

ЗАТВЕРДЖЕНО  
Наказ Вищого навчального  
закладу Укоопспілки  
«Полтавський університет  
економіки і торгівлі»  
18 квітня 2019 року № 88-Н  
Форма № П-4.04

**ВИЩИЙ НАВЧАЛЬНИЙ ЗАКЛАД УКООПСІЛКИ  
«ПОЛТАВСЬКИЙ УНІВЕРСИТЕТ ЕКОНОМІКИ І ТОРГІВЛІ»**

Навчально-науковий інститут бізнесу та сучасних технологій  
Форма навчання денна  
Кафедра міжнародної економіки та міжнародних економічних відносин

Допускається до  
захисту  
Завідувач кафедри  
\_\_\_\_\_ Л. С. Франко  
«\_\_\_\_\_» \_\_\_\_\_ 2021 р.

**КВАЛІФІКАЦІЙНА РОБОТА**

*на тему:*

*«Економічна активність кооперативних організацій різних країн»*

*зі спеціальності 292 Міжнародні економічні відносини освітня програма  
«Міжнародний бізнес» за першим (бакалаврським) рівнем вищої освіти*

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**HIGHER EDUCATIONAL ESTABLISHMENT OF UKOOPSPILKA**  
**«POLTAVA UNIVERSITY OF ECONOMICS AND TRADE»**  
 Educational and Scientific Institute of Business and Modern Technologies  
 Full-Time Form of Studies  
 International Economics and International Economics Relations Department

**Approved for defense**

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\_\_\_\_\_ 2021

## **QUALIFYING THESIS**

*«Economic activity of cooperative organizations of different countries»*

*Program Subject Area 292 International Economic Relations, educational  
 program «International Business», first (bachelor's degree) level of higher  
 education*

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**Poltava 2021**

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## INTRODUCTION

**Actuality of the research.** The idea of cooperation is not new to man. It is as old as man himself. Cooperatives are an almost universal form of organization today found in practically all countries and used by people in many ways. The cooperatives are formed to secure low cost credit, to purchase supplies and equipment for farming and household needs, to market products, even to secure many services, like electric power, irrigation, health, and insurance. Cooperatives can be used in many ways to benefit people in the everyday needs of life.

The meaning of cooperation is that isolated and powerless individuals can, by combining with one another, achieve advantages available to the rich and the powerful so that they may advance not only materially but also morally. In other words a cooperative is a business organization that is owned by those who use its services, the control of which rests equally with all the members. It is voluntary and democratic and the moral element is as important as the material one. Furthermore, it recognizes social, educational, and community values.

In the literature, the problems of cooperative movement are researched in the works of Cronin G. Münkner H, Birchall J, Ralston D. and others. However, the topic has not been studied enough. There is a certain lag in the field of demutualization and transformation of cooperative institutions. Thus, all of the above led to the choice of the topic of the qualifying work and its relevance.

**The aim of qualifying work** is to study Economic activity of cooperative organizations of different countries. According to the purpose of the qualifying work, the following **tasks** are set:

- to highlight origin and popularization of the first cooperatives;
- to analyze cooperatives as a social instrument of economic self-help;
- to research cooperatives in the economies of European and North American countries;
- to explore activity of cooperatives in the countries of Africa and Asia;

- to determine basic tendencies and perspectives of cooperative movement.

The **object** of the research is cooperative sector in the world economy.

The **subject** of the research is activity of credit cooperatives in different countries.

**Research methods.** While writing the qualifying work, the following methods were used: analysis and synthesis, comparison, research, statistical and graphical methods, logical generalization of results in the formulation of conclusion and others; systemic and classification – for understanding basic models of rural and urban credit cooperation; analysis – for evaluating credit cooperatives' activity in European and North American countries; system analysis – for finding the solutions of modern problems of credit-cooperative sector development in conditions of globalization.

**Research's database** is a set of specialized publications, reports of cooperatives, periodical articles and Internet resources that evaluate the activities of cooperatives.

*Academic programs, plans and themes correlation.* Executing this qualifying work is connected with the research plan of the Higher Educational Institution of Koppikar "Poltava University of Economics and Trade" on the topic "Modern processes of globalization: driving forces, megatrends, contradictions" (0113U006220). The author's contribution is an original approach to describing the current tendencies of cooperatives' demutualization.

*Qualifying work results approbation.* The most significant research results were presented at 1) XLIV International scientific student conference on the results of students' research works in 2020 "Actual problems of the development of science and the quality of education in the XXI century" (Poltava, March 30-31, 2021); 2) International scientific Internet conference "The third sector and social economy: Ukrainian and international experiences" (March 30, 2021).

*Publications:* 1) Farooqi, H. Social role of cooperatives in developing countries / H. Farooqi // "Actual problems of the development of science and the quality of education in the XXI century" : reports for XLIV International scientific

student conference on the results of students' research works in 2020 (Poltava, March 30-31, 2021) : in 2 volumes – Poltava : PUET, 2021. – Vol. 2. – P. 307-310; 2) Farooqi, H. Cooperative component of social economy in developing countries / H. Farooqi // Digest of the international scientific Internet conference "The third sector and social economy: Ukrainian and international experiences" (March 30, 2021) – Poltava : PDDA, 2021. – P. 51-53.

## **CHAPTER 1**

### **ORIGIN AND NATURE OF COOPERATIVE ORGANIZATIONS**

#### **1.1. Cooperative as a social instrument of economic self-help**

Hundreds of concepts exist in co-operative theory and law, some of which are radically different. In reality, they are sufficient to determine the content of cooperation, particularly from an economic standpoint. However, a definition of the word "cooperative" is needed.

We use the basic American cooperative definition as a starting point in this study, which illustrates three basic criteria: "A cooperative is a user-owned and user-controlled business that distributes benefits on the basis of use" [12].

The product, the capital, and the democratic power system are the three key connections between the participant and the cooperative. The 'economic' co-operative principles, as developed based on the elements connecting the co-operative's operations with its members, are critical.

The United Nations General Assembly has recognized the year 2012 as the International Year of Cooperatives since 2009. The status of cooperatives has been identified by the United Nations Secretary-General as "...a reminder for the international community that it is possible to watch both economic viability and social responsibility at the same time" in support of this initiative [2].

International Alliance embraces an institutionalized organizational form of the international association. This is a non-profit organization that brings together, represents, and promotes operations from around the world. Its function is to be a strong voice for the specific field of operation, representing an area of experience and expertise in the cooperative environment's coordination. National and international cooperative organizations from all sectors of the economy, including agriculture, banking, fisheries, health, housing, industry, insurance, and tourism, are



members of the International Cooperative Alliance.

Given the diversity of cooperative enterprises, many concepts of a cooperative have been proposed in the literature. A cooperative, according to the United States Department of Agriculture, is a user-owned, user-controlled enterprise that distributes benefits based on use. Cooperatives, according to Fairbairn, Bold, Fulton, Ketilson, and Ish, are "associations of individuals who have pooled their wealth of capital and labor to capture greater or different benefits from an enterprise than if the enterprise had been conducted individually" [12].

Cooperatives are one of the key alternatives to shareholder-based capitalism in terms of economic organization. Cooperatives recruit over 100 million women and men globally, which is 20% more than multinational entities [10]. A cooperative, according to the International Cooperation Association (ICA) as "autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise." [41]

The International Co-operative Alliance (ICA) was formed in 1895 to support a wave of innovative efforts around the world and to bring like-minded members together. The ICA followed the original Rochdale Society's seven values and principles, making the Rochdale Society the central figure of the new co-operative movement. In 1995, the ICA membership adopted a Statement on Co-operative Identity.

The main foundational cooperative principles have remained largely and incredibly unchanged over the history of 150 years. The Table 1.1 below manifests the evolution of international cooperative principles). In certain cases, these core principles are enshrined in the organization's governing documents and are carried out over time is embraced in the theory and practice.

Cooperatives are distinct from other types of the organization since they are structured around the ICA's basic beliefs and values [16]. Honesty, transparency, social responsibility, and caring for others are ethical principles held by cooperative members [22]. The cooperative principles are guiding principles that cooperative

members use to bring their principles into action.

**Table 1.1 – The evolution of international co-operative principles**

<b>Rochdale pioneers principles (1844)</b>	<b>ICA 4 principles(1937)</b>	<b>ICA 6 principles(1966)</b>	<b>ICA 7 principles(1995)</b>
Ideological neutrality and tolerance	Open membership	Voluntary membership	Voluntary and open membership
Democratic government (one person, one vote) women too could be voting members	Democratic control	Democracy	Democratic control
End-year rebate proportional to purchases	Dividend paid according to business done	Distribution of surplus	Member economic participation
Minimum interest on loans	Limited interest on capital	Limited interest on share capital	Autonomy and Independence
Freedom of purchasing outside the co-op			
Sale for cash at fixed prices			
		Provision for education	Education, training information
		Cooperation among co-operatives	Cooperation among co-operatives
			Concern for community

Source: [5].

Cooperatives are non-profit organizations that are open to anyone who can benefit from their services and is willing to take on the obligations that come with membership, regardless of gender, social, cultural, political, or religious affiliation.

Cooperatives are representative organizations in which participants actively engage in the formulation of policies and decision-making. Elected officials, both men and women, are responsible to the membership. Members of primary cooperatives have equal voting rights (one member, one vote), and cooperatives at all levels are democratically organized.

Members contribute equally to the capital of their cooperative and have

democratic influence over it. Cooperatives are democratically governed by their members, with each member getting one vote in board of director elections.

Cooperatives provide education and training to their members, elected officials, executives, and employees so that they can effectively contribute to their cooperatives 'advancement. They educate the general public about the nature and benefits of cooperation, especially young people and opinion leaders. They educate and train their members [33] and encourage them to work together to meet individual and community needs. They generate jobs and capital in the communities where they are situated [28].

The cooperative normally owns at least a portion of the capital as common property. On capital subscribed as a condition of membership, members normally receive only a small amount of compensation, if any. Members distribute surpluses for any or more of the following purposes: expanding their cooperative, probably by setting up funds, at least a portion of which will be indivisible; benefiting members in proportion to their cooperative transactions; and promoting other activities endorsed by the membership.

Cooperatives come in a variety of shapes and sizes. Consumer cooperatives are businesses that are owned and operated by the people who use their services, worker cooperatives are organizations managed by the people who work there, and multi- stakeholder or hybrid cooperatives are businesses owned and managed by multiple stakeholder groups. For instance, consider care cooperatives, in which both caregivers and recipients share ownership. Non-profits and investors are examples of stakeholder groups

Network cooperatives, which use a cooperatively owned and governed website, mobile app, or protocol to promote the selling of products and services, are second-and third-tier cooperatives with members that are other cooperatives.

According to World watch Institute research, one billion people in 96 countries joined at least one cooperative in 2012. The world's top 300 cooperatives produced 2.2 tin USD in turnover [31].

Cooperatives appear in a range of shades. As compared to other business

ownership structures, cooperatives are more economically stable than many other types of organizations, with twice as many co-operatives (80 percent) lasting their first five years (41 percent). Co-operatives are cooperative enterprises that are owned and operated together by their members, whether those members are workers, customers, residents, or suppliers. They range from high street grocery stores to farmer-controlled businesses, credit unions to community pubs. They work in the best interests of the members, who have a say in how the organization works and how the profits are allocated. They also help people take care of things that are important to them and come together [43].

According to a 2012 study released by the European Confederation of Cooperatives and Worker-owned Enterprises in Industry and Services, worker cooperatives and social cooperatives in France and Spain were more robust than traditional businesses during the economic crisis. [9]

According to a 2010 study by the Ministry of Economic Development, Innovation, and Export in Québec, cooperatives in Québec, Canada have a five-year survival rate of 62% and a ten-year survival rate of 44%, respectively, compared to 35% and 20% for traditional firms. [22]

At a glance, table 1.2 depicts the scale and scope of the global cooperative economy. About 1 billion members and clients are served by 2.6 million Cooperatives. With a population of 65 million citizens, France has 147 million cooperative members. 770,000 cooperative offices and outlets employ 12.6 million people. Cooperatives recruit a total of 12.6 million individuals, or 0.2 percent of the world's population. Cooperative Assets worth 20 tln USD produce 3 tln USD in annual revenue.

The world's top 300 cooperatives have a combined turnover of 1600 bln USD. This is equivalent to the GDP of the ninth biggest economy in the world.

If the world's cooperative economies were combined, they would be greater than France's economy, coming in second to Germany's economy as the world's fifth largest economic unit. It has the potential to contribute significantly to national GDP (Gross Domestic Product). In four countries around the world, the

cooperative economy accounts for more than 10% of GDP (New Zealand (20%), the Netherlands (18%), France (18%), and Finland (14%). The statistics relates to the fiscal year 2014-15.

**Table 1.2 – The size and scope of the global cooperative economy**

Region	No. of Coops	Membership & Clients (in mlns)	Member (% Population)	Employee	% Population Employed in Coops	Offices of Coops	Total Assets in US Dollars (in blns)	Annual Revenue in US Dollars (in blns)	Gross Rev. % of GDP
Africa-Sub Sahara	85,260	18.50	2.73	10,914	0.00	5,844	10.84	85	0.08
Asia	1,933,299	484.10	12.68	4,306,521	.11	481,871	3,847.32	65.62	3.25
Caribbean	1,049	3.58	12.94	54,569	0.20	462	5.93	18	0.13
Europe	356,380	368.00	45.55	5,248,852	0.65	224,593	11,688.16	1,482.48	7.08
Latin America	42,765	44.17	7.81	816,122	0.14	14,913	83.88	18.36	0.33
MENA	162,779	4.53	1.57	37,714	0.01	1,095	31.68	3.61	0.27
North America	31,078	134.72	38.63	1,675,778	0.48	41,750	3,825.83	744.22	4.12
Oceania	1,988	14.14	37.80	460,278	1.23	1,460	113.74	59.54	3.46
World	2,614,598	1,071.79	16.31	12,610,748	0.19	771,988	19,607.42	2,962.89	4.30

Source: [26]

Table 1.3 below shows the cooperative sectors' contribution to the global cooperative economy. In the global economy, agriculture is a major contributor. Large numbers of cooperatives, particularly in India and China, making it critical for farmers to collaborate in order to achieve economies of scale and large scale reach. As a result, both of these economies have a large number of agricultural cooperatives that manage a substantial portion of the industry in some sectors. Many agricultural cooperatives exist in the United States, but their information is mixed with that of buying and selling cooperatives. In several countries, data on agriculture and consumer cooperatives also includes grocery cooperatives.

The most common form of cooperative is an agricultural cooperative, according to the global scenario on cooperatives.

Benefits of membership come in a variety of forms. Table 1.4, which depicts the Benefits of Membership in an Agricultural Cooperative, provides a quick glimpse.

**Table 1.3 – Cooperative sector's contribution to the global cooperative economy**

<b>Sector Totals</b>	<b>Cooperatives</b>	<b>Members/ Clients</b>	<b>Employees</b>	<b>Offices/ Outlets</b>	<b>Assets (in Bln USD)</b>	<b>Annual Gross Revenue (in Bln USD)</b>
Banking/ Credit Unions	210,559	703,070,123	2,452,130	296,566	11,262.70	167.41
Insurance	3,644	248,864	961,409	1,361	7,500.07	1,219.47
Agriculture/Grocery	1,224,650	122,120,167	1,181,682	35,386	133.81	337.47
Utilities	1,714	19,858,921	94,882	1,015	141.54	41.94
Grocery/Consumer	81,437	97,869,940	875,181	100,396	243.89	154.57
Worker	84,799	4,369,600	1,218,751	0	1.39	124.82
Housing	15,247	16,383,048	102,823	173	52.41	20.71
Health	1,700	3,441,221	153,180	51	0.49	4.08
Education & Social	87,998	21,876,052	497,445	13,122	0.84	12.31
Purchasing or Marketing	41,865	26,256,054	3,402,008	320,599	239.00	736.63
Other or Undefined	760,985	56,296,177	1,671,257	3,319	31.31	143.25
Worldwide Totals	2,514,598	1,071,790,167	12,610,748	771,988	19,607.46	2,962.90

Source: [26]

Credit Societies offer credit or loans to small-scale farmers and consumers, enabling them to succeed.

**Table 1.4 – Benefits of membership in an agricultural cooperative**

<b>Benefits</b>	<b>Details</b>
<b>Increased Farm Income</b>	<ul style="list-style-type: none"> <li>➤ Raising the general price level for products marketed.</li> <li>➤ Lowering the level for supplies purchased.</li> <li>➤ Reducing per-unit handling or processing costs by assembling large volumes.</li> <li>➤ Developing new markets for products.</li> </ul>
<b>Improved Farm Management</b>	<ul style="list-style-type: none"> <li>➤ Information to members on farm production and management practices.</li> <li>➤ Advice on the quality of seeds, fertilizers, pesticides, feeding and cropping practices.</li> <li>➤ Providing markets and economic information about various products or enterprises.</li> </ul>
<b>Added Community Income</b>	<ul style="list-style-type: none"> <li>➤ Cash surplus is spent on patronage of local businesses to support economic well-being of the community.</li> <li>➤ The coops also spend money for supplies, utilities, insurance and local taxes.</li> </ul>

Source: [21]

Cooperatives provide members with a reliable source of reasonably priced goods, especially during shortages or emergencies, to the benefit of the end farmer. Markets that have been widened, many marketing cooperatives may meet the needs

of large-scale buyers better than individual farmers by pooling goods of a certain grade or standard.

Development of Local Leadership, leaders is also established in successful, growing cooperatives by democratically engaging in business decisions. These leaders work closely with the government to address public concerns.

According to the ICA, the concept of co-operative is well understood. It is believed that cooperatives are autonomous businesses operated by their members (as customers, suppliers, or workers), designed to meet members' needs, transparent and voluntary membership organizations, collectively governed by the members, and the enterprise is capitalized by members through direct investment and retained earnings. We also believe that a part of net earnings is distributed to member-owners based on their level of patronage. [26]

Social capital is valuable because it reflects the mutual values, norms, faith, and sense of belonging that enable people to interact with one another. Without social capital, our culture, economy, institutions, and political structure does not exist. Cooperatives encourage the "fullest participation of all people" in social and economic development, as well as a more equal distribution of globalization's benefits. At the cooperative framework, the main advantages of social capital are lowering transaction costs, eliminating information asymmetry, and resolving market failures.

Putnam in his concept of social capital described as, "features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit". [36] Interestingly there are more definitions of social capital than there are of cooperative.

Cooperative contributes to the development of trust among members and between members and their stakeholders, which strengthens the business and the community as a whole [20]. Cooperatives tend to be the first-choice business model for locally oriented, locally operated community growth because they generate economic, human, and social capital.

The study of cooperatives' participation in community economic expansion

is definitely not a new phenomenon. For over a century, cooperatives have been discussed and written about [9]. Although scholars have long recognized the value of many types of capital assets (human, environmental, physical, financial, and social) in socioeconomic development, few have articulated the role of cooperatives in constructing these assets, particularly in resource-limited communities.

It has been indicated that improved community networking will increase access to financial capital, political clout, and other services, both of which help to maintain human capital [7], and that supporting the marginalized in using their social connections to access outside resources is critical for community growth [4].

Fairbairn [45] also discovered that cooperatives' business structure enables them to be more society-oriented. They advocate for growth that is not only societal but also democratic and people-centered [2]. Cooperatives give people more power over the institutions that affect their lives by allowing them to engage in, negotiate with, influence, monitor, and keep them accountable.

When people in the group come together and learn to trust themselves and their ability to act together to better their personal circumstances and the well-being of their community, they gain empowerment [12]. People who work together in a cooperative develop a sense of community, create community norms, learn to trust one another, and commit to benefiting one another.

We found that cooperative development builds community trust and networks, allowing citizens to pool economic, social, and political capital and access resources from outside the community [15]. Finally, multiple studies [26] have either represented the process of community economic growth as informed by cooperatives or shown how cooperatives can be used as a strategy to incorporate current community development theories.

It assumes that individuals will gain substantial economic benefits from cooperative business involvement that cooperatives must be adequately capitalized and technically successful as enterprises and that cooperatives have specific mechanisms for fostering social capital growth. Woolcok and Narayan [17] elaborate on the idea in their social-capital and poverty transition context.



Even though people have been cooperating for mutual benefit since the dawn of civilization, and the first recognized US cooperative, a mutual fire insurance company, was established by Benjamin Franklin in 1752 [29], cooperatives only became a recognized type of business during the Industrial Revolution.

Because of this traditional understanding of cooperatives, it's natural to assume that comprehension of cooperative values and traditions is well-ingrained in American culture. This is not always the case [32]. Although cooperatives are commonly used (financial services, energy production and distribution, agriculture, and home health care), and have been “responsible for many industry advances and corrections of market imperfections [22] most Americans have no idea what they are. For example, policymakers recently discussed whether health insurance cooperatives should be adopted [18].

On the potential of health insurance cooperatives, the media was flooded with conflicting, contradictory, and often misleading facts. As shown by the number of questions and answers on the role cooperatives could play in health-care reform, this knowledge was both unfamiliar and frustrating to many people [35]. Confusion was exacerbated by misunderstandings regarding the cooperative business model. In 2015, 64,017 cooperatives were operating in the United States, with operations in agriculture, childcare, financial services, health care, housing, job services, food retailing, and utilities among them. US cooperatives employ over 850,000 people, own over 3 trln USD in assets, and produce over 500 bln USD in revenue annually. They range in scale from large corporations, such as Fortune 500 firms in the United States, to single, small local businesses.

Under the conditions of economic globalization, co-operatives face the same problems that conventional capital firms do confront and that is created by globalization processes - mergers, integrations, acquisitions, and, more specifically, the challenges posed by co-operatives - democratically driven economic operation. To remain afloat in such environments, co-operatives must be competitive.

The current state of co-operatives and their growth patterns in competitive market environments confirm that co-operatives are affected by both external and internal factors. Legislative, economical, operational, managerial, and motivational challenges are the most major concerns that cooperatives face [6].

Co-operatives are seen as a two-pronged model of economic and social aspects. The root of incompatibility between the economic paradigm and organizational rationality, which claims to be focused on the coexistence of both economic and social characteristics can be found [28].

According to findings, co-operatives play an ambiguous position in the classical economy since there is no strong distinction between their for-profit and nonprofit orientations. The indivisibility of mutual resources is what gives co-operatives their nonprofit status. Cooperatives, according to researchers, can function as both commercial entities and non-profit organizations. Co-operatives are viewed as "hybrid" organizations that incorporate volunteer and commercial components, based on socio- economic duality [25].

While scholars have long recognized the importance of many types of capital assets in socioeconomic growth, and the role of cooperatives in developing those assets, particularly in resource-strapped communities, cooperatives have been studied extensively for over a century.

## **1.2. Origin and popularization of the first cooperatives**

Human society is not unfamiliar with the concept of cooperation. It dates back to the dawn of time. Cooperatives are a nearly universal form of association that can be found in almost every country today and are used by people in a variety of ways. To increase their chances of survival, early human communities collaborated by exchanging hunting, fishing, farming, and shelter activities.

As people migrated from farms to cities in the late 1800s, cooperatives

started to take shape in a more formalized form. They depended on privately owned stores for nourishment because they could no longer cultivate their food. The prices were often exorbitant, and the alternatives were small.

Workers, consumers, peasants, and manufacturers banded together to gain economic clout as less influential members of these new cities. They increased their options and kept their costs down by purchasing goods and services in bulk. They were only accountable to themselves, and when the change was needed, it was adopted. They became a cooperative or a corporation run by and for the people.

In a public response to the industrial revolution and the economic changes that were threatening the livelihoods of many workers, the cooperative movement gained momentum in Britain in the 19th century. There had been numerous attempts by workers to establish cooperatives. The Shore Porters Society, for example, claims to be one of the first cooperatives in the world, having been established in 1498 in Aberdeen, Scotland. It began as a group of porters working in Aberdeen Harbor and grew into a removal, haulage, and storage business.

The Fenwick Weavers' Society was a specialized guild established in 1761 in Fenwick, East Ayrshire, Scotland, to promote and uphold high standards in weaving [41]. By 1769, the society's operations had expanded to include the pooling of member wealth to purchase large quantities of food and books in bulk. Members formed a consumer cooperative in 1769 and manhandled a sack of oatmeal into John Walker's whitewashed front room, where they began selling the contents at a reduced price.

The Fenwick Weavers' Society can be considered the first Industrial Era consumer cooperative because of its institution of mutual trade for the benefit of members. Robert Owen, a Welshman, is credited with being the first to apply this principle to an industrial factory environment.

Robert Owen (1771-1858) is widely regarded as the founder of the cooperative movement. Owen made his fortune in the cotton trade, believed in providing a good working atmosphere for his employees as well as access to education for their children. When a co-operative store was formed in the cotton

mills of New Lanark, Scotland, these ideas were successfully implemented. Following this achievement, Owen had the idea of establishing ‘villages of co-operation’ [35] where workers would grow their food, make their clothing, and eventually, become self-governing. He attempted to establish such communities in Orbiston, Scotland, and New Harmony, Indiana, USA, but both communities eventually failed.

More Scottish cooperatives emerged in the decades after, including the Lennoxtown Friendly Victualling Society, which was established in 1812. The busy Lennox Mill, where tenants of the Woodhead estate brought their corn to be ground, was the subject of the Lennoxtown community.

The group's calico printing works were formed at Lennoxmill on a site adjacent to the corn mill, which was another significant event. Calico and other cotton cloth printing became a major industry in the region quite rapidly.

Credit unions, or cooperative banks, were first formed in Germany in the mid-nineteenth century. Earlier versions of similar organizations in the United Kingdom included the friendly society, building society, and joint savings fund. From pre-serfdom times until the twentieth century, Russia's traditional village co-operative (obshchina or mir) flourished.

Several hundred cooperatives had developed by 1830. Some were initially successful, but by 1840, the majority had failed. The basis for the creation and growth of the modern cooperative movement was not developed until 1844 when a cooperative society established the ‘Rochdale Principles’ [11] under which they run their cooperative.

The 7 Cooperative Principles that all cooperatives adhere, are listed in the below Table 1.5.

The International Cooperative Alliance (ICA) has compiled a set of principles, which are followed by cooperatives all around the world. ICA has produced seven key principles, which serve as recommendations for co-operatives in putting their values into action.

**Table 1.5 – Seven cooperative principles**

No	Cooperative Principles
1	Open and Voluntary Membership
2	Democratic Member Control
3	Members' Economic Participation
4	Autonomy and Independence
5	Education, Training, and Information
6	Cooperation Among Cooperatives
7	Concern for Community

*Source:* Created by the author by using [38]

People learned to collaborate and work together in early human communities to improve their success in hunting, fishing, collecting food, building shelter, and meeting other individual and community needs. Historians have discovered evidence of cooperation among peoples in ancient Greece, Egypt, Rome, and Babylon, as well as Native American and African tribes and a variety of other groups.

Early agriculture would not have been possible without farmer cooperation. To defend the land, harvest crops, build barns and storage buildings, and share equipment, they relied on one another. These examples of informal cooperation - of collaborating- were forerunners to the cooperative business model. During the Industrial Revolution in Europe in the late 18th and early 19th centuries, the first cooperatives emerged. People had to rely on stores to feed their families when they migrated from farms to cities because they could no longer grow their food. Working people had no say over the food they ate or the conditions in which they lived. Those who had money grew in control over those who didn't. Employees, consumers, farmers, and producers were among the first to form cooperatives in order to defend their interests.

Consumers in England were dissatisfied by shop owners' misdeeds, with many of them adulterating goods to boost profits. Staff was often paid in business chits, which were limited-use credit cards that could only be used in the company's outlets. There were few options and little power for the average consumer.

Various methods of self-sufficiency were experimented with by groups of people. They concluded that they should pool their funds and buy groceries as a group. They were astonished at the savings and higher quality of products they were able to receive after purchasing goods from a wholesale dealer and then dividing them evenly among themselves.

The Rochdale Society of Equitable Pioneers, established in 1844, was a pioneering consumer cooperative that laid the groundwork for the modern co-operative movement [8]. The Society was founded by twenty-eight individuals.

Despite the existence of other co-operatives, the Rochdale Pioneers' co-operative became the model for societies in the United Kingdom.

A general strike involving 6,000 to 7,000 employees broke out in Rochdale, England's textile factories in 1843. After the strike failed, millworkers started looking for other ways to change their situation. Rather than calling another strike or seeking assistance from voluntary organizations, workers opted to take care of one of their most pressing concerns. As an alternative to the company shop, they decided to have their food store.

These pioneers opened their cooperative store at 31 Toad Lane on a cold December evening in 1844, after saving money for more than a year. Despite agreeing to only sell butter, sugar, flour, and oatmeal that night, the founders also sold tallow candles. The gas company declined to provide gas for the new group's lamps, so they were forced to purchase candles. The founders' purchased candles in large quantities and sold the ones they didn't use to their members.

The Rochdale Pioneers were not the first to attempt to establish a cooperative, but they were the first to make it work and endure. They created a set of operating principles to guide their organization in order to avoid the errors made by previous cooperative societies and to assist others.

This list became the foundation for the cooperative principles, as they are now called. The current cooperative movement is said to have begun in Rochdale.

In 1883, Alice Acland, the editor of Co-operative News' "Women's Corner" and Mary Lawrenson, a teacher, saw the need for a separate women's organization

within the Cooperative Movement and established the "Woman's League for the Spread of Co-operation." During the 1883 Co-operative Congress in Edinburgh, this League officially met for the first time as a party of 50 women who appointed Acland as their organizing secretary. The League was renamed the Women's Cooperative Guild in 1884 when it had six separate branches and 195 members.

In the 1970s, renewable energy cooperatives in Europe performed an important role in the early growth of wind power in Denmark. Germany followed suit in the early 1990s, first with wind cooperatives on a larger scale, then with a citizen's movement that questioned nuclear power's dependence, eventually establishing a viable co-operatives enterprise by 1999. By 1995, a citizen's group in the United Kingdom had started running wind turbines with widespread community ownership. Energy co-operative social entrepreneurs were able to start creating alternatives to monopolies in different countries after the power markets were deregulated. This occurred after 2000 in France, where nuclear power generates a significant portion of the country's electricity. Wind power was created in Spain by corporate-led activities, and establishing a renewable energy- focused social enterprise took longer.

Some of the world's most active co-operatives are based in Asia, including the Citizens Coalition for Economic Justice in South Korea, the Seikatsu Club Consumer Co-operative in Japan, and the Self-Employed Women's Association in India. Agricultural Co-operatives in Thailand and a sugar workers' co-operative in the Philippines are two other notable initiatives.

Beginning in the 1930s, electrical cooperatives became an effective economic strategy for rural areas in the United States, and they have continued to work effectively through events like Hurricane Sandy in 2012.

Cooperatives of various kinds have been around since colonial times in the United States. These early groups experimented with ways to join together and achieve economic clout in the same way that their English counterparts did.

Most early American Cooperatives were organized mainly for the benefit of farmers from colonial times onward. Some co-ops assisted farmers in lowering their

costs by purchasing products in bulk, such as feed, machinery, tools, or seed. By mixing farmers' crops and selling in large quantities, some marketing cooperatives were able to help farmers get the best prices for their products. Grain elevators and cheese-making cooperatives, for example, provided storage or processing.

Consumer organizations in the United States started to take notice of the early British consumer cooperatives and the success of American farmers who collaborated. They started to shape consumer activist groups. The majority of early American cooperatives collapsed due to a lack of resources (money spent by the owners), weak management, and a lack of understanding of cooperative values by their participants. Cooperatives did not achieve long-term prosperity in the United States until the early 1900s.

Welch's, Ocean Spray, and Land O'Lakes are examples of agricultural cooperatives that have achieved widespread success in the United States. By 1920, a co-operative association had been formed in the United States. There are currently over 29,000 co-operatives in operation, hiring over 2 million people and generating over 652 bln USD in annual revenue.

Consumer cooperatives were formed in both rural and urban areas to give customers more autonomy and to combat the unfair practices of private and corporate stores. Consumer cooperatives have gone through cycles of growth and development, followed by periods of decline.

The Rochdale strategy, which started in the early 1900s, was the first of these waves. Consumers formed purchasing groups to shop from a cooperatively owned wholesaler under this initiative. Through providing personnel, inventory, and finance, the wholesaler will eventually assist these buying clubs in converting their operations into retail outlets. In 1920, the United States had 2,600 consumer cooperatives, all but 11 of which were general stores, and 80 percent of them were in towns with populations of fewer than 2,500 people. The total sales for these stores totaled around 260 mln USD.

Unfortunately, as wholesalers started to have difficulties as a result of rapid development, the whole system collapsed, and most cooperatives were almost



abandoned.

In the 1930s, the Great Depression sparked a new wave of cooperative organization in cities and rural areas. The development of urban cooperatives was aided by Franklin D. Roosevelt's New Deal. Berkeley, Palo Alto, Eau Claire (Wisconsin), Hanover (New Hampshire), Hyde Park (a Chicago neighborhood), and Greenbelt (Maryland - a suburb of Washington, D.C.) were all established during this period. Many of these outlets have made it to their 50th birthdays. However, the Berkeley and Greenbelt cooperatives closed in the 1980s. In 2001, the Palo Alto cooperative closed its doors. The Hanover, Eau Claire, and Hyde Park cooperatives are all in continuous operation.

The "new wave" of consumer cooperatives emerged in the late 1960s and early 1970s. These stores were founded by young and idealistic members of the 1960s counterculture, and they were inspired by their ideas and philosophies. They formed cooperatives to represent their egalitarian values, not to follow in the footsteps of their cooperative forebears. The majority of the new cooperatives focused on selling only whole, unprocessed, and bulk foods. Their methods of operation were varied and experimental. Some stores were only open at those hours, while others were open seven days a week. Some were managed entirely by volunteers, while others had full-time employees. Some employed various forms of worker self-management, while others employed more traditional management structures. Some provided year-end patronage refunds, while others provided members with a cash-register discount.

These cooperatives were the forerunners of the natural foods movement. However, not every one of them was a success. Some struggled due to their experimental operating systems and mechanisms. Insufficient funding, insufficient membership support, an inability to improve operations as the natural foods industry grew, a greater dedication to idealism than to economic growth, a lack of adequate support from their wholesalers, and opposition to consolidation crippled most of them.

The "new wave" cooperatives, on the other hand, have thrived and are well-

established. In comparison to consumer cooperatives in Europe and Asia, the consumer cooperative movement in the United States has had mixed results. However, with each new wave of cooperative development comes renewed excitement for a tried-and-true concept and technologies that have proven popular in the consumer market.

At this point in our discussion, towards the end of this chapter, we underscore that employees had tried several times to form cooperatives. In 1769, members formed a consumer cooperative and carried a sack of oatmeal into John Walker's whitewashed front room, where they began selling the contents at a reduced price.

The basis for the creation and growth of the modern cooperative movement was not developed until 1844 when a cooperative society established the "Rochdale Principles," under which they run their cooperative. Employees, consumers, farmers, and producers were among the first to form cooperatives in order to defend their interests.

The Rochdale Pioneers were not the first to attempt to establish a cooperative, but they were the first to make it work and endure.

Beginning in the 1930s, electrical cooperatives became an effective economic strategy for rural areas in the United States, and they have continued to work effectively through events like Hurricane Sandy in 2012.

Consumer organizations in the United States started to take notice of the early British consumer cooperatives and the success of American farmers who collaborated. The majority of early American cooperatives collapsed due to a lack of resources, weak management, and a lack of understanding of cooperative values by their participants.

Cooperatives did not achieve long-term prosperity in the United States until the early 1900s. Consumer cooperatives were formed in both rural and urban areas to give customers more autonomy and to combat the unfair practices of private and corporate stores.

Consumer cooperatives have seen periods of development and expansion

followed by periods of decline. In 1920, there were 2,600 consumer cooperatives in the United States, all but 11 of which were general stores, and 80% of them were in towns with populations of less than 2,500 residents. In the late 1960s and early 1970s, a "New wave" of consumer cooperatives arose.

The consumer cooperative movement in the United States has had mixed outcomes as compared to consumer cooperatives in Europe and Asia.

Each new wave of cooperative growth brings renewed enthusiasm for a tried-and-true philosophy and innovations that have proven successful in the consumer market.

## **Conclusions for chapter 1**

Cooperatives are a model of economic and social components that have emerged as main players in the global economy. International Co-operative Alliance estimates that there are over 2.6 million co-operatives in the world, with billion participants. They employ more than 250 billion people globally, which is 20% more than multinational corporations. About 280 million workers work in cooperatives around the world. The largest 300 cooperatives and mutual in 2020 have a total turnover of 2,146 bln USD.

Legal structure and the fundamentals of cooperative organizing and functioning. International Co-operative Alliance has contributed to the creation and acceptance of the Blueprint "Vision 2020," which is a key policy document for the development and promotion of Co-operatives in the current decade. Such scientifically substantiated policy papers must be authorized by the respective Co-operative authorities at the national levels. The study employed a large-scale methodological tool that included economic analysis, synthesis, inference, deduction, and benchmarking.

The most common form of cooperative is an agricultural cooperative.

According to the ICA, the concept of co-operative is well understood. Social capital is valuable because it reflects the mutual values, norms, faith, and sense of belonging. Without social capital, our culture, economy, institutions, and political structure does not exist. Cooperatives encourage the "fullest participation of all people" in social and economic development. They encourage a more equal distribution of globalization's benefits.

Cooperative contributes to the development of trust among members and between members and their stakeholders, which strengthens the business and the community as a whole. Cooperatives tend to be the first-choice business model for locally oriented, locally operated community growth. We found that cooperative development builds community trust and networks, allowing citizens to pool economic, social, and political capital and access resources from outside the community. They advocate for growth that is not only societal but also democratic and people-centered.

Co-operatives only became a recognized type of business during the Industrial Revolution. To remain afloat in today's world of economic globalization, co-operative firms face the same problems that conventional capital firms do.

Cooperatives have been a powerful tool for people to take charge of their economic lives sprawling for more than 170 years. Cooperatives are based on almost all of the following principles: self-help, self-responsibility, independence, equality, justice, and solidarity. Membership is free, and economic benefits are allocated proportionally to each member's level of membership. Mutual assistance and support are the purposes, as opposed to the primary goal of most types of organizations, which is to make money.

## **CHAPTER 2**

### **DEVELOPMENT AND ACTIVITY OF COOPERATIVES IN DIFFERENT COUNTRIES**

#### **2.1 Cooperatives in the economies of European and North American countries**

Co-operatives all over the world enable people to work together to build long-term businesses that generate employment and prosperity while also addressing poverty and short-term business practices" [19]. "There are connections between progress towards democracy, moves toward a market economy, and economic development" [23] based on positive exchanges. Cooperatives function as "schools for democracy" [16] using the principle of fair voting rights (one participant, one vote), to constructively address differences when they occur, by inclusion regardless of the social group, whilst providing disadvantaged individuals with opportunities to access and handle shared resources as equal cooperative members.

According to an ILO study [13], cooperatives have proved to be more resilient than other economic actors to the deepening global economic and employment crisis. Furthermore, according to a study conducted by the European Confederation of Cooperatives [19], Cooperatives in business and services are reorganizing themselves, finding support in the individuals and societies they represent, as the world faces ongoing health and economic crisis. Consequently, according to the International Organization of Industrial, Artisanal, and Service Producers' Co-operatives, cooperatives' "strong success is a function of their ability to combine security and flexibility when pursuing their goal of creating sustainable opportunities" [25].

In general, cooperation defines how much economies of scale and scope are used, implemented [20]. Standard neoclassical economists believe that when the

benefits of doing so outweigh the costs, economic agents will coordinate their actions and participate in industry development activities. External agents have no place in the neoclassical model to help industries develop.

Cooperative mechanisms take on various forms in different parts of the world, depending on their developmental stages. In the least developed nations, for example, there are only a few cooperative organizations that will be eligible to join the International Cooperative Alliance. Primary agricultural cooperatives are the most common category of LDCs, and credit cooperatives are linked to them. Furthermore, these countries may have a variety of cooperative precursors, as well as more or less informal work groups from the old culture [26]. On the other hand, 25% of developed countries have cooperative arrangements. Credit cooperatives seem to make up the majority of them, led by agricultural, consumer, fisheries, and workers' cooperatives.

Examining the history and evolution of cooperatives in Europe is critical for understanding their presence and varying levels of prevalence in the European Union. In the eighteenth century, cooperative societies emerged as a direct response to the rise of industrial capitalism and modernism [34]. The prevalent home-based business movement that existed before the Industrial Revolution was put to rest by advances in mechanized technology produced during England's Industrial Revolution (1750-1850). This was due to home-based manufacturers' failure to compete with factory-produced low-cost consumer products [36].

While cooperatives were used to protect workers against rampant capitalism in the British industrial sector in the 18th and 19th centuries, early cooperative movements in Denmark and Poland provided workers with similar protection against exploitation in the agricultural sector. With the formation of cooperative dairies in 1882, the Danish cooperative agriculture movement, also known as the *Andelsbevaegelsen* in Danish, grew into a formidable power [11].

Cooperative movements sprung up in other industries, such as fodder, slaughterhouses, and banks, during the next few decades, gradually becoming the de facto way to run a business in rural Denmark. Peasants developed these cooperative

business enterprises because, before 1882, they had been manufacturing their agricultural products and selling them to merchants, which was a costly and uncertain process. Members saw immediate results in the quality, quantity, and price of butter produced cooperatively when dairies started to organize cooperatively in 1882 power [14]. The social capital that grew up in rural communities in the second half of the nineteenth century still exists today.

While the Danish cooperative sector, like that of its Western European neighbors, remained strong throughout the twentieth century, the Polish cooperative sector paints a bleak picture of the rise and fall of cooperative sectors in Central and Eastern Europe.

However, the latest data on Europe's cooperative sector shows a total of 250,000 membership owned by 163 million peoples (one-third of the EU population) and employing 5.4 million people. In some sectors, cooperatives have a large market share. Agriculture accounts for 83% in the Netherlands, 80% in Finland, 55% in Italy, and 50% in France. In Sweden, forestry accounts for 60% of the economy, while in Finland, it accounts for 31%. Banking accounted for 50% of all jobs in France, 37% in Cyprus, 35% in Finland, 31% in Austria, and 21% in Germany. In Finland, retail accounts for 36% of total sales, while in Sweden, it accounts for 20%. Pharmaceuticals and health services accounted for 21% in Spain and 18% in Belgium, respectively. Cooperatives Europe supports the cooperative movement on behalf of its 83 member organizations from 32 European countries and in all business sectors across the region [4].

In national economies, cooperatives play a crucial role. Cooperatives play an important role in promoting social inclusion, job growth, and poverty reduction. As a result, cooperatives will help to stabilize regional economic cycles while also creating jobs. About 1 million workers are employed by 21,000 co-operatives in France, making up 3.5 percent of the workforce (2010). In 2007, consumer cooperatives regulated 36.4 percent of the retail market in Denmark.

Co-operatives are used by a large proportion of the population. Cooperatives have a high membership penetration rate compared to the general population and

hold a large market share in some industries. Co-operatives have 2 million members in Norway, out of a population of 4.8 million people. In Spain, 6.7 million citizens, or 15% of the population, are co-operative members (2008).

The cooperative sector is extremely diverse, with co-operatives varying sizes, background and lifecycle, economic sector, and so on. They can range from large retail societies in the United Kingdom with millions of members to small farmer co-operatives in Spain or Italy, large insurance providers, and small and large credit unions. Within the financial cooperative market, there is a great deal of variance in structural, legal, governance, scope, and product portfolios [8].

However, apart from membership figures, there is little evidence of co-operatives' overall economic and social effects. According to a widely cited UN report from 1994, cooperatives directly contribute to raising the living conditions of half of the world's population [36].

Different legal frameworks and concepts of cooperatives have hindered successful comparative studies at the country level, also in Europe. The European Commission (EC), the EU's politically autonomous executive arm, has recognized this challenge and has sponsored pilot studies to develop a structure for assessing cooperatives' economic contribution. These studies aim to develop new satellite accounts (used by the UN to estimate the size of economic sectors that aren't classified as industries in national accounts), update, upgrade, and/or adapt existing satellite accounts, and promote international cooperation and the sharing of best practices [30].

A second effort is focused on the developing world, where collecting accurate cooperative data has proven to be much more difficult.

The International Labour Organization (ILO) adopted Recommendation 193 on Promoting Cooperatives in 2002, which is a universally applicable instrument on cooperative policy and law [21]. It proposes that the law create a favorable atmosphere for the formation and activity of cooperatives as people's organizations and that cooperatives be treated equally to other types of business. It also says that cooperative laws should be limited to governing cooperative structures and driven



by cooperative values and principles. Over 100 countries have now reviewed, updated, or implemented cooperative policies or laws in accordance with Recommendation 193, and more are on the way.

This influenced several regional organizations to propose universal model cooperative legislation, including the following initiatives.

In 2003, the Statute for a European Cooperative Society (SCE) was adopted, which offers an optional legal form for a cooperative in Europe. The SCE also enables the formation of a European Cooperative Society by five or more European citizens from different EU countries. The aim is to make cross-border and transnational cooperative activities easier.

In several Latin American countries, cooperative and government relations have followed a different trend. Cooperatives have thrived in many countries without the intervention of a cooperative ministry or agency. The fact that rural development is a key issue in the EU countries, and the cooperative model that also has promoted by the European Union – a useful tool for overcoming fragmentation that encouraged both parties in their aim of supporting cooperative development in the country while also working on national laws under the EU Acquis [18].

ICA Europe was established in 1994. It has 40% of the overall membership. It is made up of 88 member organizations that serve 140 million people and employ over 5 million people. Market cooperatives account for 30% of the membership, agricultural and financial cooperatives for 20% each, employees for 12%, housing for 11%, and utilities for 6%. Agricultural cooperatives account for the most communities, with 37 percent, followed by housing cooperatives with 26.6 percent, and consumer and financial cooperatives with 44.6 percent and 32.1 percent, respectively.

A statistical survey conducted in 2014-15 showed that Europe was home to 34% of all agricultural cooperative societies and 14% of financial cooperatives.

The European cooperative movement employs 5 million people, with 60% working in the service sector and 20% in agriculture.

The proportion of European member organizations in the global movement is

close to 40%. The agricultural and financial sectors each account for 20% of all European organizations, while the market sector accounts for 31%.

Many cooperative organizations in West European countries have formed bilateral relations and assist their East European counterparts in a variety of ways, primarily through the transfer of know-how and expertise. There are also strong examples of sub-regional cooperation, such as in the Baltic Sea region, the Mediterranean countries, the Black Sea region, and Central and Eastern Europe, where the Czech Republic, Hungary, Poland, and Slovakia are all involved.

Agricultural cooperatives have been around for a long time in the EU, and they have a stronger presence in their industry than cooperatives in other industries. More than 60% of European agricultural output is produced by cooperatives. Some countries, for example, Denmark, Austria, Finland, and the Netherlands, produce more than 90% of certain goods, such as milk, pork, and cut flowers. It's also worth noting that their market share is growing in several industries and countries. Many of the products examined in this report, such as fruit and vegetables, meat, milk products, and cereals, are experiencing this in Belgium, Denmark, Germany, Finland, the Netherlands, and Portugal.

Nearly 11,000 agricultural cooperatives exist in the last 12 countries to be admitted to the EU. In many industries, they hold a significant market share, such as 30% in Cyprus and 65% in the Czech Republic. In contrast to their counterparts in other EU countries, they are, however, still underdeveloped. Their current condition is due to a variety of factors. One of these is the misunderstandings about cooperatives that existed during the socialist-to-free-market transformation.

The economic benefits of Agriculture Producers Cooperatives are worthy of EU support by pro-policy, public support through buying goods provided by Agriculture Producers Cooperatives, and farmer support by being a member of an Agriculture Producers Cooperatives, according to a study published in 2012 to gather support for cooperatives in the EU. In 2010, dairy Agriculture Producers Cooperatives in the EU had a market share of 57 percent, while Agriculture Producers Cooperatives in all agricultural product sectors had a market share of 40

percent” [14].

According to the Competitive Yardstick Theory, the participation of cooperatives in an agricultural sector increases competition, resulting in higher prices for both cooperative members and non-cooperative members [25]. Agriculture Producers Cooperatives, on the other hand, have varying degrees of performance depending on the agricultural sector in which they operate. According to an analysis, higher market shares are associated with higher prices in countries where dairy cooperatives have a higher market share than dairy cooperatives in other countries. This study backs up the Competitive Yardstick Theory and supports the ability of Agriculture Producers Cooperatives in some sectors to raise rates for both members and nonmembers [29].

The European Commission recognized the economic advantages of Agriculture Producers Cooperatives, so it commissioned a report in 2010 called "Support for Farmers' Cooperatives," which provided both policymakers and producers with a resource guide that summarized the benefits, challenges, and current state of cooperative agricultural participation in the EU [16]. This study aimed to describe the overall state of agricultural cooperatives in the EU, as well as to identify the laws and regulations that help or hinder farmers who produce cooperatively or want to produce cooperatively, as well as to “assist farmers in organizing themselves in cooperatives as a means of consolidating their market orientation and thus generating a solid market income” [11].

Agriculture Producers Cooperatives, on the other hand, are less common in many Central and Eastern European countries, where the public perception of cooperative participation was tainted by socialism and communism [43]. The development of cooperative agricultural sectors in the Mediterranean and Southern European countries is hampered by a lack of risk capital and other factors [21]. Barriers to cooperative development raise questions about whether current EU policies encourage cooperative activity across regions with diverse historical and socioeconomic perspectives.

Many Northern and Western European countries, including France, Germany,

Belgium, Ireland, the United Kingdom, the Netherlands, Austria, and Denmark, have membership intensities of over 50% [20]. The membership strength of Mediterranean and Southern European countries ranges from 30% to 50%, while Central and Eastern European countries such as Estonia, Latvia, Lithuania, Poland, Czech Republic, Hungary, Slovak Republic, Romania, and Bulgaria all have membership intensities of less than 30%, and in some cases less than 10% [18]. Northern and Western European countries sell more than 40% and in some cases more than 50%, of agricultural products by cooperatives [41]. Cooperatives sell about 25% to 50% of agricultural products in Mediterranean and Southern European countries like Spain, Portugal, Italy, and Greece, while 0 percent to 25% of agricultural products are sold in Central and Eastern European countries [37].

The literature connecting historical and socioeconomic determinants to various measures of cooperative development is limited in the Mediterranean and Southern European countries. However, research has identified key issues that explain why Agriculture Cooperatives in Mediterranean and Southern European countries produce less efficiently. In Greece, government meddling in cooperative affairs has turned Greek agriculture into some of the least productive in the EU, with Greek Cooperatives generating less value per Cooperatives than any other nation. Leaders of Agriculture Cooperatives became increasingly unable to defend farmers' incomes as global competition increased and commodity prices started to fall in the 1990s and 2000s, at the same time as the EU ceased using direct subsidies to help farms [16].

In the olive oil field, Spain, Italy, and Portugal have achieved national market shares of 70%, 5%, and 35%, respectively, but all three have steadily seen their market share decline. In some Mediterranean and Southern European member states, the Common Organization of Agricultural Markets for Fruit and Vegetables, which offers financial incentives to fruit and vegetable organizations, has been successful, with Spanish and Italian Cooperatives controlling about half of the fruit and vegetable market [3].

The Committee of Professional Agricultural Organizations (COPA) and the

General Committee for Agricultural Cooperation in the European Union (COGECA) was formed in 1958 and 1959, respectively, with the help of the European Commission, as representative organizations aimed at promoting the interests of Agricultural Producers Cooperatives and farmworkers at the European level [14]. COPA and COGECA are now the EU's two leading agri-cooperative and farmer lobbying groups.

This source provides some of the key statistics on cooperatives for each member state such as number of cooperatives, number of cooperative members, and an annual turnover [13]. This report provided both EU institutions and member state governments with an overview of the state of the EU and the different cooperative agricultural sectors in each of its member states. A report by Cooperatives Europe in 2015 entitled “The Power of Cooperation” was used to make up the gaps in the data from the COGECA report [25]. The report provides key statistics such as member and employee numbers for member states. This source offers key cooperative statistics for each member state, including the number of cooperatives, cooperative members, and an annual turnover [9]. This report offered an overview of the state of the EU and the various cooperative sectors in each of its member states to both EU institutions and member state governments. The Power of Cooperation, a study published by Cooperatives Europe in 2015, was also used to fill the gaps in the COGECA report [16]. The study includes key figures for member states, such as the number of members and employees.

Although Finland, Denmark, Sweden, Ireland, the Netherlands, France, and Austria all had cooperative agricultural sectors in 2010, other countries had far smaller market shares across the same sectors or only had high percentages in a few sectors [22].

As the European Community evolved into the set of supranational and intergovernmental institutions that now make up the European Union, the need for cooperative involvement in Europe remained high. Looking at cooperatives' market share in all sectors provides a macro view of how they are doing in the EU today. COPA and COGECA currently represent 70 national farming and cooperative

organizations at the EU level and 22,000 farmer cooperative organizations across the continent, according to a 2015 COGECA report [31].

Many Western and Northern European countries have 150-year-old cooperative traditions. These countries face challenges concerning the internal governance of large, increasingly international cooperatives which have been so successful that they are outgrowing their legal and structural boundaries [20]. Although countries like Spain and Greece have high rates of cooperative membership and involvement, the issue in Mediterranean European countries is internal governance and producers' "confidence in political institutions" [14].

Cooperatives and Producer Organizations have had a lot of success in Northern and Western Europe, while many Central and Eastern European countries, the Mediterranean and Southern European states, have had a lot of trouble establishing cooperative enterprises.

Cooperatives have been around for a long time in the EU, and they have a stronger presence in their industry than cooperatives in other industries. Although the EU is led by its Common Policy and cooperative organization guidelines, the Policy grants each of the EU's 28 member states autonomy in defining and supporting cooperatives.

In almost last 40 years, the cooperative landscape in North America has changed dramatically. The agricultural sector has been particularly hard hit, with many of the sector's largest co-operatives declaring bankruptcy or converting to investor-owned businesses. Simultaneously, the so-called new generation co-operatives, which are heavily oriented on agricultural commodity processing with diverse ownership structure, have grown in popularity, especially in the United States.

Consolidation has changed the credit union market, which has seen improved membership and profitability in recent years. Except for western Canada, where it has thrived after dropping on hard times in the early 1980s, and the Canadian far north, the conventional cooperative retail sector in most of North America has failed and in some cases vanished. Meanwhile, in several parts of the

United States and Canada, smaller consumer cooperatives specializing in organic/health food and fair trade goods have seen tremendous growth and success.

Globalization forces are at work through the economy and society, and these shifts in the cooperative landscape in Canada and the United States are the product of and a reaction to them. Technological advancements (such as the development of genetically modified organisms and information technology), shifting customer demands, and market deregulation are key fundamental factors driving cooperative changes. External co-operative forces must also be considered. Based on Fairbairn's findings [9], the performance or failure of a cooperative is related to three concepts: economic linkage, transparency, and cognition. As Fairbairn suggests, a co-operative can only succeed if its members believe it is an efficient agent for achieving their and other members' interests.

The basic facts and statistics [1] highlight the significance of cooperatives in North America. It demonstrates the impact of cooperatives in the Americas, regardless of scale, in terms of economics, social issues, and the environment. In Canada, four out of ten people are members of a cooperative. In Quebec, nearly 70% of the population is a member of a cooperative, while in Saskatchewan, 56% of the population is a member (2012). More than 2 million people are employed by 30,000 co-operatives in the United States (2011). Cooperatives account for 37.2 percent of agricultural GDP in Brazil and 5.4 percent of global GDP (2009). In Brazil, health cooperatives serve 17.7 million people, or nearly 10% of the population (2011). El Salvador's financial cooperatives have assets of over 1 bln USD, accounting for 9.3% of the country's total financial system. More than 10 million people are employed directly by the 6,600 cooperatives affiliated with the Organization of Brazilian Cooperatives (2011). Credit unions in Costa Rica own 8.5% of the country's financial assets (2011). Dominican Republic cooperatives with over 1 million members and direct jobs for over 40,000 citizens (2011). In the United States, farm cooperatives own a 28 percent interest in agricultural manufacturing and distribution (2010). Rural electric cooperatives in the United States serve more than 42 million customers in 47 states, accounting for 42 percent of all power lines

in the region (2010).

According to a report [29] conducted by the University of Wisconsin Center for Cooperatives with funding from the United States Department of Agriculture Rural Development, the 29,284 cooperative businesses in the United States employ over 2 million people and produce over 74 bln USD in wages annually. They account for more than 654 bln USD in sales and constitute 1% of the US Gross Domestic Product (GDP). These cooperative businesses generate 133.5 bln USD in revenue and have 3 tln USD in assets, and they provide goods and services in every sector of the economy across the world.

Table 2.1 summarizes the economic effects of the study's four aggregate economic sectors. The combined economic impacts of all subsectors that make up a given aggregate sector are added together to create this table. Agriculture, consumer products, arts and crafts, biofuels, and others, for example, make up the Commercial Sales and Marketing aggregate segment.

When total revenue impacts from the five sectors that make up the Commercial Sales and Marketing segment are added together, the total revenue is 201 bln USD, and 425,505 jobs are created. This is generated by 3,463 businesses operating out of 5,695 separate locations (establishments).

Total income - a measure of value-added for the entire economy similar to GDP - is close to 38 bln USD, with a wage effect of about 14 bln USD. Across all impact metrics, financial services are the largest aggregate industry. Credit unions, mutual insurers, and some large financial institutions that offer loan funds to cooperative businesses (or that work on a cooperative basis) are all part of this market.

The sector with the most businesses, Social and Public Services, has the lowest average effect on all metrics. Overall, 29,284 cooperatives are operating at 72,993 business establishments, generating approximately 653 bln USD in sales, 154 bln USD in revenue, >74 bln USD in compensation, and over 2 million jobs.

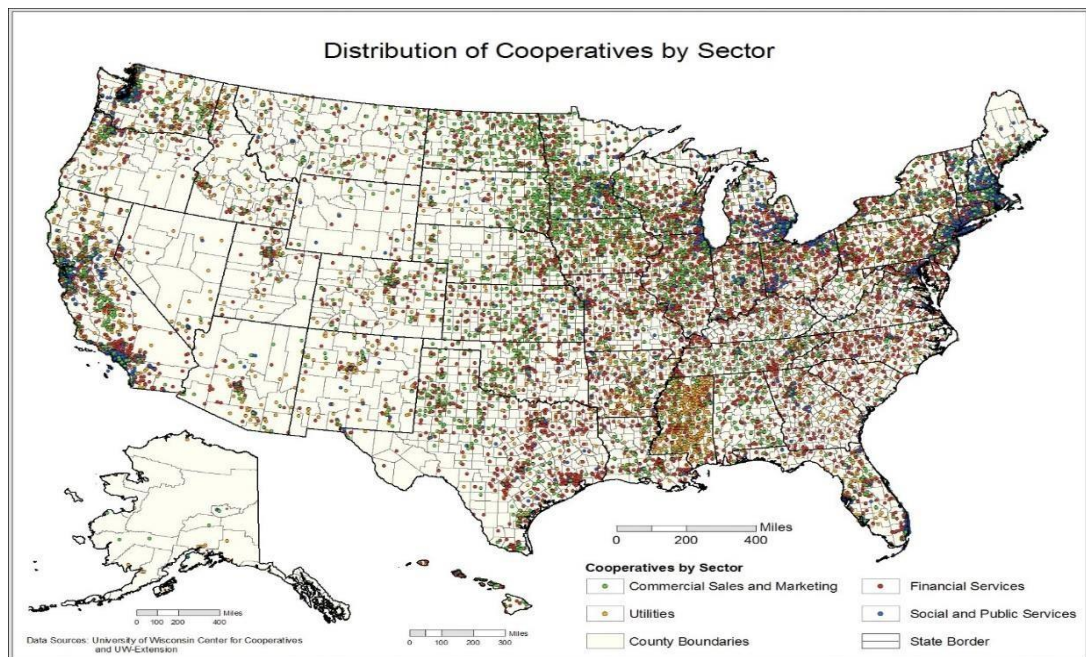


**Table 2.1 – Economic impact of U.S. cooperatives: aggregate impacts by sector**

Sector	Revenue (mln. USD)	Income (mln. USD)	Wages (mln. USD)	Employ- ment (No. of Jobs)	Firms	Estab.
Commercial Sales and Marketing	201,207	37,737	13,810	422,505	3,463	5,695
Social and Public Services	7,525	2,213	1,690	424,505	11,311	11,311
Financial Services	394,363	100,661	51,176	1,133,353	9,964	50,330
Utilities	49,808	13,392	8,292	162,873	4,546	5,657
Total	652,903	154,002	74,969	2,143,236	29,284	72,993

Source: [26].

Figure 2.1 depicts the 29,284 firms in the data by aggregate sectoral group, with each dot reflecting the position of a firm. Individual firms can be seen in this universe to ensure that they have both control and residual returns rights in the business (i.e., full ownership).



**Figure 2.1 – Cooperatives in the United States are distributed across the country**

In an attempt to adapt to globalization pressure and expectations and stay competitive with their investor-owned firm counterparts, co-operatives in Canada and the United States have experienced a range of changes, including restructuring,

adoption of new technologies, and the emergence of new organizational forms. According to Fairbairn's study [17], the success or failure of a cooperative can be attributed to three concepts: economic linkage, transparency, and cognition.

According to research [28], a cooperative will only succeed if its members trust it to act as an efficient agent for achieving their own and other members' goals. The degree to which the members' interests are related to those of the cooperative is referred to as economic linkage.

The degree of economic links is directly proportional to the level of member commitment. "A general hypothesis would be that a cooperative that cannot form a strong economic linkage with its members in at least one of these ways – mutual operational performance, commodities to meet individual needs, convenient format or venue, or even relational quality," explains the study.

## **2.2. Activity of cooperatives in the countries of Africa and Asia**

When obstacles of colonialist imperialism came tumbling down in Asia and Africa, a wave of social and economic transformations began. However, this is a slow and tough process. "Capitalism has in many ways managed to preserve the earlier relationships of economic dependency by political maneuvering, blandishments and blackmail, military threats and intimidation, and all too often by direct meddling in the internal affairs of newly-free countries. On this foundation, imperialism was able to develop and run the most sophisticated neocolonialist exploitation apparatus, as well as tighten its grip on a significant number of newly independent states [9].

'Development' was frequently pushed on the back burner. As a result, no uncontrolled centers of power could form until the state (and its leader) were well established, and "each new state...moved fast toward a one-party system" in the years

after independence [21]. "Many new [African] states... declined to expand the private sector of the economy, even though such expansion would help to economic development" for the same reason [11]. Similarly, it has been observed that "top- policymakers (in the Arab world) almost always appear ready to sacrifice economic development if it comes in conflict either with their achieving a political benefit or with the economic interests of a politically influential group" [23].

Many newly independent countries described themselves as "African Socialist" or "Arab Socialist" countries. In nations like Algeria, Egypt, Ghana, Tanzania, Tunisia, and Zimbabwe, cooperatives have been given substantial roles as instruments for both production direction and ideological mobilization of the people. Because cooperatives were connected with socialism during the 'cold' 1950s, Western powers frequently viewed plans to employ them as rural change agents with skepticism. However, during the 1960s, Western powers began to see cooperatives as "perfectly compatible with the maintenance of the private property," and they became quite acceptable to international development agencies, now treating cooperatives as "neither socialistic nor redistributive" and more important "in the sphere of marketing than in the sphere of production" [25] about shifting the focus from "community development" to "cooperation" and the "green revolution". The extent to which newly independent countries can overcome obsolete economic connections and include the masses' inactive social life will determine how far socio-economic change progresses.

In many Asian and African countries, cooperative societies can play an important role in the process of bringing different strata of the community together. Cooperatives are becoming increasingly vital in solving urgent economic and social problems, securing national sovereignty, and improving the living conditions and social participation of wider parts of the population. At the same time, tribal chiefs, community leaders, large landowners, foreign businesses, and the indigenous elite in some of these nations desire to use cooperative organizations to exploit and oppress peasants, artisans, and industry.

Given the relatively large degree of social heterogeneity that characterizes

cooperative societies in Asia and Africa, this isn't a difficult task. Owners of small-scale peasant holdings and rich peasant farms, artisans and their creditors, office workers in privately owned and state-controlled businesses, clergy, the military, and the police force are all members of cooperatives. Employees and their employers are frequently members of the same cooperative. "Outsiders usually dominate peasants; they are underdogs economically, politically, and culturally" [16]. However, peasants make up the majority of the cooperative's membership.

Peasants are one of the most powerful forces driving socio-political growth in developing countries. The peasants' attitude toward economic and social developments determines much of Asia and Africa's economic and social progress.

Cooperatives are currently the most developed form of peasant organization, intending to counteract exploitation and improve living standards and working conditions. Artisans and workers in state-owned and privately-owned businesses all have the same goal in mind.

As a result, the cooperative membership - the majority of whom are peasants, industrial workers, and artisans has comparable interests, which creates favorable conditions for cooperative working people to work together. Because of this, despite its complicated and contradictory growth, the cooperative movement is objectively a tremendous social force. The overall cooperative membership in the young Asian states has exceeded 1110 million people, while the total cooperative membership in the young African states has reached 25 million people. In each of the following countries, cooperatives represent 10% or more of the population: Algeria, Bangladesh, Burma, Ghana, India, Nigeria, Tanzania, Sri Lanka, and Ethiopia, to name a few countries.

In India, for example, cooperative producers contribute over half of India's entire sugar output; in Kenya, cooperatives control the production and distribution of more than 40% of agricultural produce. Cooperatives in Algeria, Burma, Madagascar, Tanzania, Sri Lanka, Ethiopia, and many other countries are also working hard to eradicate illiteracy and establish a healthcare system, and as well as to improve housing conditions.

Cooperation in newly independent countries is a vital and constantly evolving system that has a growing impact on the growth of productive forces and the nature of emerging production relations in society. It is not mere coincidence that Western economists, sociologists, and political scientists are attempting to foster in the leaders of national cooperative societies a variety of their conceptions of social-reformism as an alternative to the radical programs of progressive forces - who favor using cooperation as an important means of democratizing society and eliminating exploitation.

According to the pioneers of the cooperative movement, workers could eliminate exploitation, carry out a comprehensive social change, and replace capitalism with socialism. This was the notion behind Utopian Socialism, which was built on the premise that through cooperating, societal conflicts could be resolved and world harmony created.

Cooperatives, as history has shown, cannot transform the social order or defend workers from poverty and exploitation on their own under capitalism.

Workers' struggles against harsh exploitation at capitalist businesses and their determination to organize a new type of production based on just principles led to the formation of the first producer cooperatives.

Cooperatives formed in the late eighteenth and early nineteenth century were short-lived. The absence of objective circumstances for a new type of production relations, free of exploitation and oppression, dictated their demise and disappearance. The capitalists did everything they could to undermine and destroy worker-owned cooperatives.

In the middle of the nineteenth century, consumer cooperatives formed in the United Kingdom, France, Italy, Germany, and Russia, launching the cooperative movement on a large scale. The process of development, as well as the goals and patterns of the first cooperatives constituted in European countries, were very different in newly independent countries.

Despite the dire economic and social conditions in many dependent Asian and African countries, the public began to express an increasing desire to form

cooperatives. Cooperatives originally developed in nations where commodity-money connections had established themselves. Cooperatives tended to include workers who were involved in the production of export crops; few cooperatives produced farm items for the domestic market.

The colonial powers regarded that cooperatives were a good way to stimulate economic and social development was unsubstantiated because cooperative movements in most dependent countries were so slow that they had little impact on economic and social processes. Organizing the economy in a cooperative manner is highly favored [7].

The cooperative movement was essentially non-existent in Malaysia, Nepal, South Yemen, and a few other nations until the end of WWII. Following the war, the first cooperatives arose in Jordan, Iraq, Iran, Indonesia, and the Philippines.

African countries are in a similar situation. The first cooperatives in Ghana were small and disorganized. The government cooperative department did not begin working under colonial authority until 1944, and its activities were irregular. Guinea, Zambia, Madagascar, Mali, Nigeria, Rwanda, and some other nations have a small number of cooperatives [8]. Cooperatives incorporating indigenous people were formed mostly on the initiative of the burgeoning indigenous middle class in the 1930s and 1940s. It was in charge of the cooperative movement, and it wanted to use it as a means of wealth accumulation.

As a result, the battle waged by Asian and African peoples for independence from colonial rule has supported the formation and growth of cooperation, as well as fostered participation by large segments of the working population. Even though most cooperatives were quite inadequate in terms of organization, working people have begun to demonstrate an increasing interest in cooperating.

The cooperative movement is greatly influenced by the prevalence of communal relationships. The result was not entirely negative. The primitive collectivism typical of communes, as well as common land ownership, had a positive effect on the rate of cooperation among peasants in several African countries. Many of these countries (including Algeria, Burma, Guinea, Indonesia, and Madagascar)

had expected that cooperation would be a useful tool in eradicating poverty, illiteracy, and unemployment, as well as improving medical facilities.

Cooperatives had a membership of several hundred thousand persons in various nations within 5-10 years after independence. In 1956, India had 17.6 million cooperative members, whereas Sri Lanka had 1.3 million [39]. Rural areas had the highest degree of cooperation. Credit cooperatives were the most common type of cooperative in Asian countries. Rural credit cooperatives in India had 5.1 million members in 1952-53, 6.6 million in 1954-55, and 9.2 million in 1956-57. Although cooperation grew at a rapid pace in the late 1950s, it was weak from an organizational perspective, and cooperative societies in many countries lacked a clear plan of action.

Because many developing countries were experiencing financial difficulties, cooperatives in these nations were unable to apply for government funding. Competition from privately owned enterprises inhibited the progress of cooperation (especially marketing and consumer cooperatives).

Despite cooperatives have become a significant socio-economic force in many developing nations. Cooperative peasants in Kenya, for example, accounted for 90% of total pyrethrum production, 75% of cotton production, 50% of coffee production, and 30% of milk production by the 1970s. Cooperatives then produced 25% of Nigeria's cocoa and 5% of its palm oil. Cooperatives produced 817 tons of cotton, 36 tons of milk, and ten tons of oil in the Central African Republic in 1972-73.

In Ghana, Tanzania, and several other countries, cooperatives were significantly involved in key social programs such as reducing illiteracy, providing housing, and organizing medical care. Cooperatives were having a tremendous impact on the social and political challenges of many emerging nations. The cooperative movement had acquired popularity by the early 1970s, with the government becoming more involved in the management of economic affairs.

Cooperatives had come to embrace a significant proportion of the economically active population in African and Asian countries by the 1980s.

Statistics indicate that the cooperative population comprises some 30% of the Bangladeshi economically active population, 27.8% in India, 28.2% in Indonesia, 14.5% in Iran, 24.5% in Turkey, and 10.9% in Sri Lanka.

India has the most cooperatives in Asia, with a workforce of 80.5 million, of which 60 million are rural. Moreover, the number of cooperative and the size of cooperative societies have increased steadily during the past 40 years. A cooperative's average size is 230, while the total amount of capital of the cooperatives is more than 15 trln rupees.

The most successful model with a variety of formations is dairy cooperatives. Since 1965, Amul dairy cooperatives in India have served as a model for the development program known as the "white revolution," which has achieved economies of scale by collecting milk from hundreds of thousands of small farmers with a few cattle, thereby contributing to an improved living standard. "Small farmers usually form a cooperative movement" [10]. They have proven the worth of a system that provides all necessary services to small farmers at the village, district, and state levels, all under the authority of the members.

Consumer cooperatives were restricted by official oversight, but they developed a cooperative development model. In Japan and Korea, cooperative buying or home delivery to Han groups (composed of 5-6 neighbors) has been formed as a successful business model that combines business efficiency and member engagement. To decrease duties, it implemented a variety of innovations, such as computer-read order sheets and settlement through members' bank accounts. To deal with the growing individualism, it is successfully adapting to deliver to each family. In Singapore, the Fair Price Cooperative has been successful in developing supermarkets and securing a dominant position in the market.

Credit unions and cooperative banks are also on the rise in Korea, the Philippines, Malaysia, Thailand, India, and Sri Lanka, among other nations, helping people who are otherwise financially challenged. They give low-interest loans to workers, farmers, and small businesses to assist them to engage in economic activities based on "common bonds." They provide microcredit on a far wider scale



than the familiar Grameen Bank.

In Asia, university cooperatives offer a distinct growth paradigm. They're common in Japan, Korea, the Philippines, Vietnam, Thailand, Malaysia, Singapore, and India, to name a few countries. They give food, appliances, books, and credit/insurance to both instructors and students, even though many countries do not allow students to join. They contribute to the welfare of students on campus.

Health cooperatives are being organized by consumers and/or professionals in Japan, Korea, the Philippines, Singapore, Malaysia, India, Sri Lanka, and Nepal. The services in different socioeconomic and institutional environments of hospitals and clinics play a crucial role in health services. They proved to be efficient suppliers, otherwise unavailable to local communities, for essential health services. Women Cooperatives in Korea, Malaysia, India, and Iran are often organized exclusively for women. There are different reasons for making women's only cooperatives; to avoid masculine rule in mixed membership, to conform to the religious standard of gender segregation, or to promote a feminist cause. The recent development in the Philippines, etc. is Youth Cooperatives.

In the consumer sector, developments with the exception of Japan and Singapore were very slow. They have been responsible for their small size, limited participation, lack of capital, and lack of management capacity. The change from regulations to market economies in some countries has created both threats and opportunities; Indian consumer cooperatives have been exposed to tough competition following the loss of the monopoly on commodity trades. Co-operative banks and credit unions provide financial services in many countries, from basic to full banking.

Cooperatives in Africa have become quite popular. The cooperatives comprise an economically active population of 23% in Ghana, 3.1% in Zambia, 4% in Cameroon, 15.7% in Kenya, 15.7% in Mauritius, 1.7% of Moroccans, 0.8% in Mozambique, 37% in Nigeria, 3.8% in Sierra Leone and 12% in Uganda. The cooperatives are also found to have a strong economically active population. The percentage of families directly involved in cooperative societies' economic and

social activities in Africa is considerably lower than average in Asia.

Cooperatives are far from the only 'popular' organizations that have been utilized to exert control and centralization in ostensibly democratic and socialist states. In a study of labor unions in four African countries, scientists discovered that in 'socialist countries such as Tanzania, Tunisia, and Zambia, labor unions were dominated by a single party and utilized to hide disputes and co-opt leaders into government apparatus. In Egypt, the same thing happened. Likewise, the central authorities used rural cooperatives to co-opt outward groups or strata to treat (previously) socialist Tunisia and contemporary Ethiopia in favor of them. Minorities in both countries have been discovered actively attempting to prohibit others from joining cooperatives to protect their newfound privileges. When rural disputes arose in Ethiopia, the central government even provided weaponry to these "cooperative members."

Cooperatives serve about 20% of the population in developing nations, according to IGA figures [28]. Over half of all families in major nations including Bangladesh, India, Tanzania, Turkey, and Sri Lanka belong to cooperative groups. We can estimate those cooperative societies are used by at least 35% of the people in Asia and Africa.

Acute political and military conflicts in some developing countries have hampered the cooperative movement's progress. Notably, after the military coup in Indonesia in 1965, the number of consumer cooperatives fell by 5,631 and the number of members fell by 2.4 million, or nearly threefold. The military authority made it illegal for those cooperative societies to exist. As a result of Israeli aggression, cooperation had slowed significantly in Arab countries. When Israel captured part of Jordan's land in 1967, it lost nearly 60% of its cooperative groups.

According to research, young people (under 30) are the segment of the population most actively and willingly involved in the cooperative movement in developing countries. Young individuals are more likely to seek an education, therefore they have a higher proportion of educated people.

Over 40% of the population of African and Asian countries is under the age of

15. Over half of the population in Bangladesh, Ethiopia, Indonesia, Iraq, Mali, Pakistan, Thailand, and other nations is under the age of 20. Because of the high proportion of young people in the population of newly independent countries, we can expect significant growth in cooperation in the coming years.

The majority of African countries have enacted a single cooperative statute that applies to all cooperatives. These laws were substantially inspired by, if not directly taken from, the colonial powers' "model laws" after they became independent. Although following amendments gave cooperative legislation a more national character, the colonial laws' influence can still be felt.

Several former socialist countries, on the other hand, have enacted distinct legislation for various cooperative sectors. These laws are still in effect in nations like Ethiopia and Mozambique, despite political changes. Several West African countries have passed legislation governing savings and credit cooperatives, which require unique regulations and oversight due to their nature.

Until the mid-1980s, a common element of cooperative law of most African countries was the strengthening of the state's and/or the ruling party's supervision and regulatory duties. Each revision of the cooperative act gradually reduced the autonomy of cooperative societies and limited the rights of their members to a degree that cooperatives became just parastatal organizations. In the mid-1980s, this trend was reversed, owing to structural adjustments and democratic changes. As a result, cooperative acts passed after 1985 are more liberal and politically neutral.

The size of Asia's and Africa's youth populations is changing dramatically [39]. This trend can plainly be seen in Figure 2.2: Youth aged 15-24 years, by region, 1950-2060. The number of young people aged 15-24 in Asia is expected to drop from 718 million in 2015 to 711 million in 2030 and 619 million in 2060, following strong and sustained expansion in the second half of the twentieth century. Nonetheless, until roughly 2080, Asia will have more youth than any other region, according to UN forecasts, when Africa may overtake Asia.

The number of young people in Africa is continuously increasing. In 2015, Africa has 226 million youth aged 15 to 24, accounting for 19% of the worldwide

youth population. The number of young people in Africa is expected to increase by 42 percent by 2030. Africa's youth population is predicted to expand over the rest of the twenty-first century, more than doubling from current levels by 2055.

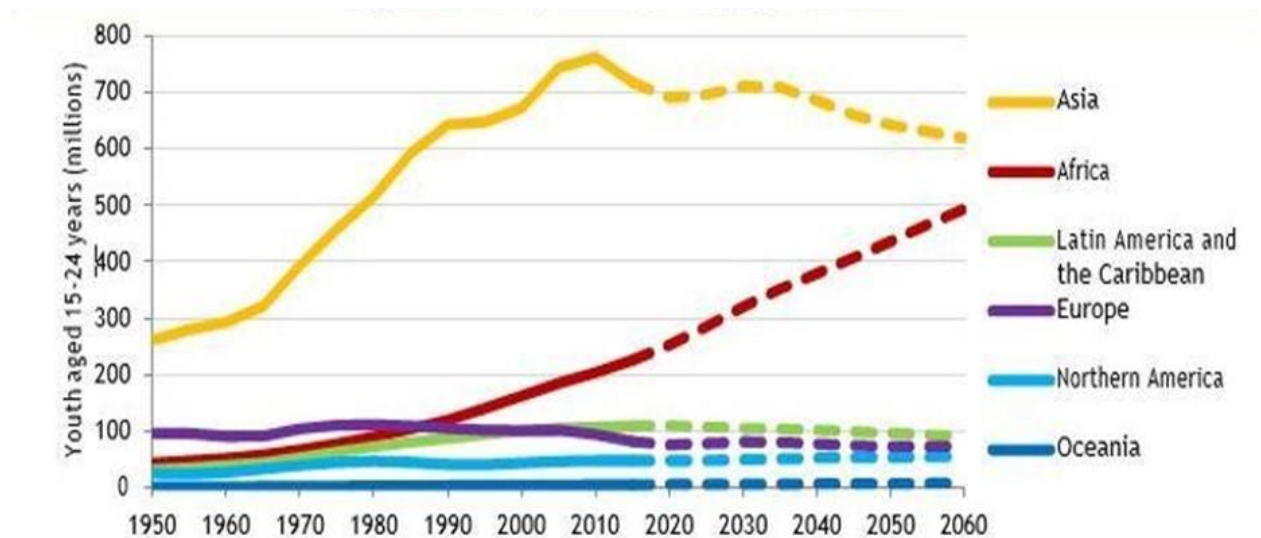


Figure 2.2 – Youth aged 15-24 years, by region, 1950-2060

Source: [26]

More than 40% of households make up cooperative societies in Africa. In many national economies, cooperatives play a crucial role, creating many salaried jobs and self-employment opportunities in all of Africa. With the tremendous increase in youth in Asia and Africa, cooperatives on both continents have a bright future.

After the economic reforms and the democratization process in most African countries, government policies towards cooperatives have changed. Many nations' economic, political, legal, and administrative environments are now conducive to the development of genuine, self-sufficient, and autonomous cooperatives and similar organizations, which can greatly contribute to job creation and the empowerment of the poorest. In a context of structural adjustment which has adversely affected the rural and urban poor, cooperative has become even more important in many countries. Cooperatives are not a miracle solution to poverty, illiteracy, and other problems, but an option that cannot be neglected for development.

## **Conclusions for chapter 2**

Cooperatives are businesses that work together. Cooperative regulatory structure and cooperative development are two things that come to mind when thinking about cooperative development. Cooperatives help to improve the living conditions of half of the world's population, according to a widely cited UN study from 1994. It can be difficult to see a link between cooperative activities due to their diversity.

The core ICA principles are gradually being incorporated into cooperative legislation at the national and international levels, whether there is a common general law that applies to all cooperatives or whether each type of cooperative has its own legal form. Cooperatives have a long history of working with a wide range of partners all over the globe.

Cooperatives have a long history in the EU, and they have a greater presence in their sector than cooperatives in other fields. Despite the fact that the EU is driven by its Common Policy and guidelines for cooperative organizations, each of the EU's 28 member states has autonomy in determining their own policies.

In most parts of North America, the worker cooperative sector is still in its infancy, except for Quebec, where government funding has supported its development and growth. Globalization forces are at work through the economy and society, and these shifts in the cooperative landscape in Canada and the United States.

The overall cooperative membership in the young Asian states has exceeded 1110 million people, while the total cooperative membership in the young African states has reached 25 million people. In the middle of the nineteenth century, consumer cooperatives formed in the United Kingdom, France, Italy, Germany, and Russia, launching the cooperative movement on a large scale.

In Africa, cooperative societies account for more than 40% of all households. Cooperatives tended to include workers who were involved in the production of

export crops; few cooperatives produced farm items for the domestic market.

The colonial powers regarded that cooperatives were a good way to stimulate economic and social development was unsubstantiated because cooperative movements in most dependent countries were so slow that they had little impact on economic and social processes. The cooperative movement was essentially non-existent in Malaysia, Nepal, South Yemen, and a few other nations until the end of WWII. Following the war, the first cooperatives arose in Jordan, Iraq, Iran, Indonesia, and the Philippines. Guinea, Zambia, Madagascar, Mali, Nigeria, Rwanda, and some other nations have a small number of cooperatives. The number of cooperative and the size of cooperative societies have increased steadily during the past 40 years.

The percentage of families directly involved in cooperative societies' economic and social activities in Africa is considerably lower than average in Asia. Cooperatives serve about 20% of the population in developing nations, according to IGA figures. Over half of all families in major nations of Asia and Africa including Bangladesh, India, Tanzania, Turkey, and Sri Lanka belong to cooperative groups. The majority of African countries have enacted a single cooperative statute that applies to all cooperatives. Each revision of the cooperative act gradually reduced the autonomy of cooperative societies and limited the rights of their members to a degree that cooperatives became just parastatal organizations.

## CHAPTER 3

### TENDENCIES AND PERSPECTIVES OF COOPERATIVE MOVEMENT

#### **3.1. Mergers and acquisitions in the cooperative sector of different countries**

We've seen a resurgence in the popularity of cooperatives over the years because co-operatives tend to perform better than traditional businesses during economic downturns. We have seen worker cooperatives, the mutuality that exists among them allows to reduce the number of bankruptcies when compared to traditional firms in distress. For example, 30 mergers among Italian production cooperatives occurred in 2009, compared to 47 in the five years 2005-2008.

Despite extensive empirical and qualitative research on merger and acquisition (M&A) activities, no well-defined, general theory of its underlying causes has been established [10]. However, some studies have helped define the fundamental factors that are likely to be important in describing merger and acquisition practices. As a result of economic globalization, business concentration strategies are becoming increasingly important, and acquisitions and mergers can be seen as excellent concentration strategies for cooperatives that need to adapt to more concentrated markets in order to achieve economies of scale in R&D and branding. The key goal of M&As has been regarded as a company's efforts to increase economies of scale, scope, market share, reputation, sustainability, and other outcomes that are essential for a company to maintain a competitive advantage. Buono and Bowditch invented the term "merger mania" in reaction to the increasingly volatile and dynamic business climate, and as a result of the desire to achieve economies of scale, minimize inefficiency, increase access to capital, encourage risk mitigation, increase the return on shares, increase market share,

market strength, and profitability. Numerous studies have been conducted on mergers, acquisitions, and other related practices, and also their effect on firm valuation. Although there is no unifying theory of the ultimate causes of mergers and acquisitions, most studies indicate that publicly traded companies do so to maximize the value of the merged company compared to the individual firms through economies of scale or operational or financial synergies. Even if the purpose of managers of acquiring firms is not malicious, managerial hubris has been proposed as a motivating factor. Other studies explain merger and acquisition behavior as a reaction to market shocks or as a result of more macroeconomic influences following "merger waves". There have been six periods of intense merger activity in the United States alone. Merger waves are a term used to describe high levels of merger activity. Cyclic activity characterizes the periods of merger waves. The First Wave (1893-1904), Second Wave (1919-1929), Third Wave (1955-1970), Fourth Wave (1974-1989), Fifth Wave (1993-2000), and Sixth Wave that occurred (2003-2008).

The findings have described many such waves in the US economy, beginning with the monopoly motive-driven wave of 1887-1904. Then came waves in 1916-1929 (public utility firms, oligopolistic mergers, vertical integration, and diversification), the 1960s (mostly of a diversifying and conglomerate nature, backed by financial developments that could fund business deals), and the 1980s (public utility firms, oligopolistic mergers, vertical integration, and diversification), and the 1990s (public utility firms, oligopolistic mergers, vertical integration, and diversification) (low stock prices, low USD exchange rate, hostile takeovers).

Research suggests that the downturn in post-conglomerate merger returns between the 1960s and 1980s was primarily due to the development of capital markets. We believe that businesses in the 1960s faced a situation that is very close to cooperatives' current situation. Since cooperatives are notoriously capital limited, mergers and acquisitions may occur as a result of the target firm serving as a pool of underutilized capital, implying that the shadow value of a cooperative's capital stock is likely to have an important, positive impact on the likelihood of a merger or



acquisition. Co-operative bank mergers and savings in Germany, findings conclude that only one in two mergers is a success. Just 5% of Italian cooperative bank mergers, according to the study increases cost efficiency.

The agricultural sector is still pivoting to keep up with consumer trends. The effect on agricultural cooperatives throughout the United States is leading to restructuring as food and commodity demand continues to increase. This, combined with a new generation of leaders, some with competitive mindsets, and a continued emphasis on member value, is paving the way for further merger and acquisition activity.

The cooperative business model continues to thrive, with more than 149 bln USD in revenue generated by the top 100 agricultural cooperatives in the United States [6]. Markets with diversified offerings will open to consolidation as the need for sustainable growth and member value continues to drive business strategies.

Increased consolidation across the entire supply chain is one of the market factors affecting the U.S. cooperative industry, especially in the agriculture sector. Lower commodity prices and a more favorable macroeconomic environment (after several years of high agricultural commodity prices), and growing globalization (economies of scale sought to reduce costs), reduced regulatory costs, higher capital requirements, increased risks and complexities, enhanced revenue, and creation of new goods are all driving M&A activity.

Agricultural cooperatives have noticed a visibly increased interest from private equity investors in rural agribusinesses. This is due in part to the establishment of the McLarty Capital Partners (MCP), Rural Business Investment Company (RBIC), the fifth RBIC established by the United States Department of Agriculture (USDA) since 2014.

MCP has the opportunity to invest 100 mln USD in small businesses in rural America that are looking to expand. It's part of the USDA's ongoing efforts to draw private capital to rural America's investment opportunities, which will help rural communities expand economically. The agriculture sector appeals to private equity investors because it offers a low-interest environment with prospects for higher

returns not usually associated with private equity investments, making it an appealing market to invest in.

Agriculture cooperatives should consider consolidating their growth options. Since late 2016, there have been more than 15 prominent mergers and acquisitions in the industry, indicating that several companies are seeing the value of collaborating. The demand for complementary and differentiated services will continue to grow. Over a generation of restructuring, agricultural cooperatives will continue to pursue growth opportunities.

From the 1930s onwards, the international dairy industry was dominated by large cooperatives that were well-positioned in their respective national markets thanks to alliances with national governments. Except for Nestlé, very few dairy firms were truly global before the 1980s. The increasing rate of concentration through mergers, takeovers, closures and new forms of strategic cooperation occurred at the same time as new markets opened in the Middle East, Asia, and Brazil. This provided new opportunities for dairy companies. Large corporations, including cooperatives, expanded their operations into countries with lower production costs (such as Argentina and Poland). As a result of so-called retailization, bargaining power within the sector has shifted from the industry to the retail sector.

Denmark has long been a global player in the dairy industry, but the dairy sector in Sweden has changed dramatically since the merger of Swedish Arla and Danish MD Foods in 2000. When French Lactalis bought Swedish Sknemejerier in 2012, things changed even further. Valio Oy, a Finnish company, has been looking for partnerships with companies outside of Finland, primarily through licensing. Valio has also put a lot of money into exporting health-related niche goods to other countries. The starting point for dairies in the Baltic countries is a little different. Valio Oy and Arla Foods have aggressively penetrated the Estonian, Latvian, and Polish markets. Companies in Estonia and Latvia faced increased competition and less profit pressure. A significant number of joint ventures with foreign companies have taken place in the Polish dairy industry.

In December 2020, the three companies Evolution, Masterrind, and Vikinggenetics (Faba, Växa, and Viking Danmark) announced the formation of the new cooperative Arcowin on January 1, 2021. With over 53,000 members, Arcowin will become Europe's largest cattle breeding business. For the best advantage of its members and global consumers in the dairy and beef industries, the new cooperative will seek to ensure the most sustainable and maximum possible genetic advancement of different breeds.

Evolution, Masterrind, and Vikinggenetics are leading cooperatives within cattle breeding with strong bases in Denmark, Finland, France, Germany, and Sweden. All three cooperatives have been trendsetters in the advancement, sustainability, and profitability of the dairy and beef industries, not just in their local markets but around the world.

Rabobank publishes an annual list of the “Global Dairy Top 20” companies. The rankings in the annual report, published in August, are based on 2019 financial data and include merger and acquisition transactions completed in 2020.

Lactalis – a giant milk producer has continued to expand in the Middle East, Africa, North American, and South American markets through acquisitions. Asian firms made significant moves, with China's Yili rising to fifth place from eighth a year ago, thanks in part to its acquisition of New Zealand-based Westland. Mengnui, China's second-largest dairy company, acquired Australia-based Bellamy's and formed a joint venture with Coca-Cola, but was prevented from acquiring another Australian company, Lion Dairy & Drinks. Without government funding, New Zealand's cooperative sector controls 70% of the meat market, 60% of the farm supplies market, and 80% of the fertilizer market.

New Zealand's Fonterra cooperative went public on the New Zealand Stock Exchange, accounting for 30% of global dairy exports. While public investors were able to purchase economic rights through a shareholders' fund, the business is still completely owned by the farmers, who have a monopoly on voting rights. As a result, cooperatives are widely used in the farming, food, and beverage markets in

New Zealand. In general, these arrangements result in higher earnings, increased support, and better representation for farmers.

The success of large multinational cooperatives like Fonterra or the Fortune 100-listed CHS in the United States serves as a reminder that cooperatives can be a competitive structure and that cooperation and competition are not mutually exclusive.

In 2019, there were 115 mergers and acquisitions in the global dairy market, up from 112 in 2018. The bulk of the transactions (64) took place in Europe, with North America (39) and Asia (38). In the first half of 2020, there have been 52 mergers and acquisitions, with COVID-19 stymieing transactions.

With around 35 bln USD worth of milk sold in 2018, the dairy industry plays a significant role in the American economy. Dairy farmers are still forming or entering cooperatives to sell milk, even though there are fewer farms than there were two decades ago. Making cheese, yogurt, and other dairy products may help cooperative members earn more money from dairy product sales, but it may also drive independent farmers out of the market. Some members may feel a lack of local influence as a result of merger practices that typically cover broader areas. To process and sell milk and dairy products, dairy farms across the US are integrating into larger cooperatives.

The dairy industry in the United States is dominated by farmer-owned dairy cooperatives, which handled approximately 85 percent of the milk sold by American farmers in 2017. Dairy cooperatives provide a variety of services to their member farmers, including bargaining with dairy processors on their behalf for price and other selling terms, such as quality and distribution timing.

Cooperatives have integrated as the dairy industry in the United States has consolidated, reducing the number of dairy farms and increasing the average farm size. As a result, the number of cooperatives in the United States that market farmers' milk has decreased significantly over time. Some of the surviving cooperatives now serve larger geographic areas. To profit from the sale of milk-based products, some cooperatives have expanded their operations from solely marketing farmers' milk to

owning and operating facilities to process, manufacture, and market a variety of dairy products.

Institutional closures and Mergers and Acquisitions (M&A) in higher education have risen in the last two decades as the sector has faced mounting financial and enrollment pressures. According to a recent survey, global M&A activity in higher education increased by 46% in 2019. With the start of the COVID-19 pandemic in 2020, there are several signs that such activity will increase. M&A operation is expected to become more common as higher education institutions adapt to changing market dynamics, owing to the COVID-19 pandemic has increased the financial and enrollment uncertainty. Shifts in student demographics from conventional college students to more "non-traditional" students. Alternatives to conventional programs include new academic pathways (e.g., credential programs). Costs of running a physical college or university campus are rising. Public funding for higher education is dwindling.

T-Mobile US Inc. announced that its proposed 26 bln USD mergers with Sprint Corporation have completed in April 2020 companies, resulting in the creation of the New T-Mobile, which will provide a groundbreaking 5G network. With more than 100 million subscribers, the merged company would compete with larger wireless competitors Verizon and AT&T.

In several European countries, the cooperative banking business exists. There are around 4,000 community and regional banks in the United States, with around 62,000 locations and 49 million customers. Although comparing international data is difficult, cooperative banks' market shares (in terms of the number of branches) are roughly 60% in France, 50% in Austria, 40% in Germany, and 30% in Italy. 10% in Spain and Portugal, and 10% in the Netherlands.

In Europe, cooperative banks established well-known central institutions and formed network alliances. Finland, France, and the Netherlands have systems that are strongly integrated and centralized. Cooperative banks in Austria and Germany have assigned fewer roles to central organizations, while their counterparts in Italy and Spain are almost entirely decentralized.

The focus of credit union merger studies has been on the United States, Australia, New Zealand, and the United Kingdom. The majority of these studies find that after a merger, members of target credit unions benefit from lower product costs, better service, and greater financial stability.

A flurry of bank acquisitions by credit unions has occurred since 2012. These transactions may not have been attempted in the past, but the recent trend of more lenient field membership criteria has made previously unimaginable credit union development a possibility. The mergers and acquisitions in the Credit Union in 2020 have been extremely volatile. After more than a decade of steady growth, credit union mergers and acquisitions reached a new low in 2020, this is illustrated in Figure 3.1 below. This severe decline was largely caused by the pandemic crisis, which forced the closing of many companies, as it was in every other sector.

In order to broaden its global business activities, the 1990s had seen an increase in consolidation through alliances, mergers, and acquisitions. These worldwide consolidations benefit markets and investors by fostering competition and facilitating cross-border capital flows.

Strategic mergers are becoming more common among credit unions as a viable alternative for long-term sustainability and relevance. Credit unions should resume purchases of local banks by 2021.

A recent survey showed that almost 60 percent of bankers are open for purchases, even though organic growth remains their main focus. An additional 28% reported that they were active buyers.

The trend of credit union consolidation shows no signs of slowing down. In 2018, the National Credit Union Association approved 187 credit union mergers and nine credit union-bank mergers. A survey conducted by West Monroe Partners of 100 credit union M&A decision-makers reveals an unwavering appetite for mergers and acquisitions in the industry, as well as a marked increase in interest in merging with non-traditional partners.

According to a 2019 online poll conducted by West Monroe Partners, which surveyed 100 business leaders whose companies were actively seeking M&As,

46% of respondents were open to combining with another credit union. The remaining 72% wanted to merge with fintech (financial technology) firms, while 32% wanted to go after banks. This group argued that collaborating with another credit union would not provide them with the better and more advanced technology that they desired.

This makes sense, given that teller transactions have dropped by 7.5 percent in recent years and nearly 12 million Americans have now deposited over 40 bln USD into their accounts via cell phones. Credit unions need a partner who can help them build a customized and easy member experience on a strong technical basis to compete in today's world.

COVID-19 has had five profound impacts on credit union merger profiles:

I. CEOs are more willing to explore acquisition opportunities than in previous years – COVID-19 is the driving force behind this approach.

II. Larger institutions are looking at targets they would not have considered before COVID, such as credit unions in distress.

III. In the run-up to the pandemic, financial institutions were well- capitalized. Capital declines may be a motivator for mergers and acquisitions, but they aren't always the case.

IV. Before COVID, smaller institutions (with assets of less than 200 mln USD) were mainly focused on smaller target acquisitions. COVID has prompted these institutions to reconsider their positions, and others are proposing equal-partner mergers.

V. Mergers of equals are being considered by larger institutions (1 bln USD in assets and up). In these situations, combining the two credit unions is always preferable. Mergers of equals have gained momentum in the community bank space over the last few years, and we expect the credit union space to follow suit in the coming years.

Acquisitions reached a new low in 2020, this is illustrated in Figure 3.1 below. This severe decline was largely caused by the pandemic crisis, which forced the closing of many companies, as it was in every other sector.



Figure – 3.1 Credit union mergers by avg. merged assets

Source: [11]

We learned at the end of this discussion that during economic downturns, co-operatives typically outperform conventional companies.

As a response to the highly uncertain, competitive market environment, and economic globalization, business concentration strategies are becoming much more relevant. In the last five years, the United States has experienced six phases of intense merger activity.

A company's efforts to increase economies of scale, market share, prestige, and sustainability, among other things, have been regarded as the primary target of M&As.

According to research, the development of capital markets was largely to blame for the decline in post-conglomerate merger returns between the 1960s and 1980s.

Since cooperatives are notoriously capital constrained, mergers and acquisitions can occur as the target firm serves as a pool of underutilized capital. As food and commodity demand continues to rise, the impact on agricultural cooperatives across the United States is causing restructuring.

This, in combination with a new generation of leaders, some of whom have competitive mindsets, and a continued focus on member value is paving the way



for further merger and acquisition activity.

With over 149 bln USD in revenue produced by the top 100 agricultural cooperatives in the United States, the cooperative business model continues to prosper. There have been more than 15 notable mergers and acquisitions in the industry since late 2016, showing that many businesses recognize the importance of working together.

Lactalis, the world's largest milk manufacturer, has continued to grow through acquisitions in the Middle East, Africa, North America, and South America. Fonterra, a cooperative based in New Zealand that accounts for 30% of global dairy exports, has gone public on the New Zealand Stock Exchange.

In the global dairy industry during 2019, there were 115 mergers and acquisitions, up from 112 in 2018. Higher education has seen an increase in institution closures and mergers and acquisitions (M&A) in the last two decades as the sector has faced mounting financial and enrollment pressures.

As higher education institutions adjust to changing market conditions, M&A deals are expected to become more popular. Cooperative banks in Europe produced well-known central institutions and network alliances.

Credit unions are increasingly turning to strategic mergers as a viable option for long-term relevance and sustainability. In the year 2020, credit union mergers and acquisitions have become highly unpredictable.

There were 187 credit union mergers and nine credit union-bank mergers approved by the National Credit Union Association in 2018.

To succeed in today's world, credit unions need a partner who can assist them in developing a personalized and simple member experience built on a solid technological foundation. CEOs are now likely to consider mergers and acquisitions. Larger institutions are looking at targets that they wouldn't have considered before COVID, such as distressed credit unions. Some credit unions are considering mergers with smaller financial institutions on an equal footing.

### **3.2. Demutualization of modern cooperatives**

This study focuses on the process of cooperative demutualization, also known as a conversion, in which cooperatives are converted into private or public owned entities. Some definitions exist that describe the mechanism by which cooperatives cease to exist and are replaced by other economic structures and entities.

Scholars and practitioners have adopted at least three different definitions of demutualization: the first, which focuses on ownership structure (Chaddad 2004 and Birchall 1998), the second, which considers deviation from traditional cooperatives (Zvi Galor 2007), and the third, which is based on cooperative values (Griffith 2004 and Barberini 2007).

"Conversion, increasingly known as demutualization, refers to shifts in the ownership structure of user-owned and managed organizations from a cooperative (or mutual) to a for-profit, proprietary organization". Demutualization is the process of converting a cooperative, credit union, or mutual into another type of organization (usually one owned by investors).

Demutualization may take place through the conversion of equity into investment securities, as well as through mergers, takeovers, and buyouts involving firms that aren't co-operatives or mutuals. At this point, we must attempt to grasp the various terms that have a specific meaning. A merger occurs when two entities agree to join forces to become a new entity. An acquisition occurs when one company buys another. A buyout usually entails a partial acquisition of another company to acquire ownership. When the shares of a transformed co-operative/mutual are given to a sponsor, it is known as a sponsored demutualization. The sponsor may be a cooperative entity or not.

The author attempts to define a situation in which members of a cooperative system are the owners of the business and profit from the fruits of their active involvement in economic activities: this organization transforms into a new entity, with new owners benefiting from the economic fruits depending on the

number of ownership shares they possess. Capital representation replaces the participation of the members.

This description ignores a crucial aspect of cooperatives, which we'll go through later. The primary explanation for cooperative conversion is that participants no longer receive the service or product at the price and quality that they have come to expect from the cooperative.

This is a process that takes place in a situation where "Demutualization refers to the decreased use of mutual organizations to provide services and produce goods and the conversion from mutual to investor ownership. The beginning of demutualization of a co-operative is when the co-operative has lost its cooperative identity and what distinguishes it from investor-owned companies.". A new aspect has been added to this definition: cooperative identity, which distinguishes cooperatives from other economic enterprises.

This is another definition of demutualization, which refers to the process of Conversion of member-owned mutualist bodies such as mutual assurance and insurance societies, friendly societies, credit unions, and co-operatives into shareholder-owned proprietary limited companies.

The financial cooperatives are emphasized in this definition. The mechanism yields a new economic structure: private shareholder limited companies. These cooperatives are mentioned as being vulnerable to being easily demutualized.

It's worth noting that all of these cooperatives have members who are also consumers, as opposed to cooperatives where users are not members. It's too early to say if cooperatives with members who aren't consumers are more likely to be demutualized.

It's crucial to understand before moving on to the next section of the discussion. When a mutual insurance company owned and run by active policyholders undergoes demutualization, it becomes an insurance company with common shares owned by its shareholders. Demutualization is not a new concept in Canada. Mutual Life Assurance Company of Canada, Manufacturers Life Insurance Company, Canada Life Insurance Company, Industrial-Alliance Life

Insurance Company, and Sun Life Assurance Company of Canada demutualized between 1999 and 2000.

In those situations, the changed companies became public companies, and qualifying policyholders received common stock in the converted companies as conversion benefits. There have been no demutualizations in Canada since the initial wave. Before Unity's demutualization, there had been no sponsored demutualizations in Canada; however, sponsored demutualizations have occurred in other jurisdictions, including the United States and the United Kingdom.

The involvement of a sponsor, as the name suggests, is what makes a sponsored demutualization distinct. All of the converted company's common shares are issued to the sponsor in a sponsored demutualization. As a result, the conversion benefits that eligible policyholders get in exchange for their ownership rights and voting power must be in a form other than common shares. Conversion benefits came in the form of money in Unity's situation. Foresters subscribed for common shares of Unity and paid a 50 mln USD subscription price to Unity following the granting of Unity's Letters Patent of Conversion. These funds were utilized by Unity to give qualifying policyholders cash conversion benefits.

The demutualization process has been studied since the early 1980s when numerous cooperatives and cooperative branches experienced this transformation into private corporations. This process resulted in some conclusions. It was discovered that waves of demutualization occurred when the market's various institutions underwent structural adjustment. Market deregulation, technological advances, and agro- industrial breakthroughs are all examples of how the "rules of the game" are changing. These changes promote market competitiveness, which is beneficial to cooperative demutualization.

Demutualization is rarely the result of influence from the members themselves. Demutualization is usually the result of pressure from the cooperative's senior staff, members of the management board, and outside advisers, the majority of whom stand to benefit from demutualization.

Demutualization has been facilitated by cooperatives that have disregarded

providing cooperative education to their members, as well as those that have reduced transparency of cooperative affairs to members. To this, one can add the cooperative's practice of requiring a small quorum when making democratic decisions, as well as the opportunity to vote via proxy.

Financial factors played a role as well: Liquidity issues, financial issues, and financial incentives all put pressure on management boards to demutualize.

According to the studies, converting cooperatives into publicly traded companies improves business efficiency and removes financial constraints for the new entity. Members of demutualized cooperatives, on the other hand, contended that while they gained in the short term, they lost control of their previous cooperative in the long run. To summarize, findings suggest that demutualization provided no benefit to members [11].

One of the most significant findings of the study is that cooperative management and board members have differing perspectives on the cooperative and its enterprise. Cooperative leaders at the highest levels lack recognition, expertise, and comprehension of what constitutes a cooperative and what cooperative values and principles are.

According to the study's findings, consumer cooperatives and electricity supply cooperatives are more vulnerable to demutualization. Insurance cooperatives were more vulnerable to demutualization than the previous two types of cooperatives. It was also discovered that by the mid-1980s, insurance cooperatives controlled half of the insurance market in the United States. However, insurance cooperatives only made up 17% of the market in 2001. The study discovered that member involvement in these cooperatives was extremely low and that the majority of cooperative members had little understanding of what a cooperative is or their role as business owners.

Demutualization occurs with a range of reasons, all of which are intertwined:

(i) Changes in the political and economic atmosphere, (ii) Lack of capital, whether perceived or real, (iii) a weak financial performance (iv) Managerial and other individuals' efforts to reposition the cooperative and benefit personally from

this repositioning, (v) Managers and/or board members want to make the cooperative more like the dominant investor-owned businesses, (vi) Members' focus on "unlocking investor value", (vii) Others' focus on "unlocking investor value" and (viii) Disengagement of members.

The decisions to demutualize cooperation or mutual organization, with extremely narrow concerns and/or with less than full information, can be made by people or groups. A range of problems was raised in connection with demutualization:

- Members may not be completely informed of the consequences for themselves and the future members of demutualization.
- Not all options have been properly considered (e.g. merging with other co-operatives or new sources of finance).
- Management and/or small influential members dominate the process of demutualization.
- Management is more enriched than justified.
- Members receive a greater share of the sale proceeds than is justified by their contribution to the cooperative's assets (e.g., current members reap the benefits accrued by previous members.)
- Loss of a cooperative or mutual in the industry will lead, both in members and non-members, to poorer products/services, and/or higher prices.
- The cooperation industry will be weakened as a result of fewer cooperatives and mutuals, and the sector's ability to support and influence educational initiatives will be reduced.
- Demutualization will make cooperatives and mutuals appear less appealing to current and potential members, harming the “brand” of the cooperative.

In some cases, demutualization makes sense. Organizational restructuring is an important way for businesses to reposition themselves and stay operational in a dynamic economy. Demutualization is one form of this restructuring that, in the right set of circumstances, can ensure the continued provision of goods or services,

the provision of higher-quality goods or services at lower costs, the development of a more competitive and dynamic economy, and the protection of investments or assets that would otherwise be at risk. The protection of investments/assets may be important to members, and/or it may be important to the government if there is an expectation that it will have to compensate members if a failure occurs, such as in the financial sector.

The many components of demutualization as indicated in our study must be identified. It was attempted to locate both common and missing elements. The definitions include the following elements:

- The cooperative's structure shifts from member to investor ownership.
- The cooperative identity is disrupted, allowing demutualization to take place.
- The demutualization process shifts the cooperative's primary goal to profit, which is what the converters prefer.

The distinction between the above-mentioned definition and that presented by Zvi Galor in 2008, which is summarized in figure 3.2, is clearly apparent and extremely deep. According to this scholar, many new cooperatives, such as the new generation cooperatives in the United States and Canada or the Cooperative Group in Italy, are at risk of being categorized as demutualization cases. This study has a somewhat different perspective, claiming that "the origin of demutualization is when the cooperative loses its cooperative identity and what distinguishes it from investor-oriented firms." In other words he identified two stages of demutualization: one in which cooperatives lose their values, and another in which investors are formally converted.

In summary, we can say that the researchers and professionals have employed at least three kinds of definitions of demutualization: firstly the structure of ownership, secondly the variation among the traditional cooperatives, and thirdly the cooperative value structures.

The description depicts several types of cooperative demutualization. Demutualization or conversion occurs when a cooperative fails to meet the

expectations of its members, both those who formed it and those who are now members: it fails to provide them with the service or product for which they created the cooperative or joined, at the price they are willing to pay and of the quality they demand.

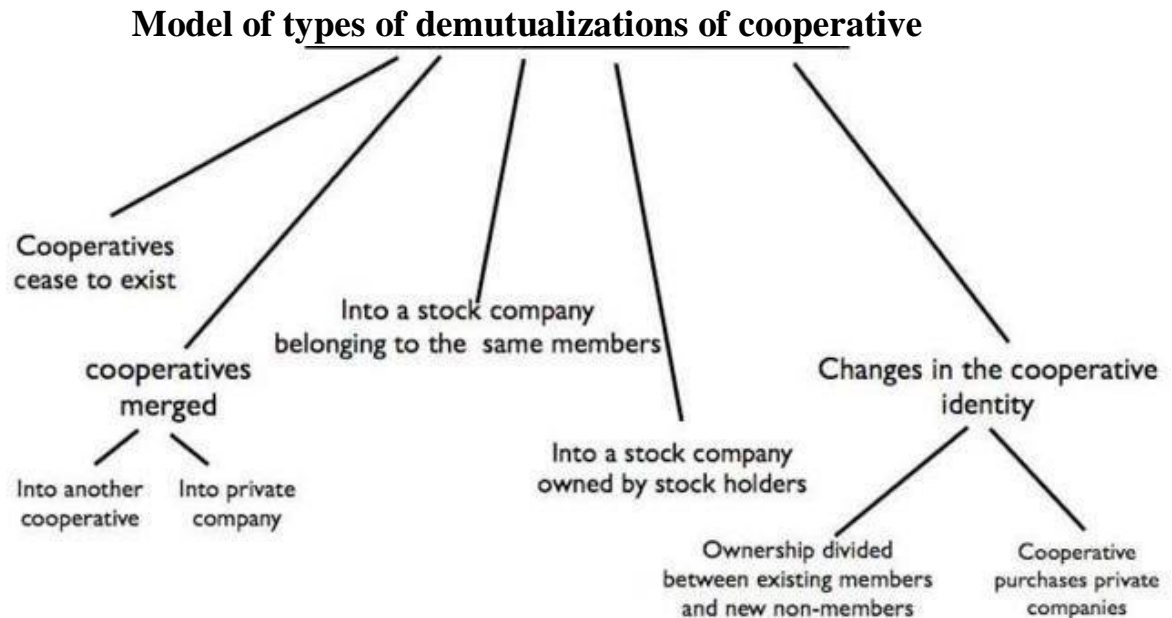


Figure 3.2 – Model of types of demutualizations of cooperatives

The cooperative may be forced to confront one of the following situations as a result of the process:

- The cooperative will be demutualized, and it will cease to exist. Members receive the remainder of the cooperative's value, which is typically a modest return [9].
- Cooperative demutualization happens when a cooperative is incorporated into a larger economic organization, such as another cooperative, a public or private entity.
- The cooperative is demutualized, and it continues to operate as a stock corporation controlled by the same members.
- Demutualization, which involves a change in the cooperative's identity, such as:
  - a) The cooperative's ownership is split between its members and new non- member owners.



b) The cooperative buys private enterprises in whole or in part.

Demutualization occurred in certain nations between 1980 and 2010, as shown in Table 3.1. After many years of demutualization in the insurance sector in the United States, the United Kingdom, and Australia, the phenomenon began to spread to other countries at the turn of the twenty-first century, including Canada, South Africa, Japan, Ireland, and others. The world cooperative movement became more challenging, despite the fact that conversions appeared to be mainly limited to two sectors: agriculture and banking.

Interest in demutualization died away only after the financial crisis hit in 2008. The financial crisis, in particular, has brought new challenges to the forefront. Consumers in certain countries, like as the United Kingdom, have returned to mutual holding societies after demutualized organizations, such as Northern Rock and Bradford & Bingley, failed. In other words, there has been a resurgence of interest in mutualization. However, demutualization continued in other countries. Dai-ichi Life, a Japanese firm, became an investor-oriented corporation. In any case, none of Japan's other three big life insurance companies have expressed interest in demutualization.

**Table 3.1 – Between 1980 and 2010, demutualization occurred in some countries**

Country	First demutualization	Other demutualization
United Kingdom	1989 Abbey National (building society)	1995-1999: 18 building societies and 4 farmer coops
Australia	1970s generalized phenomenon (farmer's coops)	1990-1999: 10 building societies and 60 general cooperatives (agriculture, stock exchange)
Canada	1999	-
South Africa	1998 Sanlam (mutual life insurance)	-
Japan	2000 Daido Life (life insurance)	2000-2010: 39 life insurance
Former socialist countries	1990s agricultural coops	-

Source: [13].

To recapitulate the topic in this section, the study focused on the cooperative demutualization process, also known as conversion. In this process, cooperatives are converted into private or public owned entities.

It may take place through the conversion of equity into investment securities, as well as through mergers, takeovers, and buyouts involving firms that aren't co-operatives or mutuals.

Demutualization is not a new concept in the United States and Canada, it's being compared to being a part of a global community. Canada demutualized between 1999 and 2000. All of a sponsor's common shares are issued to the sponsor in a sponsored demutualization.

In such situations, qualifying policyholders received common stock in the converted companies as conversion benefits. The sponsored demutualization's have occurred in other jurisdictions, including the United States and the United Kingdom.

Market deregulation, technological advances, and agro-industrial breakthroughs are all examples of how the "rules of the game" are changing. Demutualization is usually the result of pressure from the cooperative's senior staff, members of the management board, and outside advisers.

According to the studies, converting cooperatives into publicly traded companies improves business efficiency and removes financial constraints for the new entity.

The decisions to demutualize cooperation or mutual organization can be made by people or groups. Managers and/or board members want to make the cooperative more like the dominant investor-owned businesses.

Problems include members not being completely informed of the consequences for themselves and the future members of demutualization. The loss of a cooperative or mutual in the industry will eventually lead, both in members and non-members, to poorer products/services, and higher prices.

### Conclusions for chapter 3

Cooperatives often outperform traditional businesses during economic downturns. Business concentration approaches are becoming increasingly significant as a result of the very uncertain, competitive market environment and economic globalization. The United States has gone through several periods of high merger activity in the last five years. M&As have traditionally been used to expand a company's efforts to increase economies of scale, market share, prestige, and long-term viability, among other things.

Although cooperatives are notoriously capital constrained, mergers and acquisitions are viable because the target firm can act as a pool of untapped capital. The impact on agricultural cooperatives across the United States is forcing restructuring as food and commodities demand keeps rising. This, along with a new generation of CEOs, some of whom are competitive, and a continuous focus on member value, is heading down the road for more merger and acquisition activity.

The cooperative business model continues to thrive, with the top 100 agricultural cooperatives in the United States generating over 149 bln USD in sales. Since late 2016, there have been more than 15 major mergers and acquisitions in the industry, demonstrating that many companies see the value of collaborating.

Lactalis, the world's largest milk manufacturer, has continued to grow through acquisitions in the Middle East, Africa, North America, and South America. Fonterra, a cooperative based in New Zealand that accounts for 30% of global dairy exports, has gone public on the New Zealand Stock Exchange. In the global dairy industry during 2019, there were 115 mergers and acquisitions, up from 112 in 2018. M&A transactions are projected to become increasingly common as higher education institutions respond to changing market conditions. In Europe, cooperative banks gave birth to well-known central institutions and network alliances. Strategic mergers are becoming more popular among credit unions as a feasible alternative for long-term relevance and sustainability. Credit union mergers

and acquisitions have become increasingly unexpected in the year 2020.

Following a wave of demutualizations in the financial and insurance sectors in the 1980s and 1990s, as well as a series of cooperative conversions in the agricultural sector in the late 1990s and early 2000s, enough evidence has accumulated to identify the fundamental elements at work in these organizational developments. The goal of this work is to look at the pressures for demutualization and show how they are linked to multiple situations. The article's main conclusion is that demutualization, if it occurs, is not an isolated occurrence. Instead, demutualization occurs when the cooperative fails to meet its goals on other fronts, such as financial success, member participation, and, most significantly, governance. Demutualization, in effect, is an indication of a weak cooperative, one that has neglected to address critical difficulties.

There is no one-size-fits-all solution to avoid demutualization. Instead, members, boards, managers, and employees must participate in a series of actions that support the co-operative or mutual's continuous functioning as a co-operative or mutual. These activities include maintaining strong financial performance, ensuring current members can't profit inappropriately from previous members' investments; democratically engaging members to develop a clear sense of the many advantages – both financial and non-financial - that the cooperatives offer.

## CONCLUSIONS AND SUGGESTIONS

Based on this research, the following *conclusions* were formulated, which reveal theoretical and practical aspects of According to a 2018 report on Exploring the Cooperative Economy, produced by the ICA and the European Research Institute on Cooperative and Social Enterprises (EURICSE), cooperatives play an important role in the global economy. For the purposes of the report, economic and social data were collected from 2 575 cooperative enterprises and mutual organisations<sup>3</sup> around the world. As regards the financial aspects, the report established that in the reference year 2016, the 300 largest cooperatives and mutuals had a total turnover of US2 018 trillion (compared to US2 164 trillion in 2015).<sup>4</sup> According to the report, there are 3 million cooperatives worldwide, which together provide jobs for some 280 million persons, or 10 % of the world's employed population. The economic activities of cooperatives are diverse. In 2016, for instance, 33 % of all cooperatives (participating in the survey) operated in the agriculture and food industry; 19 % dealt with banking and financial services; 16 % were in other services (e.g. business services, transport, communications); 7 % were in industry and utilities; 6 % were insurance cooperatives and mutual; and 4 % operated in the health, education and social care sectors.<sup>5</sup> Some 50 % of the 2 575 cooperatives surveyed come under the European Commission's definition of small and medium-sized enterprises (SMEs) in terms of their yearly turnover (up to €50 million).<sup>6</sup> In 2016, the world's five largest cooperatives (in terms of turnover) came from Europe and Japan: Group Credit Agricola (France, banking and financial services), with a turnover of US90.16 billion; group BPCE (France, banking and financial services), with US67.78 billion; BVR (Germany, banking and financial services) with 55.36 billion USD; Zenkyoren (Japan, insurance), with US54.62 billion; and REWE Group (Germany, wholesale and retail trade) with US54.57 billion.<sup>7</sup> Taking a closer look at Europe and the EU, we could say that cooperative enterprises make a huge contribution to the European social economy.

According to the 2016 report entitled *The power of cooperation* (with 2015 as its reference year), published by Cooperatives Europe, the ICA's regional office, there were some 176 500 cooperative enterprises in Europe as a whole, with more than 4.7 million employees; of these, 131 000 cooperatives with more than 4.3 million employees were located in the EU Member States.<sup>8</sup> The total turnover of European cooperatives was €1 004 trillion; more than €992 billion of this amount was generated in the EU Member States. In Europe as a whole, more than 141 million – 17 % of the continent's population – were members of a cooperative (in the EU: more than 127 million). Between 2009 and 2015, the number of cooperative enterprises in Europe increased by 12 %, and of members by 14 %. A comparison by sector, number of employees and turnover reveals interesting facts. For instance, the retail sector, with less than 1 % of enterprises, accounts for a turnover of almost 30 %, whereas the industry and services sector, with most employees and enterprises, accounts for less than 10 % of the total turnover of cooperatives – probably.

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