IADE, 2003). This block of intangibles is justified by the fact that organisations cannot be considered isolated systems, but that many of their future competitive advantages will depend on organisations' capacity to acquire external knowledge (Cohen & Levinthal, 1990). Consequently, the definition of relational capital includes the whole value generated by the relationships the organisation maintains with its reference groups, which include both its internal (shareholders) and external (customers, suppliers, etc.) stakeholders (Bontis, 1996).

One of the first references to identify and measure intangible assets was the Balanced Scorecard by Kaplan and Norton (1997), where relational capital is integrated into the customer's perspective. Its main limitation is that this first model centred the firm's relational capital on only the value the firm generated as a result of its relationships with its customers. This became known as "customer capital myopia" (Martín, López & Navas, 2004). Subsequent models, like those of Brooking (1996) or of Stewart (1997), partially correct this shortfall by including other relationships under the name of market assets which, other than customers, also take into account alliances, brand names or corporate image. Along the same lines, other models were postulated, such as Intangible Assets (with its external structure) (Sveiby, 2000) or Navigator (with its customer capital) (Edvinsson & Malone, 1997).

Accordingly, given the heterogeneous agents that form the firm's relational capital, some later models proposed dividing it into several blocks. The profound changes taking place in the economic model and the distinct nature of conflicting interests which appeared among the firm's stakeholders motivated a good number of works that defend the basic separation of relational capital into business capital and social capital. The result is to distinguish between intangibles that relate directly with the agents involved in the business process from the rest (which shape the firm's social responsibility). This characterisation of relational capital was defended in the works by Coleman (1990), Nahapiet and Ghoshal (1998), Cohen and Prusak (2001), McElroy (2001), Bueno (2002) and IADE (2003).

3.1 Business capital

As mentioned earlier, business capital is formed by the value generated by those intangibles that relate directly with the agents corresponding to the business process. The business capital is made up of elements such as (existing and potential) relationships with customers (which provide the firm with value in terms of distribution channels, and the number,

loyalty and satisfaction of customers. This capital also includes relationships with suppliers, allies and competitors, as well as those relationships which the firm maintains with various investors and institutions.

3.2 Social capital

The social capital concept not only relates relational intangibles with the current corporate social responsibility (CSR) perspective, but integrates the relational capital that is not directly connected with the agents linked to business processes.

Social capital has become very important in recent years in various social disciplines other than economy. Lesser and Cothrel (2001) state that social activities are fundamental in knowledge economy because they represent a series of critical resources that create essential competences. Doubtlessly at the business level, social capital helps explain the success of a significant number of companies, which is frequently founded in the relationships with their surroundings, their social actions, etc.

Social capital has proved a complex term and has been used heterogeneously from different disciplines, which makes reaching consensus difficult as far as its definition is concerned. Nonetheless, and despite the lack of agreement on its meaning, its measurement and its effects, the academic and professional community has widely accepted that social capital exists. Bank entities in particular (and savings banks more strikingly) have been well aware of the relevance of social capital on the firm's competitiveness.

Social capital can be defined as the sum of existing and potential resources deriving from the network of relationships from the social unit (Nahapiet & Ghoshal, 1998). Another more exact definition conceptualises it as the value represented by the relationships that the firm maintains with social agents which act in its domain in terms of the level of integration, compromise, cooperation, cohesion, connection and social responsibility that it establishes with society (IADE, 2003). In short, social capital implies establishing a network of relationships, providing a structure to help information circulate and representing a collective asset that cuts transaction costs (Rodríguez, 2004).

3.3 Credit cooperatives' relational capital

Credit cooperatives have always stood out for their proximity to rural clientele by financing economic development in their areas of operation (Server & Melián, 1998). Traditionally, it has been hypothesised that this proximity is a competitive advantage for cooperatives and that this fact identifies a strong social capital capable of generating future economic income for them. Furthermore, recent studies highlight how cooperatives include an internal resource capable of generating a competitive advantage in their relational capital. Likewise, there has been evidence that the relational capacity of the managers and directors of cooperatives is a determining factor of these firms' competitiveness (Moyano, Puig & Bruque, 2008).

In line with the reflection made by Rodríguez (2006) on savings banks, credit cooperatives also establish links with society in their areas of operation, thus permitting an interconnection with a given community's initiatives. Therefore, credit cooperatives are

repositories of a network of social relationships endowed with a series of intangible assets that affect their activity. Consequently, credit cooperatives count on a series of characteristic intangibles among which relational capital is known.

In the particular case of savings banks, social capital has been recurrently employed to explain what some bank companies contribute to economic and social development in the areas they operate in. Credit cooperatives are unique organizations in our financial system and they own intangibles that have particular characteristics. So it is that corporate reputation, social relationships with the administration or the media, and exercising social responsibility confer them specific characteristics that are worthy of study to better manage both their competitive advantages and the use, for example, of the cooperative education fund.

4. The Delphi analysis

The Delphi method was created by the North American consultancy firm, The Rand Corporation, at the end of the 1940s, although it actually developed in the 1960s and 1970s. Linstone and Turoff (1975) defined it as a method for structuring a group communication process which is efficient when it comes to allowing a group of individuals to deal with a complex problem as a whole. This technique is a systematic and iterative method used to collect the opinions of a group of experts, and it can be employed with two basic objectives in mind (Dalkey & Rourke, 1971):

- Predictive purposes: the method used as a prediction technique under uncertainty conditions for future scenarios (Fildes, Jallan & Wood, 1978).
- Obtaining an opinion on a specific theme for which no previous information is available. This application is particularly relevant when historical data are lacking (Gupta & Clarke, 1996).

On the other hand, the distinctive characteristics of this subjective group technique are:

- Participants maintain their anonymity during the process (to avoid groupthink).
- Participants' feedback is controlled, which permits noise to be freely transmitted (without irrelevant, redundant and mistaken information).
- There is a statistical group response (so that all the individual opinions are considered in the group's final result).

The Delphi Technique aims to obtain a reliable group opinion from a group of experts (Landeta, 1999). Analysing the experts' estimations basically consists in aggregation to obtain a central tendency distribution measurement (normally the median), which is taken as the statistical response. The interquartile range is also established as a dispersion measurement of the estimations.

The specific application of the Delphi analysis to the intangibles field was covered by Sanchez et al (1999). The intention was to generate some shared guidelines to measure and diffuse information about intangibles and to illustrate the peculiarities of adapting the method to this field. The graph below depicts the development of a Delphi analysis stages to specifically study intangibles:

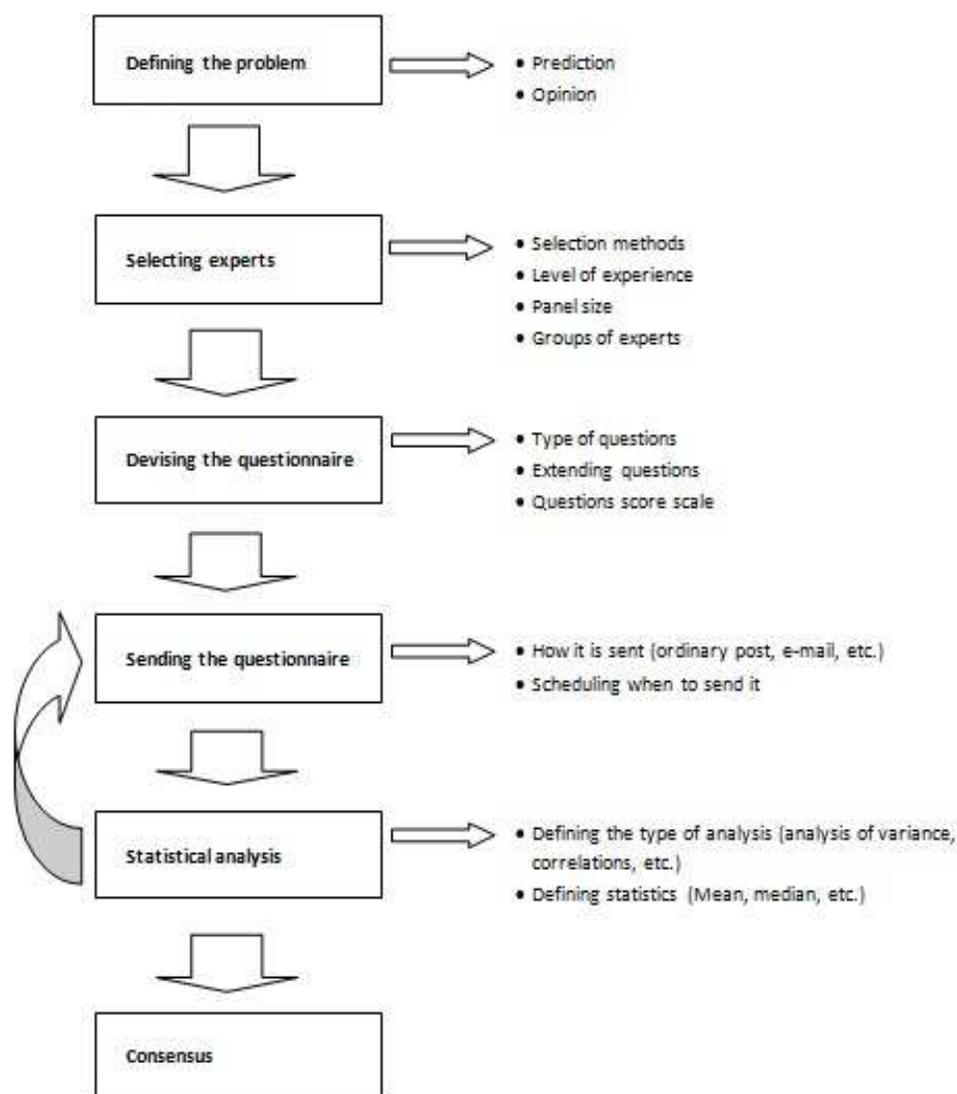


Fig. 1. Stages of a Delphi analysis to study intangibles. Source: Sanchez et al (1999)

5. Characterisation of credit cooperatives' relational capital by means of the Delphi analysis

Given the fact that there is virtually no background on studying relational capital in the cooperative banking domain, applying the Delphi methodology proves useful in an exploratory study. For such studies, the majority of experts in social research recommend using qualitative methodologies (Corbetta, 2003; Sanchez et al, 1999).

The object of this work is to determine whether the legal (and philosophical) nature of credit cooperatives influences the configuration of their relational capital. However, the intention of applying the Delphi method is mainly to search the identification of the peculiarities of credit cooperatives' relational capital in comparison with the remaining banking entities.

The qualitative method followed in this work has been the Delphi method. To perform this method, this work has counted on the opinions of 25 experts from academic, professional (basically the general directors of credit cooperatives) and institutional domains.

The method chosen to send the questionnaire to the participating experts was electronic mail. This tool is most useful in such studies as it facilitates the completion of questionnaires, and speeds up the process of sending and receiving information.

The first part of the questionnaire contained a section of questions to help analyse the situation and the future perspectives for the credit cooperatives sector (SWOT, the importance of the sector, the optimum dimension, etc.). Next, a second questionnaire section was completed to identify the strong and weak points of only credit cooperatives' relational capital, while also asking about the hierarchy of its various characteristic intangibles. The questionnaire contained a final section which asked the experts to compare these intangibles with those developed by the remaining credit associations (banks and savings banks) to assess their relative position.

5.1 Making up the group of experts

The panel of experts basically included three expert profiles: general managers of credit cooperatives, academics who specialise in the areas of study involved, and technicians from business and public organisations who offer their services to the sector. Several consultants who offer their services to or do audits in the various credit cooperatives were also invited to participate. Invitations were sent to a total of 71 experts by prioritising the number of general directors of the credit cooperatives given their foreseeable lower response rate.

At all times a geographic balance was sought by inviting experts of the aforementioned profiles to participate from the following Spanish Autonomous Communities: Valencia, Madrid, Andalusia, Catalonia, the Basque Country, Navarre or Castille-la Mancha. Nevertheless, for reasons of accessibility and given the number of existing credit cooperatives, most of the participating experts were from the Land of Valencia.

All the panelists belonged to the "expert" category, and did not include facilitators or stakeholders as they were not considered relevant in this analysis. Hence, specialists predominate in this study.

Finally, 25 experts participated in the first round, of whom 22 also participated in the second round. This number is not only statistically significant, but also minimises errors in the qualitative study since a higher participation rate would barely diminish errors, as Landeta demonstrated in 1999.

5.2 Analysis of the results

Firstly, an analysis of the results was done to determine the number of valid responses for each question. The 25 study participants answered all or most of the questionnaire. It is worth mentioning that some of the responses contained mistakes and that they were not considered in the subsequent statistical analysis.

Secondly, the median (m) was determined for each study question as the central measure of the group of experts' response tendency. That is to say, the median in this study is the group's response. Moreover, the interquartile range (k) was calculated to measure sample dispersion, which was inversely proportional to the group consensus (that is, the greater the range, the lesser the consensus). Complementary indicators were also established: arithmetic mean (μ), mode (Md) and standard deviation (σ). These values were very useful in the

questions on hierarchy as they helped determine the relative order among items with an equal median.

In the first round, the stability criterion equalled the consensus criterion; that is, the result was stable if there was a consensus. Yet in the second round, the stability criterion was independent of that of the consensus. Group response stability was understood as not being likely to change in the short term (regardless of their being a consensus or not). To assess it, the relative interquartile range (r) variation of each response was used. The relative interquartile range was the interquartile range divided by the median and its variation (V_r), which is the equivalent to the difference between the relative interquartile ranges of the two successive rounds ($V_r = r_j - r_i$). Group response stability was understood to have been achieved when the relative interquartile range (r) variation was between -0.25 and 0.25 (and, therefore, it was not likely to change in successive rounds). The response was taken as stable irrespectively of their being a consensus or not.

5.3 Weighting the results

In order to compare the valuations made, the results obtained were weighted in terms of the experts' knowledge on credit cooperatives. In this way, each expert was asked to self-assess his or her knowledge about the sector. The literature about the Delphi method demonstrated how self-assessment does not generate distinctive results if compared with an external assessment (Landeta, 1999).

5.4 Segmentation of the results

For the purpose of studying the differences in the experts' opinions according to their profile, an analysis was done of the results at the end of the first round in terms of the experts' profession (academic, institutional, director/manager or consultant), where they came from (according to Spanish Autonomous Communities), their gender and their age. This segmented analysis was not done at the end of the second round because the merging of opinions due to the methodology minimised differences in the experts' opinions. Therefore, this involved lack of power to account for the biases in the opinion according to each expert's profile.

6. Analysis of the results

The studies conducted in this field have identified human capital as the main group of intangibles in credit cooperatives (Seguí and Server, 2009). Nonetheless, relational capital has also been assessed to a large extent by keeping it at a short distance from human capital (which is a good example of its greater relevance in the financial sector). As Table 1 shows, the distance separating relational capital from human capital is not so broad; indeed, a large number of experts believed that relational capital was the fundamental intangible in cooperative banking.

| Group | INTELLECTUAL CAPITAL | m |
|-------|--|------|
| 1 | Human capital (capacities, attitudes, etc.). | 1.32 |
| 2 | Relational capital (relationships with customers, social capital, etc.). | 1.86 |
| 3 | Structural capital (processes, technology, etc.). | 2.82 |

Table 1. Hierarchy of the Intellectual Capital elements in credit cooperatives

6.1 Relational capital in the credit cooperative system

Analysis of the process

The first study round identified the weak and strong points of relational capital in credit cooperatives. As a statistical analysis proved impossible, the conclusions drawn are presented in the analysis of the results.

The second study round contained ten relational intangibles to be valued on a scale from zero to ten. The 22 experts participating in the second round assessed all ten items they were asked about.

The third study round included six questions used to compare relational capital in credit cooperatives with the remaining associations in the credit sector. Once again, all the experts participating in the second round answered all the questions.

Finally, the last section was about the objectives of alliances (where an open question was used), as well as the relationship between dimension and corporate reputation. For this purpose, the experts assessed the reputation of seven credit cooperatives of various dimensions (in terms of mean total assets and employees).

Analysis of the results

First of all, it was worth mentioning the two open questions made in the first study round (the weak and strong points of relational capital of credit cooperatives). Given the open nature of these questions and the fact that a subsequent statistical analysis proved impossible, a decision was made to design Tables 2 and 3, which contain the analysis of this information.

| Order | STRENGTHS OF RELATIONAL CAPITAL IN CREDIT COOPERATIVES | No. |
|-------|---|-----|
| 1 | Widely established in territories – Proximity in relationships with customers, suppliers, members, Public Administrations, etc. | 17 |
| 2 | Tradition, identification and implication with surroundings (including Cooperative Promotion and Training activities). | 11 |
| 3 | Better knowledge about customers' needs and solutions for specific problems (empathy, custom-built services and satisfaction). | 10 |
| 4 | Knowledge and commitment with members, especially in smaller-sized credit cooperatives. | 5 |
| 5 | Trust and reputation. | 4 |
| 6 | Customer loyalty. | 3 |
| 7 | A large number of members. | 1 |
| 8 | Alliances. | 1 |
| 9 | Important social capital network. | 1 |
| 10 | Members' democratic participation. | 1 |
| TOTAL | | 54 |

Table 2. Strong points of relational capital in credit cooperatives

As shown, the experts suggested that the intangibles relating to credit cooperatives' extensive implementation and their proximity were their relational capital's main strong

point (with the consequent results of more implication, trust, etc., among their different users). Likewise from their social capital viewpoint, their tradition and implication with the area in which they operate also stood out (where the Education Fund was a powerful instrument). Finally, it was also worth pointing out that better knowledge about the specific needs of their clientele type was also a strong point, which appears to empathise to a great extent with the clientele by providing more custom-built services and generating greater satisfaction.

| Order | WEAKNESSES OF RELATIONAL CAPITAL IN CREDIT COOPERATIVES | No. |
|-------|--|-----|
| 1 | Lesser range of financial products (only traditional ones). Lack of innovation and ignorance of customers' new needs. | 9 |
| 2 | Bureaucratised attention, poor professionalism and little commercial spirit. Young personnel with no cooperativism awareness and with a poor sense of belonging. | 7 |
| 3 | Corporate reputation and image (negative or unknown). | 6 |
| 4 | Position in the market, competition, dimension and lack of resources in organisations. Not possible to cover all the demand. | 5 |
| 5 | Denaturalisation and lack of incentives as members. Poor usage and participation of members. | 4 |
| 6 | Attitudes, institutional position and attention by the administration. | 3 |
| 7 | Loyalty and a feeling of belonging among customers | 2 |
| 8 | Mature sectors of influence. | 2 |
| 9 | Poor communication of corporate social responsibility (CSR). | 1 |
| 10 | Poor implication in the economic development process with the surroundings. | 1 |
| 11 | Autonomy. | 1 |
| 12 | Insufficient alliances. | 1 |
| 13 | Excessive commercial sense. | 1 |
| 14 | Relationships with suppliers. | 1 |
| 15 | Efficiency | 1 |
| TOTAL | | 47 |

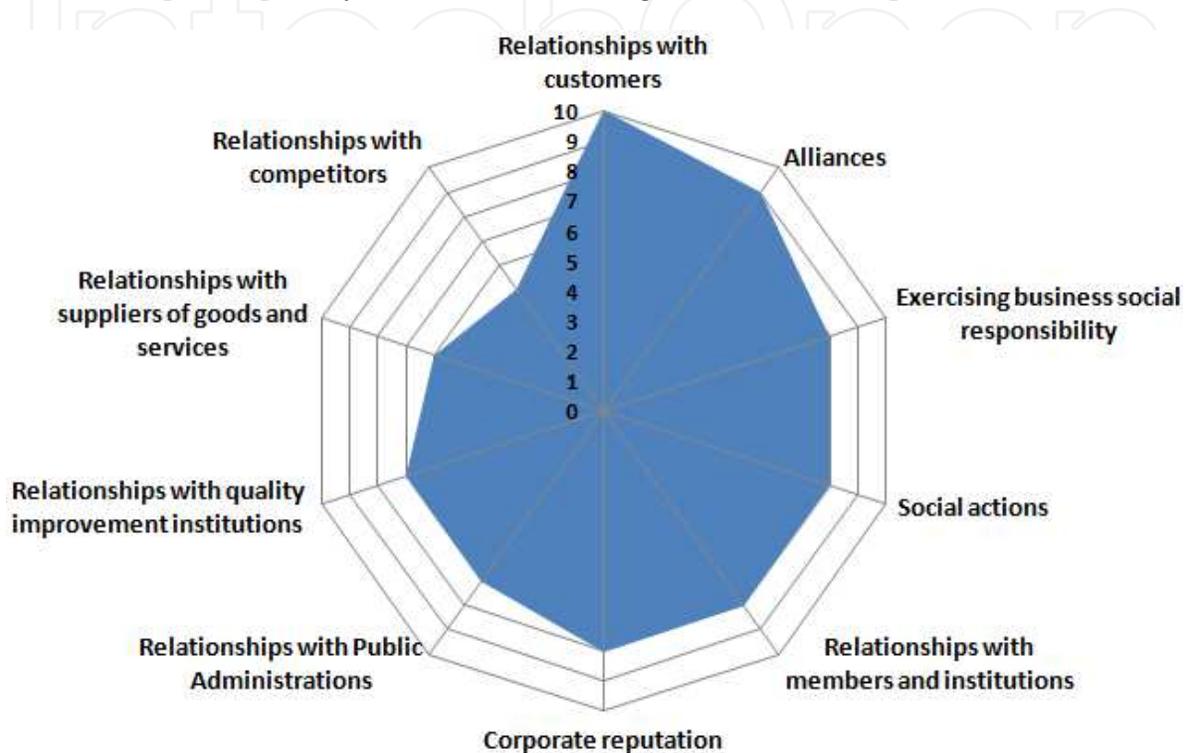
Table 3. Weak points of relational capital in credit cooperatives

Fundamentally, on the other hand, the negative perception of the range of financial products offered by credit cooperatives stood out as a weak point. This offer was perceived as being a traditional one that is unable to cover customers' new needs. Furthermore, another weak point of these organisations' relational capital stemmed from their personnel; that is, the service they offer was perceived as being bureaucratised, not very professional and with poor commercial spirit.

As a result, cooperatives' reputation and corporate image was another weak point identified in this sector (either because it was negative or this type of organisations is unknown). The rest of the weak points identified by the experts were not as relevant, although lack of incentives for members, and position in the market and lack of resources in these organisations stood out. Save reputation, the remaining weak points corresponded to the intangibles linked to the business capital in credit cooperatives.

As regards the assessment made of the cooperatives' relational capital variables, the results of the statistical analysis obtained after the second study round revealed an absolute consensus in the group response (which exceeded the two opinions that did not reach a consensus in the first study round). With these assessments, it was possible to determine a new hierarchy of the relational capital variables in terms of their importance for credit cooperatives.

Figure 2 graphically depicts the former results in a radial diagram. In this way, the graph evidences the profile portrayed of the social intangibles in credit cooperatives.



Source: Authors.

Fig. 2. Assessment of the Relational Capital intangibles in credit cooperatives.

| Order | HIERARCHY OF RELATIONAL CAPITAL INTANGIBLES | m | μ |
|-------|---|-------|-------|
| 1 | Relationships with customers | 10.00 | 9.42 |
| 2 | Alliances | 9.00 | 8.30 |
| 3 | Exercising CSR | 8.00 | 8.13 |
| 4 | Social actions | 8.00 | 7.96 |
| 5 | Relationships with members and institutions | 8.00 | 7.96 |
| 6 | Corporate reputation | 8.00 | 7.96 |
| 7 | Relationships with the Public Administrations | 7.00 | 6.71 |
| 8 | Relationships with quality improvement institutions | 7.00 | 6.42 |
| 9 | Relationships with suppliers of services and goods | 6.00 | 5.98 |
| 10 | Relationships with competitors | 5.00 | 5.33 |

Table 4. Hierarchy of relational capital intangibles

Table 4 shows that the most outstanding relational intangibles in credit cooperatives were those relating to relationships with customers and business alliances (both of which

correspond to the business capital). On a second level, and with high scores, we found social capital intangibles such as exercising CSR, social actions, relationships with partners and institutions, and corporate reputation.

Conversely, the lowest values obtained for relationships with the Public Administrations and quality improvement institutions proved significant (both of which were social intangibles with a score of seven out of ten). Finally, business intangibles such as relationships with suppliers and competitors stood out as being the least valued by experts (in sharp contrast with the remaining business capital components).

The results of the second round shown, as in all the assessed intangibles, that a consensus existed as regards the experts' opinions, which improves the situation in relation to the three consensuses reached in the first round. Nonetheless, the assessments (in terms of the median) were identical, thus the study conclusion was stable in this chapter.

Given the closeness of the assessments for four of the five intangibles assessed, the hierarchy of the social capital elements scarcely changed after the second round. There were only very minor changes among the elements with an equal median, and only social responsibility and social action interchanged as the main social intangible. Nevertheless, relationships with the administration were still perceived as the least relevant social capital intangible in credit cooperatives.

No significant differences were noted when weighting the results obtained for the experts' knowledge on credit cooperativism if compared with what this work has presented so far.

Despite relationships with customers was the most valued intangible for all the profiles, it was worth mentioning that the capital business elements, according to profession, were most significantly valued by the directors and/or managers of credit cooperatives than by the academic community. Moreover, alliances or reputation were most valued by directors/managers than by academics. Something similar occurs with relationships with members (undervalued by academics). Conversely, academics least value these business intangibles and better value elements such as exercising CSR or social actions (the exact opposite to directors and managers). However, both segments coincide in that relationships with competitors and the Public Administrations were the least relevant intangibles.

When segmenting in age terms, the fact that the youngest group of experts prioritised a business intangible like business alliances (which was the most important for the < 45 years age group), while they undervalued exercising CRS, was interesting. The intermediate age group (45-55 years) particularly valued (by giving a score of 9) intangibles such as relationships with members and reputation. Finally, no significant differences were found for the oldest age group (> 55 years) in relation to the overall results.

Segmentation by gender showed clear contrasts. So it was that the female experts valued social actions as the most important relational intangible and exercising CSR at the same level as relationships with customers and corporate reputation. This sharp contrast if compared with the male experts may be justified by the bias that most of the female experts were academics; indeed, only one of the general directors of the cooperatives was female.

The next section of the questionnaire was designed to perform a comparative analysis between the main groups of relational capital intangibles in credit cooperatives and in the remaining credit entities: banks and savings banks. The results obtained are presented in Table 5.

| GROUP | Much less | Less | Similar to banks & savings banks | More | Much more |
|--|-----------|------|----------------------------------|------|-----------|
| Type of existing customers (per age) | | | | X | |
| The current prioritised business segment (class) | | X | | | |
| Customers loyalty and satisfaction as a result of geographical or sectorial links. | | | | X | |
| Participation in the quantity and quality of members. | | | | X | |
| Level of relevance of alliances. | | | X | | |
| Possibility of reaching agreements with competitor cooperatives. | | | | X | |

Table 5. A comparison of Relational Capital intangibles (cooperatives vs. rest of credit associations)

Likewise after the second study round, a consensus had been reached in comparing the relational capital in credit cooperatives with the rest of the credit sector. In this way, a unanimous agreement was reached for the opinions that customers loyalty and satisfaction were more powerful than in banks and savings banks (resulting from credit cooperatives' geographic and sectorial links). Similarly, participation of members was classified more highly in credit cooperatives than in the other credit associations. This study concluded that the level of relevance of alliances is similar to that in other credit entities, and that it was neither a relative strong point nor a relative weak point. However, the possibility of reaching agreements with competitor cooperatives was perceived as being more likely than with the competition.

Another noteworthy finding was that cooperatives' clientele was of a mean older age than that of their competitors (this implies a competitive threat) and that the priority business segment corresponds to mean lower incomes than the rest of the credit associations (average and low-to-average).

In the second study round, the group's opinion barely changed, and remained stable. Only one question managed to reach a consensus, which was not the case after the first round (the level of relevance that alliances have). In fact in both rounds, it was worth pointing out that the most frequent response also considered that credit cooperatives have better connections, with the mean, mode and median practically coinciding.

Once more, weighting the results obtained by the experts' knowledge on credit cooperatives provided no significant differences.

The next questionnaire section asked the experts about the objectives of alliances. An open question was employed to identify the motivations to establish alliances. The analysis of the results enabled to hierarchise the objectives, which are based mainly on improving the organisations' business capital. They were presented and ordered according to their higher to lower level of relevance:

- Improving position in the market: a better offer of products and services, and greater visibility. Offer of complex products and greater added value, increasing competitive

- capacity and achieving more important operations. Possibility of jointly accessing markets with liquidity. Reputation.
- Generating economies of scale and improving efficiency: sharing the costs of newly developed strategies (international expansion, new technologies). Cutting overheads by sharing services and technology.
 - Increasing intercooperation: crossing attention with customers and “virtual networks”. Sharing experiences and improving practices. Developing shared businesses and technological functions, and generating management systems synergies.
 - Improving relationships with institutions and the shared image. Acting as a true financial “group” with other credit cooperatives by being seen as being different from the rest of the organisations in the financial sector.
 - Developing local and regional economy.

7. Conclusion

Firstly, it is worth highlighting that relational capital is highly relevant for financial associations (it comes very close in importance to human capital which predominates in most sectors). This is a logical peculiarity in a sector which bases its business on trust between the organisation and its customers, a fact which has been seriously affected by the banking crisis in the last years. Consequently given today’s scenario, a strategic window opens out to those organisations that better manage their relational capital.

In this sense, the fact that cooperative banking belongs to the so-called social economy confers it with an ideology which, a priori, should generate powerful social intangibles. Thus within relational intangibles, credit cooperatives’ adequate management of social capital should be able to generate future income returns. In this way, the policies recommended by experts to face the banking crisis, such as diversifying income or cutting operation costs, discover their main form of change in relational capital.

Secondly, it is necessary to insist that cooperative banking is a series of most heterogeneous realities (where exclusively local organisations co-exist with others that cover a much more extensive territory) and which, therefore, prove very complicated to draw valid conclusions and to make well-founded comparisons with for every reality that comes over in this chapter.

The analysis of Spanish credit cooperatives’ current relational capital is characterised by their proximity, which results from extensive implantation destined to develop greater trust and implication with their clientele. Credit cooperatives’ commitment with members (particularly the small-sized ones) also comes over as one of their strong points. Likewise, social intangibles like tradition and implication of credit cooperatives with their areas of operation are also stressed (where the Education Fund is a powerful instrument).

Among the weak points in credit cooperatives’ relational capital we find that the negative perception of their range of financial products is a major one (understood as traditional and unable to cover customers’ new needs). The other basic weak point encountered is the attention their personnel pays (perceived as highly bureaucratised, not very professional and with poor commercial spirit). Accordingly, the corporate reputation and image of Spanish Credit cooperatives proves negative or unknown for the vast majority of the population.

Given the study results presented in this work, the first specific conclusion drawn seems obvious: the legal form significantly determines the structure of a credit association’s

relational capital as it presents structural weaknesses in its business capital, whereas it has advantages deriving from its social capital. Consequently in a hypercompetitive environment such as banking, cooperatives' future strategy should overcome the disadvantages resulting from their business intangibles, and they should make the best use of their social capital opportunities.

Specifically, it is necessary to indicate that a credit cooperatives' relational capital especially stands out for the good appraisal of most of its intangibles. So it is that the most relevant relational intangibles in cooperative banking are those of a business kind: relationships with customers and business alliances. Then, we find social intangibles such as corporate social responsibility, social actions, relationships with members and institutions, and corporate reputation. In contrast, the poor relative assessments made of the relationships with the Public Administrations, with quality improvement institutions, suppliers and competitors evidence how relational intangibles are the least valued by the experts. As a result, the weak points indicated in the previous analysis correspond to the best valued relational intangibles (which exacerbate the competitive disadvantage and the need for policies that change this situation for most firms in this sector).

Credit cooperatives' social intangibles are generally at higher levels than those of the remaining credit associations, which is an evidently strong point that generates a competitive advantage. Accordingly, "geographical and sectorial links" and "the participation of members" should continue to be promoted in credit cooperatives considering the advantage they have over banks and savings banks.

It is interesting to note the high scores obtained for those firms exercising CSR and social actions. Despite it being a highly topical subject, the practical transfer to the broad sectors of our firms is still a long way off. Consequently, it would seem that credit cooperatives wish to remain at this point in the business avant-garde.

In a similar fashion to what savings banks did, credit cooperatives should strengthen those policies which address increasing their social capital. Savings banks originate from the same domain (social economy) and have known how to make firm in citizens' minds that social works are, perhaps, their main competitive advantage over banks. Therefore, the Education Fund should be an advantage that distinguishes credit cooperativism. However in practical terms, this has not been transferred to the perceptions of institutions and citizens. Thus, the Education Fund's communication policy should be promoted because, undoubtedly, greater efficiency would increase credit cooperatives' social intangibles. However, this sector's heterogeneous nature interferes in such a way that many credit cooperatives cannot have an important communication policy. So it seems logical that this communication task (events, advertising campaigns, etc.) should resort to intercooperation as an optimum way to seek synergies and economies of scale.

One outstanding contrast as regards segmentation according to professions is that the business capital elements are clearly more highly valued by the directors and managers of credit cooperatives than by the academic community. In contrast, academics better assess social intangibles such as exercising CSR or social actions. The fact that the youngest age group (< 45 years) of experts prioritised a business intangible like business alliances (it was the most important intangible for this age group), undervalued exercising CSR, while the intermediate age group (45-55 years) especially valued intangibles such as relationships

with members and reputation, is interesting. When segmenting for gender, a sharp contrast was found as social actions were estimated as the most important relational intangible (perhaps because of the bias based on the majority being academics).

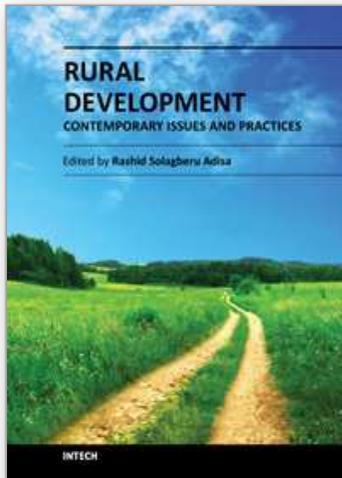
When comparing the relational capital of credit cooperatives with the remaining credit entities, a unanimous result was found in that customer loyalty and satisfaction were more powerful in credit cooperatives than in banks and savings banks (as a result of their geographical and sectorial links). Along these lines, participation of members was superior in credit cooperatives than in the other credit associations. This study concludes that the level of relevance of alliances was similar to the other organisations (it was neither a relative strong point nor a relative weak point), although the possibility of reaching agreements with competitor cooperatives was perceived as being more feasible.

Finally, the main objectives of alliances in credit cooperatives essentially aim to improve their position in the market, generate economies of scale and improve efficiency. In second place, they wish to increase intercooperation, improve relationships with institutions and shared image, and develop local and regional economy.

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Rural Development - Contemporary Issues and Practices

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Development of rural areas has witnessed increasing attention globally, especially over the past three to four decades. The highpoint in the renewed global interest in the development of rural people and their environment was reached with the setting of the Millennium Development Goals (MDGs) in the year 2000. All of the set goals are basically rural development goals. With less than four years to the deadline for the achievement of the MDGs, it is almost certain that the goals are far from being achieved in, especially, most developing countries for whom the MDGs were essentially set. The struggle thus continues for rural development. As long as problems of poverty, disease, illiteracy, unemployment, poor infrastructure, environmental degradation and others persist (or increase) in rural communities, better and more result-oriented solutions to perennial and emerging problems of rural communities would be required. But rural development, in spite of the variations in thresholds of rurality among nations, is not exclusively a Third World or “developing countries’ process, owing to its multi-dimensionality. It is a global phenomenon that obviously requires global strategies. This book not only looks at rural development from its multi-dimensional perspectives, it is also a product of the experiences and expertise of distinguished scholars across the continents. Aiming to provide a comprehensive single volume that addresses salient issues and practices in rural development, the book covers themes ranging from sustainable agriculture, biodiversity conservation, strategic environmental assessment, renewable energy, rural financial resources, assessment of protected areas to statistics for rural development policy. Other subject matters covered by the book include social marginality, land use conflict, gender, cooperatives, animal health, rural marketing, information and communication technology, micro-business, and rural economic crisis. The book is thus an invaluable source of useful information on contemporary issues in rural development for researchers, policy makers, and students of rural development and other related fields.

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