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INTRODUCTION

Actuality of the research. Economic activity of cooperatives society in different countries. Understanding the role cooperatives society has played in the economic activity of different countries. Cooperative society has helped members to be able to afford the basic needs of life instead of banking on commercial banks with high interest rates. Instead, credit cooperatives just pool member savings and then lend to other members, making money go round for the benefit of their community. This ensures that every member of such cooperatives can benefit, not just a small group of people. Credit cooperatives are entirely owned and operated by their members. They take members' feedback and use it to make changes that have real benefits. A credit union may be more willing to work with a person than a bank might be if this person has poor credit or have difficulty qualifying for a loan. If the member-client is interested in getting a mortgage loan but has a poor credit history, then a credit union may be his best route to financing the new house. They may also offer educational programs that will help their members get control of their budget and develop better financial habits. This is why researching activity of credit cooperatives is of great interest and importance.

There is a certain lag in the field of ensuring the financial stability of credit-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 understand the role of cooperatives society in the economic activity of different countries. According to the purpose of the qualifying work, the following **tasks** are set:

- to highlight the origin of cooperatives society;
- to analyze basic models of rural and urban credit cooperation;
- to research activity of credit cooperatives in Germany, France, the Netherland, the USA and Canada;
- to explore ensuring the financial stability of credit-cooperative institutions;
- to predict the tendencies of demutualization for cooperative sector.

The **object** of the research is cooperative society.

The **subject** of the research is activity of 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.

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 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 of understanding the role of cooperative societies in different countries.

Qualifying work results approbation. The most significant research results were presented at scientific conference of higher education students and young scientists of specialty 292 International economic relations "Current problems of the theory and practice of international economic relations in conditions of global transformation", (Poltava, April 14th, 2023); XLVI International scientific student conference based on the results of scientific research works of students for 2022 "Current issues of the development of science and ensuring the quality of education in the XXI century", (Poltava, April 25th, 2023).

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CHAPTER 1

ORIGIN AND NATURE OF COOPERATIVE ORGANIZATIONS

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

Cooperatives are indeed a social instrument of economic self-help. They are organizations that are formed and owned by a group of individuals who come together to meet common economic, social, and cultural needs. The primary goal of cooperatives is to enhance the economic well-being of their members through collective action and mutual support.

Here are some key aspects of cooperatives as a social instrument of economic self-help:

1. **Member Ownership and Control:** Cooperatives are owned and democratically controlled by their members. Each member has an equal say in the decision-making process, regardless of the number of shares they hold. This democratic structure ensures that the cooperative operates in the best interest of its members and reflects their needs and aspirations.

2. **Economic Empowerment:** Cooperatives empower individuals by providing them with opportunities to actively participate in economic activities and share in the benefits. Members can collectively pool their resources, such as capital, labor, or expertise, to establish and run successful enterprises. By doing so, they can achieve economic self-reliance and improve their living standards.

3. **Mutual Support and Solidarity:** Cooperatives foster a sense of solidarity among members. They encourage collaboration, mutual support, and the sharing of risks and rewards. By working together, members can achieve economies of scale, negotiate better prices for inputs or services, access markets, and improve their bargaining power in relation to other economic actors.

4. **Access to Resources:** Cooperatives enable individuals to access resources that

might be difficult to obtain individually. This includes access to credit, markets, technology, training, and information. By pooling their resources, members can overcome individual limitations and benefit from collective strength and opportunities.

5. Social and Community Development: Cooperatives often have a broader focus beyond purely economic activities. They contribute to the social and community development of their members and the communities they operate in. Cooperatives can address specific social needs, such as providing affordable housing, healthcare, education, or promoting sustainable practices and environmental stewardship.

6. Long-Term Sustainability: Cooperatives are generally driven by long-term sustainability rather than short-term profit maximization. They prioritize the well-being of their members and the communities they serve over individual financial gain. This approach fosters more equitable and sustainable economic development, as cooperatives reinvest their surpluses into the cooperative itself or allocate them to benefit members or the community.

Cooperatives have proven to be successful in various sectors, including agriculture, finance, housing, consumer goods, energy, and more. They offer an alternative economic model that promotes participation, self-help, and collective action, ultimately leading to economic empowerment and improved well-being for their members.

Encouraging all within the organization to help each other, by working together to gain mutual benefits. Helping people to help themselves. Cooperative as a social instrument of economic self-help has been an effective tool in boosting the economic prospects of people all over the world. This type of economic model has been used as a way to combat poverty, inequality, and to promote fair and equitable economic systems, as well as to drive economic growth.

Cooperatives are organizations that are owned by members, and operate in a democratic fashion, with decisions being made through a consensus process. This allows for members to maintain control and ownership of the organization and its resources. Cooperatives are also self-sustaining and independent, meaning that their profits are kept within the organization, and the profits from their business ventures go directly to their members [24].

Cooperatives are also beneficial in that they can promote economic development, as well as improve the livelihoods of their members. By pooling resources and providing access to

capital and training, cooperatives are able to create a foundation for sustainable economic growth. As well, cooperatives provide an opportunity for individuals to band together, to bring their skills and resources to bear, and to make a collective impact in their communities (table 1.1) [10].

Table 1.1 – The basic cooperative principles as social instrument for economic self-help [44]

Principles	Significances for the social development of the society
1.The principle of equality of members of the cooperatives	Promotes the ideal of human relations, improves relations between members of the cooperative and raises the sense of human dignity.
2. The principle of joint management of the cooperatives by all members its members.	This principle comes from the first one and plays a very important role in creating a democratic society at the micro-level. The possibility of each members participation in the management of cooperatives presupposes a more objective expression of the will of each individual community and makes any coercion possible
3.The principle of joint liability of members of the cooperatives	Causes increase in the degree of responsibility, because each member of the cooperative perceives possible costs and losses at his own and, in fact in the event of such, loses, part of the profits, which is distributed among members at the end of the year.
4. The principle of mutual assistance	Mutual assistance in this case can be not only material but also moral and spiritual. This principle is one of the most important principles of cooperation and, in particular, credit cooperation. It increases the degree of trust and good relations between members, helps to increase the level of formation of moral and ethical values in the community of the cooperative, and through it - in society as a whole.
5. The principle of religious and political neutrality	Prevents disputes and complications in the relationship of members on religious and political grounds. This principle also prevents any dependence of cooperatives on religious or political institutions and organizations
6. The principle of limiting the geographical area of the cooperative	Provides a situation when most members of the cooperative know or have the opportunity to know each other personally, which increases the degree of responsibility to each other, and hence - the degree of efficiency of the cooperative institution.

Table 1.1 is describing and giving us more perspective of cooperatives as a social instrument of economic self-help. Members of the society are benefiting from cooperatives.

It continues to improve the standard of living of its members. Cooperatives have been credited with promoting financial and social inclusion, given their open, democratic, and transparent nature. This has been seen in the way that cooperatives have been utilized to help those who are often marginalized in society, such as indigenous populations, women, and youth.

Cooperatives also have potential to change the nature of the development agenda, by providing people with the opportunity to exercise their collective voices and influence decision-making processes that are beneficial to their communities. Cooperative as a social instrument of economic self-help has been a powerful tool for economic advancement, providing economic opportunities to marginalized groups, and improving access to resources and training. Ultimately, cooperatives provide an effective tool for collective action, community development, and economic empowerment.

Despite their age, cooperatives are not very popular, except recently when the need for startup business having access to funding began to increase ministries of business, industry, or community development, which also included cooperative units as a component of the ministry. Worker's cooperatives have only recently begun to gain popularity among working class people, the majority of whom find it challenging to set aside some of their salaries or wages for emergencies. Previously, co-operatives were believed to be organizations reserved for farmers, small business owners, and other people with extremely low incomes. The problem is that the majority of people are not very knowledgeable about cooperatives or their contribution to global economic empowerment. In Nigeria and around the world, cooperatives are now the foundation for small and medium-sized business entrepreneurship.

In order to shed more light on the nature, traits, benefits, formulation, and administration of cooperative societies as well as how co-operatives as a helped the economy of countries, recent studies have estimated that the GDP contributions of cooperatives in the world increased from 6.7 trillion in 2017 to 8.5 trillion in 2020. The number of members in cooperatives in the world has also risen from 850 million in 2015 to 945 million in 2020, with an additional 300 million members expected by 2030. These figures demonstrate the immense impact of cooperatives on the global economy.

The cooperative movement has also had a substantial impact on job creation. According to statistics, the number of jobs generated by cooperatives worldwide rose 5.2% year-on-year in 2020, and reached a total of 250 million in that year alone. This means that 10% of the global workforce is employed in cooperatives, providing a crucial lifeline to local communities.

In addition, cooperatives help to reduce poverty by providing small and medium-sized enterprises with access to capital and various other resources, such as equipment and technical advice. This helps to empower the local communities and strengthens the global economy.

Overall, cooperatives have had a major role in the economic development of countries and the global economy. They provide key resources to small and medium-sized enterprises, support job creation, and help to alleviate poverty. With the momentum continuing to grow and more people joining cooperative initiatives, cooperatives are set to have a greater-than-ever impact on the global economy.

Co-operatives are a special tool for achieving one or more economic goals in the increasingly competitive global economy, regardless of their type, size, location, or purpose. Achieving economies of scale, enhancing bargaining power when dealing with other businesses, buying in bulk to achieve lower prices, obtaining goods or services elsewhere if possible, gaining access to new markets or expanding existing ones, enhancing the quality of goods or services, obtaining credit from financial institutions, and expanding are some of these objectives. Businesses and cooperatives function very similarly. A market must be effectively and efficiently served by them. Both their management and financial viability must be excellent. Co-operatives are distinctive due to a few key differences, though.

In relation to three key groups of people who are responsible for bringing about and maintaining the operation of co-operatives, examines the differences between co-operatives and other businesses.

The three groups are: those who own them (shareholders, investors), those who control them (effective decision-makers), and those who use them (customers). He claimed that these three were separate and distinct groups in conventional capitalist business, particularly large enterprises and multinational corporations.

Due to the close relationship between shareholders (investors) and control in small private businesses, the situation is generally much better. In a small retail business, for example, the first two components are often identical. The customers and users, however, remain a distinct group.

The successful example of co-operative business provided by the Rochdale society, which also established between 1850 and 1855 a flourmill, a shoe factory and a textile plant, was quickly developed throughout the country. By 1863 more than 406 British co-operative associations, modelled after Rochdale society, were in operation, thereafter, the model for similar movements worldwide. In 1895, International cooperative Alliance (ICA), a nongovernmental organization was established as umbrella organization to promote friendly and economic relations between co-operatives organization, of all types, nationally and internationally. The major objective of the ICA is to promote and strengthen autonomous co-operative organization throughout the world. The ICA also aims to promote exchange of information such as news and statistics between co-operatives through research and reports, directories, international conferences and two quarterly publications: it represents the co-operative movement generally, for instance through its membership of the UN.

Since its creation, the ICA has been accepted by corporations throughout the world as the final authority for defining co-operatives and for determining the underlying principles, which give motivation to co-operative enterprise. World membership in ICA gives some idea of the size of the co- operative movement today. In 1895, the founding congress had 194 members, in the mid-1980s. the ICA recorded a membership of about 355 million individuals; in 1999, the ICA S organization represented 750million people; and since 2002 it was estimated that more than 800 million people are members of worker, agriculture, banking, credit and savings energy, industry, insurance, fisheries, tourism, consumer co-operatives societies.

Before 1995, the ICA has made two formal statements of the co- operative principles, in 1973 and 1966 while in 1995 the ICA redefines, restates and expands the co-operative principles from six to seven in order to guide co-operatives organizations at the beginning of the 21st century. The principles are: Voluntary and open membership; Democratic member control, Member economic participation, Autonomy and Independent, Education,

Training and Information, Cooperation among co-operatives, and concern for community. The importance of the above principles is that co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept responsibilities of membership without gender, social, racial, political or religious discrimination [20].

They are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women saving as elected representatives are accountable to the membership. Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible, benefiting members in proportion to their transactions with the co-operative and supporting other activities approved by the membership. Also, co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that are democratically controlled by their members and maintain their co-operative autonomy. They provide education and training for their members, elected representations, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public particularly young people and opinion leaders about the nature and benefits of cooperation. They also serve their members effectively and strengthen the co-operative movement by working together through local, national, regional, and international machineries. Co-operatives work for the sustainable development of their communities through policies approved by their members [22].

Co-operatives are community-based rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development. The process of development and sustaining a co-operative involves the processes of developing and promoting community spirit, identity and social organization as co-operatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development. Co-operatives are viewed as important tools for

improving the living and working conditions of both women and men.

Since the users of the services, they provide owned them, co-operatives make decisions that balance the need for profitability with the welfare of their members and the community, which they serve. As co-operatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection. Hence, co-operatives accord members opportunity, protection and empowerment-essential elements in uplifting them from degradation and poverty. As governments around the world cut services and withdraw from regulating markets, co-operatives are being considered useful mechanisms to manage risk for members and keep markets efficient.

Cooperatives have had a significant impact on the global economy, with their multiple benefits helping to drive economic growth in both developing and developed countries alike. Cooperatives have played an important role in providing economic opportunities to members, providing access to credit and capital, helping to improve access to markets, and providing employment and increased incomes.

The World Council of Credit Unions, a global association of credit unions, reports that there are over 250,000 cooperatives operating in 164 countries. In 2019, cooperatives employed over 278 million people – more than 10 percent of the world's population – and generated 3.3 trillion USD in revenue. These figures show that cooperatives play a significant role in the global economy [38].

One of the main benefits of cooperatives is that they allow members to share resources and expertise, making them more resilient to economic shocks. Their members also benefit from increased access to capital and reduced risk, as they are able to pool together funds and resources to increase their financial stability. Furthermore, cooperatives are a critical source of employment in rural and impoverished areas, providing jobs and additional economic opportunities.

Overall, cooperatives play an important role in the global economy by providing economic opportunities to members, aiding with business expansion and providing access to markets, and helping to reduce risk and increase financial stability. Their success can be seen in their impressive numbers, and their impact on the global economy is only expected

to increase.

In a number of ways, co-operatives play important role in global and national economic and social development. With regard to economic and social development, co-operatives promote the fullest participation of all people and facilitate a more equitable distribution of the benefits of globalization. They contribute to sustainable human development and have an important role to play in combating social exclusion. Thus, the promotion of co-operatives should be considered as one of the pillars of national and international economic and social development. In addition to the direct benefits they provide to members, co-operatives strengthen the communities in which they operate. co-operatives are specifically seen as significant tools for the creation of decent jobs and for the mobilization of resources for income generation. Many co-operatives provide jobs and pay local taxes because they operate in specific geographical regions. Besides, since those concerned hold meeting from time to time therefore, they also discuss unity of purpose and proper integration of the society as well as conversing for peaceful co-existence: this can reduce the case of criminality, poverty and terrorism in the third world countries. In Nigeria, co-operatives can provide locally needed services employment, circulate money locally and contribute to a sense of community or social cohesion.

They can provide their employees with the opportunities to upgrade their skills through workshops and courses and offer youth in their base communities short and long-term employment positions. Student could also be employed on casual-appointment basis during long vacations and enhance economic development.

The original group of individuals are usually potential users of the co-operatives. They often have leadership and organizational skills. They organize informational meetings for other potential users and discuss topics such as: how the proposed co-operative could meet identified needs, co-operative operational practices, advantages and disadvantages of the co-operative business structure, member investment and financial requirements, and member commitment needed, legal, tax, and finance issues, and product experts may save the group from making expensive mistakes and losing valuable time. Criteria used for selecting advisors should include: level of co-operative experience, ability to work as a team, understanding of issue related to start-up organizations, and objectivity [77].

Cooperative societies are a special kind of group where people get together to own and run a company together. This kind of business model comes with its own set of difficulties, such as problems with group decision-making, member satisfaction, and shared incentives.

Collective decision making can be difficult in cooperative societies. It is not always easy to reach agreement on issues related to the running of the business. This can lead to disputes and disagreements which can be disruptive to the organization.

Cooperative societies can be an effective organizational paradigm despite its difficulties. Cooperatives can be effective and efficient and support members in achieving their goals if the proper management and governance systems are in place. An essential first step in developing a successful organization is realizing the difficulties involved in founding and running a cooperative society.

Thus, a co-operative is a distinctive type of business that people use for their mutual benefit. No matter the co-operative's goal or membership, starting one takes a lot of effort, time, commitment, and technical resources. The development and effective operation of a cooperative depend on the identification of a shared need.

To develop their new business, prospective members must invest a lot of time and effort. A co-operative needs its members' commitment to use and fund the company, as well as their choice of knowledgeable directors who hire a capable manager. For the cooperative to succeed, it's critical to coordinate all the necessary components with a strategic business plan.

So, co-operatives of all kinds must see themselves and, to the extent possible, act as a separate sector within the national economy of any country in order to reach their maximum strength and effectiveness. Co-operatives must contribute significantly and in a unique way to resolving some of the enormous issues that face humanity today in order to justify their existence and achieve their purpose. The government is expected to set up a favorable institutional, legal, and policy environment, provide support measures based on activities, exercise oversight on par with other business and social organizations, adopt policies to increase the financial inclusion of underserved groups, and, most importantly, push for the formalization of the informal economy [19]. By making it easier for

cooperatives to access support services, particularly those related to the development of human resources, the government can make a significant contribution to improving cooperative performance.

1.2. Origin and popularisation of the first cooperatives

From time immemorial, people recognised the need to work together to increase their success in hunting, fishing, gathering food, building shelter and meeting other individual and group needs. These examples of informal cooperation were the precursors to the cooperative form of business.

The origins of modern cooperatives can be traced back to the beginning of the 19th century in Great Britain and France. Many workers lost their livelihoods as a result of the industrial revolution.

The first documented consumer co-operative was founded in 1769 in Fenwick, East Ayrshire, when local weavers processed sacks of oatmeal in John Walker's whitewashed front room and began selling the contents at a discount, this led to the formation of the Fenwick Weavers' society [32].

Robert Owen, said to be the father of the cooperative movement, established the first cooperative society at New Lanark in England between 1771 and 1858. His goal was for villages of co-operation, a "New World Order" of mutual help and social equality and brotherhood. Those who believed in his work were known as co-operators or socialists [44].

A successful businessman, Owen installed a model community around his cotton mill at New Lanark, on the Clyde, between 1800 and 1820. He paid more wages for shorter hours than his competitors, provided housing and education, and nevertheless made profits. His model was not successful.

Owen's ideas were taken up by William King of Brighton, who founded a monthly periodical, *The Cooperator* in 1827, urging the formation of small local co-ops to eradicate poverty.

In the 1840s Rochdale was a centre for working class activity. The many strikes against the falling wages of cotton and woollen workers failed to improve wages and conditions [77].

A group of 28 weavers turned to the ideas of Owen and King. They started the first successful co-operative enterprise, the Equitable Pioneers of Rochdale. Over a year each saved £1, and with the £28 they leased a property in Toad Lane and started trading in 1844 [46].

At first the shop only sold five basic items - butter, flour, sugar, oatmeal and candles - but after very many difficulties expanded very quickly.

The founders drew up what are now known as the Rochdale Eight Principles:

1. Democratic control: one member, one vote
2. Open membership
3. Fixed or limited interest on capital
4. Dividend on purchases
5. Trading strictly cash
6. Selling of pure and unadulterated goods
7. Provision of education of members in co-operative principles
8. Political and religious neutrality

In the following years the Rochdale Pioneers opened new branches and many other societies were formed. By 1900 there were 1439 different co-operative societies and around 2 million members [34].

To be able to buy in the best markets, the North of England Wholesale Society was established in 1863, and soon became the Cooperative Wholesale Society (CWS). It extended activities into manufacturing, farming and importing.

In 1883, the "Woman's League for the Spread of Co-operation" was formed by Alice Acland, the editor of the "Women's Corner" in the Cooperative news publication and Mary Lawrenson, a teacher. They recognized the importance of a women's organization within the Co-operative movement in order to spread cooperation even further. Launched in June with a membership of 50, the first branch was set up in Hebden Bridge in September. The League was renamed the Women's Cooperative Guild in 1884 and already had six different

branches across the country with over 195 members [36].

The Guild was involved with attending to women's issues and expanding the Cooperative Movement. They further published articles in the “Women’s corner” about women's participation in the cooperative movement and later in her own publications such as "The Importance of Women in the Cooperative Movement". Under the guild, the Sunderland Cooperative was founded in 1902, which provided for poor working-class women. They participated in numerous political campaigns related to women's health, women's rights to participate in politics and many more related activities [37].

In the United States, cooperative societies appeared very early, reflecting both the European heritage of early settlers and the basic need for cooperative solutions to rural conditions. The development of cooperative organisations in the USA are rooted in the disruption that characterized the Industrial Revolution in England during 1750-1850.

The development of cooperative societies of certain economic sectors sometimes took different paths, influenced by the social and market conditions of a certain time and place. There was also considerable cross-pollination between sectors, particularly where wider socio-economic forces were at work. However, it is in the agricultural sector, that cooperatives have had the most significant economic impact in the U.S.

Founded in 1752 by Benjamin Franklin was the first recognized cooperative business in the U.S. It was a mutual fire insurance company and continues to operate today [62].

The first recorded milk and cheese cooperatives was established in 1810, followed by other agricultural commodity cooperatives. These early cooperative efforts among agriculturists were local, independent of larger organizations, and relatively short-lived. During this period, small local cooperatives were formed that bought products in bulk for members and sold them at cost price. Many of these consumer cooperatives developed independently during the 19th century; before 1866 they could be found in the most important industrial cities nationwide [72].

The westward expansion in the first half of the 19th century created a surplus in agricultural production as those lands were settled and cultivated. Farmers faced difficult economic conditions that included low prices, wide marketing margins, high freight charges, and high interest rates. Marketing cooperatives were organized by farmers to counter these

conditions.

One organized effort to develop consumer cooperatives was the establishment of Boston's Workingman's Protective Union in 1845. It was the first known consumer cooperative. The country's first organization to promote cooperative values and the Rochdale principles was the Order of the Patrons of Husbandry, known as "the Grange" that started after the Civil War. The Grange sought to eliminate the costs associated with the middleman by bringing farmers and manufacturers, and producers and consumers, into direct relations.

In 1875 the Grange endorsed the Rochdale Principles. Its cooperative development efforts led to the formation of hundreds of agricultural marketing and purchasing cooperatives, as well as cooperative stores for consumer goods, however, poor business practices and differences in member priorities contributed to the Protective Union's decline.

The cooperative model has been existent in the United States for a long time, including a factory in the 1790s, the Knights of Labor, and the Grange. The Meadowlark Cooperative in Colorado operates the only private free land program in the United States, offering many services to its members who buy and sell together.

Around 2010, several food cooperatives were founded in New York, with others being added, some dating back to the 1970s. There are several types of worker cooperatives in the United States, such as a home care agency, organic bakery cooperative, and an engineering firm.

In the early 1930s, electric cooperatives became an important economic strategy for rural areas in the United States of America and continue to operate successfully through events such as 2012's Hurricane Sandy. Credit unions were established in 1908. Also, agricultural cooperatives in the United States have had huge successes, including Welch's, Ocean Spray and Land O'Lakes [43].

Today, cooperatives are found in all sectors of the American economy. Market changes and increased concentration in many sectors present competitive and financial challenges for businesses and consumers. The cooperative model remains one method that groups and communities can effectively use to meet their needs for goods and services [50].

Cooperatives were successfully established after Rochdale and in 1895 an

international association was formed. Cooperatives are now widespread, one of the largest and most successful examples being the industrial Mondragón Cooperative Corporation in the Basque Country, Spain. Mondragon Co-op was founded under the oppressive conditions of Fascist Franco-Spain after community-based democracy-building activities of a priest, Jose Maria Arizmendiarieta. They have become an extremely diverse network of co-operative enterprises, a huge enterprise in Spain, and a multinational concern [73].

In many European countries, cooperative institutions have a predominant market share in the retail banking and insurance businesses. There are also concrete proposals for the cooperative management of the common goods, such as the one by initiative 136 in Greece.

In the UK, co-operatives formed the Co-operative Party in the early 20th century to represent co-operative members in parliament. UK co-operatives retain a significant market share in food retail, insurance, banking, funeral services and tourism in many parts of the country [74].

Denmark had a strong cooperative movement, especially in agriculture and industry. Co-housing is also common in Denmark, where residents share a common dining and living room. In some cases, housing estates are financed by a Danish housing association, but sometimes the land and property are jointly owned by the residents.

Co-operatives were also successful in Yugoslavia under Tito where Worker's council gained a significant role in management.

Asian societies have adopted the co-operative model, consisting of a number of the successful societies in the world. Nevertheless, the crises generated with the aid of using conventional inequalities and the shareholder model continues to require civil society and entrepreneurial responses, which includes 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.

The International Labor Organization, originally established in 1919, has a Co-operative Division. [46]

In Nigeria, Cooperatives have always existed in the traditional Nigerian society in the form of informal savings groups e.g., “Esusu” and “Ajo”. “Esusu” is a fund to which a group

of individuals having common interest make a contribution of an agreed fixed amount of money, handed to one person acting as treasurer. Members make use of the money in turns, making allowance for a member in urgent need of a loan or advance. The loans do not attract interest.

In the case of “Ajo”, individuals contribute fixed amounts of money on a daily basis which are collected by the Ajo collector. At the end of each month, the contributors receive their total savings less one day’s contribution.

The first recognized traditional cooperative is the Agege Planter’s Union made of over 400 cocoa farmers in 1907. The modern cooperative was introduced to Nigeria in 1926 when the Ministry of Agriculture in the colonial government of Sir Graeme Thomson recognised and re-organised the cocoa producers’ cooperatives of Agege Planters union and Egba farmers union in the cities of Abeokuta and Ibadan into marketing cooperatives to drive the sales of their produce, the success of this cooperatives was soon replicated across the Western region (table 1.2).

Table 1.2 – The countries where cooperatives first originated [45]

Country	Origin of the first cooperatives	Year it was established
United Kingdom	Robert Owen, said to be the father of the cooperative movement, established the first cooperative society at New Lanark in England.	It was established between 1771 and 1858.
USA	Founded by Benjamin Franklin was the first recognized cooperative business in the U.S. It was a mutual fire insurance company and continues to operate today.	Established in 1752
Nigeria	The first traces of organized cooperation in Nigeria were by a group of farmers who came together in a suburb of the old Lagos colony of Nigeria. They called it the Agege Planters Union	It was established in 1907

The difficulty of the Cooperatives accessing loans from Commercial Banks led the Western Regional Government through the Cooperative Investment Trust Fund to establish a cooperative bank to finance the business of cooperatives. In 1995, the bank with assets running into billions of naira merged with four other banks namely Prudent Bank, EIB, Bond Bank and Reliance Bank to form Skye Bank Plc (now Polaris Bank Plc).

The cooperative movement began in Europe in the 19th century, primarily in Britain and France. The industrial revolution and the increasing mechanisation of the economy

transformed society and threatened the livelihoods of many workers. The concurrent labour and social movements and the issues they attempted to address describe the climate at the time.

The first documented consumer cooperative was founded in 1769, in a barely furnished cottage in Fenwick, East Ayrshire, when local weavers manhandled a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount, forming the Fenwick Weavers' Society.

In 1810, Rev. Henry Duncan of the Ruthwell Presbyterian Church in Dumfriesshire, Scotland founded a friendly society to create a cooperative depository institution at which his poorest parishioners could hold savings accounts accruing interest for sickness and old-age, which was the first established savings bank that would be merged into the Trustee Savings Bank between 1970 and 1985.

In the decades that followed, several cooperatives or cooperative societies formed including Lennoxton Friendly Victualling Society, founded in 1812.

By 1830, there were several hundred co-operatives. Some were initially successful, but most cooperatives founded in the early 19th century had failed by 1840. However, Lockhurst Lane Industrial Co-operative Society (founded in 1832 and now Heart of England Co-operative Society), and Galashiels and Hawick Co-operative Societies (1839 or earlier, merged with The Co-operative Group) still trade today.

It was not until 1844 when the Rochdale Society of Equitable Pioneers established the "Rochdale Principles" on which they ran their cooperative, that the basis for development and growth of the modern cooperative movement was established.

Financially, cooperative banks, called credit unions in the US, were invented in Germany in the mid-19th century, first by Franz Hermann Schulze-Delitzsch (1852, urban), then by Friedrich Wilhelm Raiffeisen (1864, rural). While Schulze-Delitzsch is chronologically earlier, Raiffeisen has proven more influential over time – see history of credit unions. In Britain, the friendly society, building society, and mutual savings bank were earlier forms of similar institutions.

Robert Owen (1771-1858) is considered as the father of the cooperative movement. A Welshman who made his fortune in the cotton trade, Owen believed in putting his workers

in a good environment with access to education for themselves and their children. These ideas were put into effect successfully in the cotton mills of New Lanark, Scotland. It was here that the first co-operative store was opened. Spurred on by the success of this, he had the idea of forming "villages of co-operation" where workers would drag themselves out of poverty by growing their own food, making their own clothes and ultimately becoming self-governing. He tried to form such communities in Orbiston in Scotland and in New Harmony, Indiana in the United States of America, but both communities failed.

Although Owen inspired the co-operative movement, others – such as Dr. William King (1786-1865) – took his ideas and made them more workable and practical. King believed in starting small, and realized that the working classes would need to set up co-operatives for themselves, so he saw his role as one of instruction. He founded a monthly periodical called *The Co-operator*, the first edition of which appeared on 1 May 1828. This gave a mixture of co-operative philosophy and practical advice about running a shop using cooperative principles. King advised people not to cut themselves off from society, but rather to form a society within a society, and to start with a shop because, "We must go to a shop every day to buy food and necessities – why then should we not go to our own shop?" He proposed sensible rules, such as having a weekly account audit, having 3 trustees, and not having meetings in pubs (to avoid the temptation of drinking profits).

The Rochdale Society of Equitable Pioneers was a group of 10 weavers and 20 others in Rochdale, England, that was formed in 1844. As the mechanization of the Industrial Revolution was forcing more and more skilled workers into poverty, these tradesmen decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool one pound sterling per person for a total of 28 pounds of capital. On December 21, 1844, they opened their store with a very meagre selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. The Co-operative Group formed gradually over 140 years from the merger of many independent retail societies, and their wholesale societies and federations. In 1863, twenty years after

the Rochdale Pioneers opened their co-operative, the North of England Co-operative Society was launched by 300 individual co-ops across Yorkshire and Lancashire. By 1872, it had become known as the Co-operative Wholesale Society (CWS). Through the 20th century, smaller societies merged with CWS, such as the Scottish Co-operative Wholesale Society (1973) and the South Suburban Co-operative Society (1984).

By the 1990s, CWS's share of the market had declined considerably and many came to doubt the viability of co-operative model. CWS sold its factories to Andrew Regan in 1994. Regan returned in 1997 with a 1.2 billion pounds bid for CWS. There were allegations of "carpet-bagging" – new members who joined simply to make money from the sale – and more seriously fraud and commercial leaks. After a lengthy battle, Regan's bid was seen off and two senior CWS executives were dismissed and imprisoned for fraud. Regan was cleared of charges. The episode recharged CWS and its membership base. Tony Blair's Co-operative Commission, chaired by John Monks, made major recommendations for the co-operative movement, including the organization and marketing of the retail societies. It was in this climate that, in 2000, CWS merged with the UK's second largest society, Co-operative Retail Services.

Its headquarters complex is situated on the north side of Manchester city center adjacent to the Manchester Victoria railway station. The complex is made up of many different buildings with two notable tower blocks of New Century House and the solar panel-clad CIS tower.

Other independent societies are part owners of the Group. Representatives of the societies that part own the Group are elected to the Group's national board. The Group manages The Co-operative brand and the Co-operative Retail Trading Group (CRTG), which sources and promotes goods for food stores. There is a similar purchasing group (CTTG) for co-operative travel agents.

So, we see how long cooperatives have been dated back too. Cooperatives has played a significant role in the development of different countries and cooperatives has improved the standard of living of the members of the society.

Conclusions for chapter 1

Cooperative societies have proven to be a powerful social instrument of economic self-help. Through their principles of voluntary participation, democratic decision-making, and equitable distribution of benefits, cooperatives have effectively empowered individuals and communities to address economic challenges collectively. By pooling resources, sharing risks, and fostering collaboration, cooperatives have facilitated access to essential goods and services, improved livelihoods, and promoted sustainable development.

Moreover, cooperatives have played a vital role in promoting economic democracy. By granting each member an equal voice in decision-making processes, cooperatives ensure that power is distributed fairly and that all stakeholders have a say in shaping the organization's direction. This democratic structure not only fosters a sense of ownership and responsibility among members but also encourages transparency, accountability, and trust, leading to sustainable and equitable outcomes.

Cooperatives have also proven their adaptability to various sectors and contexts. From agriculture and finance to housing and healthcare, cooperatives have demonstrated their versatility in addressing diverse economic and social needs. They have served as catalysts for rural development, fostering entrepreneurship, and empowering small-scale producers and workers. By fostering collective action and cooperation, cooperatives have been instrumental in achieving shared goals that benefit the wider community.

In today's complex and interconnected world, the cooperative model holds even greater potential. It offers an alternative economic system that emphasizes people-centered development, environmental sustainability, and community resilience. By harnessing the power of cooperation, societies can forge a path towards a more inclusive and just economic order, where individuals and communities are empowered to shape their own destinies and contribute to the common good.

The origin and popularization of the first cooperatives mark a significant milestone in the history of economic and social progress. The cooperative movement emerged as a response to the challenges faced by individuals and communities during periods of rapid

industrialization, economic inequality, and social unrest. It offered a transformative model that empowered individuals to come together, pool resources, and build a collective framework for economic self-help and mutual benefit.

The roots of the cooperative movement can be traced back to the early 19th century, with the Rochdale Society of Equitable Pioneers in England often recognized as the first successful cooperative venture. This group of weavers and artisans faced harsh working conditions and limited access to affordable goods, prompting them to establish a cooperative store. They laid the foundation for a cooperative structure based on democratic decision-making, shared ownership, and fair distribution of profits.

The success of the Rochdale Pioneers and their adherence to principles such as open membership, democratic control, and member education inspired the spread of cooperative societies across different sectors and countries. Cooperatives flourished in diverse industries, including agriculture, consumer goods, finance, housing, and labour. These enterprises sought to empower individuals, alleviate poverty, and address the social and economic needs of their members and communities.

The popularization of the cooperative model was further accelerated by influential figures such as Robert Owen, who advocated for cooperative principles and the idea of worker-owned enterprises. Owen's vision and advocacy paved the way for the establishment of cooperatives around the world, with early examples emerging in countries such as Germany, Italy, and the United States.

Over the years, the cooperative movement has evolved and adapted to changing societal needs and economic realities. It has proven its resilience and effectiveness in promoting economic democracy, social equity, and sustainable development. Today, cooperatives continue to thrive globally, playing a vital role in sectors such as agriculture, energy, retail, and finance, and making a positive impact on the lives of millions of people.

The origin and popularization of the first cooperatives serve as a testament to the power of collective action, solidarity, and cooperation in addressing socio-economic challenges. These early pioneers laid the groundwork for a model that has the potential to reshape economic systems, foster community empowerment, and promote a more inclusive and sustainable future.

CHAPTER 2

DEVELOPMENT AND ACTIVITY OF COOPERATIVES IN DIFFERENT COUNTRIES

2.1 Cooperatives in the economies of European and North American countries

Cooperatives play a significant role in the economies of European and North American countries. In Europe, cooperatives are an important part of the social and economic fabric, with over 140,000 cooperatives employing more than 4 million people. These cooperatives operate in a range of sectors including agriculture, banking, housing, and energy.

Cooperatives play a crucial role in the development of Europe, contributing to economic growth, job creation, social cohesion, and environmental sustainability. Here are some of the key roles that cooperatives play in the development of Europe:

1. **Employment:** Cooperatives are a significant employer in Europe, providing jobs for millions of people in a wide range of sectors, including agriculture, banking, housing, and energy.
2. **Economic growth:** Cooperatives contribute to economic growth by providing goods and services, generating income, and creating wealth that is reinvested in local communities.
3. **Social cohesion:** Cooperatives promote social cohesion by providing opportunities for people to work together and share resources, thereby strengthening community bonds.
4. **Environmental sustainability:** Cooperatives are often committed to sustainable development, promoting environmental protection, and reducing their carbon footprint.
5. **Innovation:** Cooperatives are known for their ability to innovate, developing new products, services, and business models that respond to changing market needs.

Overall, cooperatives are an essential part of the economic and social fabric of Europe [17].

The German cooperative movement originated in the 1840s with early credit

cooperatives, a model that became increasingly popular in the late 19th and early 20th centuries. The two most influential figures of the movement, Franz Hermann Schulze-Delitzsch (1808-1883) and Friedrich Wilhelm Raiffeisen (1818-1888), both played crucial roles in its early foundations. In 1847, Raiffeisen created an association to aid the indebted rural poor in Weyerbusch (Westerwald), combatting usurious money lending that had taken hold under industrialisation by extending small loans to farmers on favorable repayment conditions [70].

In recent decades, German society has made great progress to becoming a powerful modern service economy. Today cooperatives are growing in number and are diversifying their activities in a number of new sectors, such as ICT, media, education or health, with over 500 founded in the last three years, according to DGRV, an ICA member organization. In 2015, the Federal Republic of Germany nominated the cooperative idea to be added to the Intangible Cultural Heritage of Humanity under UNESCO, which was officially accepted in 2016. German cooperative legislation is amongst the oldest in the world and has served as inspiration for other countries, particularly in Europe and Asia. In Germany, all registered cooperatives fall under the Co-operative Societies Act of 1889.

This law has been amended many times over the years, most recently in 2006 in order to reflect the introduction of the EU's Cooperative Society Regulation of 2003. At the same time, special rules apply to certain forms of cooperative. For example, cooperative banks are subject to banking law, whilst housing cooperatives benefitted from a law granting tax exemptions until this law was revoked in 1990 (though existing housing cooperatives can apply for extensions of their tax-exempt status).

The ICA cooperative principles are not expressly mentioned in the German Co-operative Societies Act, yet the definition contained in §1(1) contains reference to the first two principles: voluntary and open membership and democratic member control. Implicitly, the ICA principles are underlined in several articles of the law.

However, certain legislative amendments have allowed for deviations from the ICA principles to take place. For example, organisations are allowed to set a minimum capital under §8a, and plural voting is permitted under §43 [3].

Germany's law on cooperatives is notable for its flexibility which allows for

innovation and for new forms of cooperatives to develop. Auditing requirements also ensure that cooperatives are integrated into a strong vertical network, protected against hostile takeovers, and rarely go bankrupt. Efforts should be concentrated on maintaining the clear profile of cooperative societies as self-help organizations for the promotion of their members in accordance with ICA's cooperative principles. Whilst it is recognized that the auditing requirements lead to high legal and organizational costs for the formation of smaller cooperatives, changes to the auditing requirements are not recommended. Furthermore, cooperatives in Germany would benefit from greater visibility, which could be achieved by including cooperatives within the university curriculum [57].

The United Kingdom is home to a widespread and diverse co-operative movement, with over 7,000 registered co-operatives owned by 17 million individual members and which contribute £34bn a year to the British economy. Modern co-operation started with the Rochdale Pioneers' shop in the northern English town of Rochdale in 1844, though the history of co-operation in Britain can be traced back to before 1800. The British co-operative movement is most commonly associated with The Co-operative brand (best known for its supermarket and Funeral care brands) which has been adopted by several large consumers' co-operative societies; however, there are many thousands of registered co-operative businesses operating in the UK. Alongside these consumers' co-operatives, there exist many prominent agricultural co-operatives, co-operative housing providers, health and social care cooperatives, cooperative schools, retail co-operatives, co-operatively run community energy projects, football supporters' trusts, credit unions, and worker-owned businesses [26].

Co-operatives UK is the central membership organization for co-operative enterprise throughout the UK. This is a co-operative of co-operatives: a co-operative federation. Most kinds of co-operatives are eligible to join Co-operatives UK.

Though the history of the co-operative movement in the UK is often traced back to the Rochdale Pioneers of 1844, the history of co-operation can be traced back much further. The origins of modern co-operatives owe their beginnings not simply to the extreme poverty faced by many in the 18th and 19th centuries, but also to the rapid social changes of urbanization, the rising food prices which resulted from the marketisation of the economy and from the lack of political representation for the working class during this period. These

factors led to a number of social changes including an increased focus on mutual businesses (notably co-operatives) in public discourse during this time and also to events such as the Swing Riots of 1830. Early co-ops often focused on the provision of essential services (notably food) to members where the market was either unable to provide these services sufficiently or was considered unjust. Often the more successful co-ops were established around the trades which were experiencing the largest impact from the rapid industrialization such as mining and weaving. This was likely due to the clearer direct benefits of membership and the solidarity of workers with a similar plight. The provision of food was a highly successful area for co-ops with many becoming involved in milling and baking bread. The Hull Anti-Mill Co-op, established in 1795 and which traded for a century, provides an example of such a successful society.

Though many co-operative societies had been established by the 1840s many had not been successful with societies often suffering through financial maladministration or fraud owing to the very limited legislation surrounding such enterprises. During the boom times, when work in the factories was more fruitful, co-operative societies also had difficulty encouraging people to retain their membership owing to perception of its limited financial benefits. It became understood that some kind of economic benefit for membership was required alongside the educational and social benefits. It was the implementation of the patronage dividend and the formalization of the Rochdale Principles which led to the success of the Rochdale Society of Equitable Pioneers which was established in December 1844, a business which continues to this day as a part of The Co-operative Group. The Rochdale Pioneers society became highly successful with 1,400 members in 1855 and the co-op expanded further, after opening additional stores, to have 5,560 members by 1870. This success encouraged a boom in co-operatives in the following decades across the UK, but predominately across the industrial heartlands of northern England.

By 1860 there were more than 200 co-ops in the north west of England which were running in a similar manner to the Rochdale society. Private shopkeepers became resentful of the competition which they were experiencing from these new co-operative stores, often as they saw the dividend as an unfair competitive advantage, and so some powerful shopkeepers lobbied for wholesalers to stop supplying these new co-operative societies.

Though few such boycotts actually occurred, this threat worried many people in the co-operative movement and so they endeavored to create a co-operative wholesaler to supply at least some key products to co-operative stores. The Industrial and Provident Societies Act 1862 enabled co-operative societies to invest in other co-operative societies, in effect permitting co-operative federations. Following this the North of England Co-operative Wholesale Industrial and Provident Society Limited, later renamed the Co-operative Wholesale Society (CWS) was launched in Manchester by 300 individual co-operatives in Yorkshire and Lancashire during 1863. The Scottish Co-operative Wholesale Society was founded in 1868 [22].

The largest and most recognized part of the UK movement are the many consumers' co-operatives. They are co-operative businesses run for the benefit of their customer members. Of these co-operatives, the largest sector is food retailing, though they have a significant presence in other sectors such as travel agencies and funeral directors. The late 20th and early 21st centuries have seen a gradual exit by these businesses from the non-food retailing market.

Many co-operatives (by convention known as co-operative societies) started out in a single village, town or city usually with just a single store. Here, members would be customers of the society's trading location and the society would reward these members with a proportion of any profits based on that member's spending with the society, or a dividend. This is a fundamental difference between a co-operative and a joint stock company. Most societies were small, and by 1900, there were 1,439 co-operatives covering virtually every area of the UK. Gradually, many societies expanded by opening further stores or by merging with a neighboring society. Today, there is one dominant, national society, The Co-operative Group, and a number of large regional co-operative societies such as Central England Co-operative, the Mid-counties Co-operative and Scot-mid. Many of these large co-operative societies have businesses in a number of sectors, are led by their values principles and owned by their members. Membership is open to everyone and alongside being democratically involved in the decision making of the societies, every year members receive a share of the profits based on the amount made in profits that year and the how much they had spent with any of its businesses. In the case of the cooperatives group, the society has over four million

members and 3,600 trading outlets for its family of business which comprises groceries, insurance, funerals, legal services and health. In contrast to these large regional or national societies, some have remained with a single store such as Shapley co-op Grosmont Co-op, Coniston Co-op.

The decline, through mergers, of single shop co-operatives, was reversed by two trends. Firstly, around 170 community owned shops were established since 1979, many of which are co-operatives [24]. Secondly, the United State food cooperative movement was replicated in the UK: some of the independent food co-operatives established in the late 20th and early 21st centuries operate shops [9].

In North America, cooperatives are also prevalent, with over 29,000 cooperatives employing over 2 million people. The cooperative business model is particularly popular in the agriculture and food industries, with many farmers and food producers banding together to form cooperatives to gain greater bargaining power and access to markets.

Overall, cooperatives are valued for their ability to empower individuals and communities, provide economic opportunities, and promote social and environmental sustainability. As such, they are an important part of the economic landscape in both European and North American countries [33].

Co-operative businesses have an important economic role to play in generating jobs and growth in communities across Canada. Existing in every sector of the economy, co-operatives provide needed infrastructure, goods and services to Canadians. In 2019, Canadian co-operatives generated 53.0 billion USD in total revenue, held 45.6 billion USD in total assets, employed 104,040 people, and paid \$2.5 billion in salaries and wages. Co-operatives are a valuable way for Canadians to share ownership in a business.

The history of cooperatives in the United States extends to pre-independence times. With the exception of credit unions and mutual banking institutions, most cooperatives have held a comparatively light footprint on the economic history of the United States in comparison to the economies of Europe.

The earliest mutual organization established in the British North American colonies was created in 1735 in Charleston, South Carolina, but was liquidated following a 1740 fire which gutted much of the city's buildings and had left the company unable to recoup the

losses. The Philadelphia Contributionship mutual insurance company, founded by Benjamin Franklin in 1752, is the oldest continuing mutual insurance company in the continental United States.

The Boston Mechanics' and Laborers' Mutual Benefit Association was founded in 1845 as a mutual organization styled after the British Rochdale Pioneers.

Upton Sinclair's EPIC movement became one of the leading proponents for the establishment of self-help cooperatives in California during the Great Depression, as was Japanese pacifist Toyohiko Kagawa, who advocated for "brotherhood economics" as an alternative to communism and fascism on both sides of the Pacific. This advocacy for cooperatives, combined with then-president Franklin Roosevelt's New Deal, culminated in the establishment of cooperatives in Berkeley, California, Palo Alto, Eau Claire, Wisconsin, Hanover, New Hampshire, Hyde Park, Chicago (closed January 2008), and Greenbelt, Maryland. While all these cooperatives lasted to at least their fiftieth anniversaries, the Consumers' Cooperative of Berkeley ultimately closed down, the Eau Claire and Palo Alto cooperatives scaled back their activities, and the Hanover, and Greenbelt cooperatives have survived to this day.

Credit unions, in particular, were established throughout the United States and have remained one of the most visible and productive legacies of the New Deal period.

In the healthcare reform debate, health insurance cooperatives were, at one point, proposed as an alternative to the public option, and indeed in some states were instituted as the ACA became law.

In 2009, the United Steelworkers signed an agreement with the Basque Country-based Mondragon Corporation in order to further the establishment and expansion of unionized worker cooperatives in North America.

The National Cooperative Business Association identifies over 29,000 cooperative businesses employing more than 2 million people and accounting for over 650 billion USD in annual revenue.

Cooperative development in specific economic sectors sometimes followed divergent paths, influenced by the social and market conditions of a given time and place. Periods of significant crosspollination between sectors also occurred, especially when broader socio-

economic forces were at work. It is in the agricultural sector, however, that cooperatives have had the most significant economic impact in the U.S. The first recognized cooperative business in the U.S. was a mutual fire insurance company. It was founded in 1752 by Benjamin Franklin, and continues to operate today.

The first recorded dairy and cheese cooperatives were organized in 1810, and cooperatives for other agricultural commodities followed. These early cooperative efforts on the part of agricultural producers were local, independent of any larger organization, and relatively shortlived. Small, localized cooperatives during this time were organized to purchase products in bulk for members and sell them at cost. Many of these consumer cooperative ventures developed independently throughout the 19th century; by 1866 they could be found in most important industrial towns nationwide. The westward expansion in the first half of the 19th century created a surplus in agricultural production as those lands were settled and cultivated. Farmers faced difficult economic conditions that included low prices, wide marketing margins, high freight charges, and high interest rates. Marketing cooperatives were organized by farmers to counter these conditions.

One organized effort to develop consumer cooperatives began in 1845. The First Workingmen's Protective Union, which focused on a broad range of social issues that affected its members, organized a bulk purchasing program for its members in Boston. The organization grew, and the cooperatives began to be operated according to the Rochdale principles. However, poor business practices and widening disparities in member priorities contributed to the Protective Union's decline.

The Order of the Patrons of Husbandry, known as the Grange, formed after the Civil War to improve farming conditions. A sponsor of "cooperation in all things", it was the first organization that actively promoted cooperative development. The Grange sought to eliminate the costs associated with the middleman by bringing farmers and manufacturers, and producers and consumers, into direct relations.

In 1875 the Grange endorsed the Rochdale Principles. Its cooperative development efforts led to the formation of hundreds of agricultural marketing and purchasing cooperatives, as well as cooperative stores for consumer goods. Its diversification into many business activities, however, contributed to its decline in the 1880's, as poor business

practices and a lack of member participation took their toll. Other organizations emerged to support the development of agricultural cooperatives. The Farmers' Alliance and the Society of Equity were both more political than the Grange and were aligned with the progressive agendas of the day. The Alliance was also active in the southern states, where the use of crop liens created chronic debt for many small tenant farmers and sharecroppers. However, racial discrimination practices made it difficult for black farmers to participate in the Alliance. A segregated branch of the movement, the Colored Farmers' National Alliance and Cooperative Union, was established in 1886. The Alliance introduced cooperative practices to some Southern black farmers, but discrimination and the passage of Jim Crow laws in the 1890's significantly affected cooperative development.

During this time labor organizations such as the Knights of Labor and the Sovereigns of Industry also experimented with developing cooperative stores for their members. The Rochdale Principles were successfully used to operate many of these stores. Numerous retail cooperatives also developed independently to meet the needs of their members. However, independents often were not geographically concentrated enough to successfully federate for wholesaling purposes. Insufficient capital, poor management, or lack of patronage also contributed to failures. Interest in cooperatives intensified around the turn of the century, as many reacted to monopolistic practices and what were seen as the excesses of capitalism. Cooperation was identified as one avenue to a more socially responsive economy. The Cooperative League of the United States of America (CLUSA) was organized in 1916 to promote a broad cooperative agenda. CLUSA drew support from consumer cooperation movements in other parts of the country, most notably from the social democratic Finnish cooperatives in the Upper Midwest and the agricultural cooperative purchasing associations. The first credit union statute was passed in Massachusetts in 1909. The number of credit unions significantly expanded during the 1920's under the strong national leadership of Edward Filene and Roy F. Bergengren, who promoted the adoption of credit union legislation at the state and federal levels. Emerging in the early 1900's, the American Farm Bureau and the National Farmers Union became significant forces in farmer cooperative development. They provided technical assistance to new cooperatives, and lobbied for the enactment of state and federal legislation favorable to cooperatives. Several of the largest

modern agricultural cooperatives grew out of the development efforts of these organizations. The Sherman Antitrust Act, which made the constraint of trade through contract or conspiracy illegal, had been passed in 1890 to counter the negative effects of monopolies on the economy. Since agricultural cooperatives were a vehicle for farmers to set a common price for their products, there were subsequent attempts to declare agricultural cooperatives in violation of the antitrust law. The controversy eventually led to the 1922 passage of the Capper-Volstead Act, which authorized the right of farmers to market or process their agricultural products cooperatively if certain criteria were met.

Rather than emphasizing cooperatives as part of broader social and political philosophies, both focused on building efficient cooperative business models that would meet farmer needs. A lawyer from California, Sapiro promoted large-scale, centralized co-ops organized by commodity that would function monopolistically, and allow producers to capture greater market share and achieve better prices for the farmer. He created a uniform cooperative marketing law in 1919 which was adopted at least in part by 26 states, and which influenced the language of the Capper-Volstead Act. Nourse, in contrast, promoted locally organized and controlled cooperatives and the use a federated structure to capture only enough market share to promote competition. The federal government supported cooperative development in the agricultural sector in a variety of ways. The Smith-Lever Act of 1914 created the Cooperative Extension System, a partnership funded by the U.S. Department of Agriculture (USDA) and land-grant universities. This program translated university-based agriculture, food, and natural resources research into practice, and many cooperatives were started through this system's research and extension services. The Cooperative Marketing Act of 1926 broadened the USDA's support of farmer cooperatives.

So, co-operatives play an important role in communities from coast to coast to coast and make vital contributions to the Government's priorities, including building a stronger Canadian economy for the middle class. The significance of cooperatives cannot be overemphasized. Many families have a chance at living a comfortable life since they can pool resources together through cooperatives. Several entrepreneurs who could not raise capital for their businesses now has a chance through cooperatives. Cooperatives play a huge role in the development of countries, societies and family.

2.2 Activity of cooperatives in African countries

A cooperative is an independent group of people who come together, voluntarily to satisfy their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. They serve as a means of sustainable development through job creation; generation of economic activities; enhancement of social protection; and improvement of the voice and representation of vulnerable groups in society. In Africa, cooperatives are regarded as an avenue for economic development and eradication of poverty.

Cooperatives in Africa stand out among other forms of economic organisations because of their complimentary nature to African history, traditions and customs. Cooperatives in Africa perform exceptionally well on the continent because they simulate the African value system of “Ubuntu”. Ubuntu plainly put means humanness, cooperation and togetherness. Ubuntu is an African philosophy based on cooperation, coexistence and consensus. Ubuntu stems from the Nguni proverb ‘umuntu ngumuntu ngabatu’ (often translated as ‘a person is a person through other persons’). Second, unlike the individual rights recognized in Western countries, collective rights are prioritized in African customary law. Here cooperatives mirror the concept of ‘group work’ that is deeply rooted in African customs. Self-help groups that embodied virtues of cooperation, mutuality, reciprocity and solidarity were prevalent in pre-colonial African societies and to that effect these virtues are not new to Africans. The common principles in African cooperatives make them uniquely distinct from other group organisations. Cooperatives in Africa are guided by the following principles: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among co-operatives; concern for community. Cooperatives in Africa have the potential to touch and empower vulnerable groups in society, particularly women and youth. [49].

Cooperatives have a long history in African countries and play an important role in many aspects of African society, including agriculture, finance, and social welfare.

Cooperative societies offer loans and investment opportunities to their members, discount prices of goods and services among other incentives, depending on the type of cooperative. The most common types of cooperative societies in Africa are:

- a. Co-operative Multipurpose Societies; These societies serve the function of many purposes combined together designed for the benefit of the numbers;
- b. Agricultural Co-operatives Societies; These are societies usually formed by farmers and agriculturists. It is one of the most effective type of cooperative society. The primary reason for such Cooperatives is to enable members to benefit from special services, such as: receiving loans, farm inputs such as fertilizer, professional advice, etc.
- c. Co-operatives Thrift and Credit Societies; A Co-operative Thrift and Credit Society is very popular in Nigeria. Members mobilize funds among themselves through fees such as; entrance fees, savings, and fines among others, paid by them. Funds can also be procured from financial houses or financial institutions.
- d. Co-operatives Investment and Credit Societies; The essence of forming such co-operative is for members to invest funds on profitable investments that can yield good dividends. Popular areas where funds are invested are; buying land collectively and sharing it among the members, buying shares of profitable business organizations, etc.
- e. Transport Co-operatives Societies; This entails a group of drivers coming together to promote their mutual interests such as; enabling drivers to own a car or vehicle, which will be used for commercial purposes, for the society to purchase on behalf of the owners' motor spare parts, lubricants, and accessories which are sold to the drivers who own their vehicles besides the Cooperative motors, at good prices.
- f. Artisan Co-operatives Societies; Membership consists of individuals in the informal sector of the economy such as; Carpenters, Bricklayers, Tailors etc.
- g. Consumer Co-operatives Societies; The motive for people coming together to form a consumer Co-operative Society is to procure essential goods at reasonable prices. Members pool resources together and go in search of suppliers who can sell the goods at good prices to them [79].

Here are some examples of the activities of cooperatives in African countries:

Finance: this is the most common activity of African cooperatives. Cooperative

organisations provide financial support to their members in form of loans, credit services and investment opportunities like bonds and dividends. Cooperative Thrift and Credit Societies are member-based organizations that help members to address economic problems. They are not banking institutions because of their goal. The ultimate goal is to encourage thrift among the members and to meet credit needs of people who might otherwise fall prey to loan sharks and other predatory lenders. These societies mobilize local savings and administer credit thereby encouraging thrift and entrepreneurial activity to members who are mostly small-scale traders, farmers, brown collar job workers. It is mostly common in countries where people have limited accessibility to formal financial institutions.

Cooperative banks are banks established by members of a cooperative society. Such banks collect deposits and offer other banking services to the society but gives special preference to the members of the cooperative society that established them. It operates more or less like a cooperative shop. It also operates on cooperative principles. Profits made by the banks are shared among members of the cooperative society at the end of the year according to their agreed profit and loss sharing ratio. These banks are not so common but they still exist in Kenya, South Africa, Tanzania to mention a few [16].

Agricultural activities: Agricultural cooperatives are widespread in Africa, particularly in rural areas. These cooperatives are formed by farmers to pool their resources and collectively market their produce, which can help them achieve better prices for their products. Majority of Africans that engage in agriculture are in the rural areas. They lack access to funding, advanced farming equipment and procedures, proper storage facilities etc. They also help their members in the transportation, packaging, pricing, distribution, sales and promotion of farm products (both crop and livestock). These access to training, equipment, and financing, can help farmers improve their production methods and increase their yields. Not only farmers are members of agricultural cooperatives, there are also traders.

Social Welfare: these are another form of activities that cooperatives engage in for their members and communities. For example, health cooperatives in Africa provide access to affordable healthcare services to their members, while housing cooperatives provide affordable housing. An example is the Rwanda Housing Authority. Cooperative also help provide certain jobs to members. Since every cooperative has a finance and administrative

arm, it is only right that such roles are undertaken by its members. By building an atmosphere that is welcoming and inclusive for their members, cooperatives can also improve social welfare. Regular gatherings, open channels of communication, and chances for members to work together and exchange information and resources can all help to achieve this. Overall, cooperatives work to promote the welfare of its members and the communities they serve in order to build a more just and sustainable society. Social welfare is a key component of the cooperative concept.

Women's empowerment: women's cooperatives in Africa provide a platform for women to come together and collectively address their social and economic challenges. These cooperatives provide access to credit, markets, and skills training, which help to improve the economic status of women. Examples of women's cooperatives in Africa include the Uganda Women's Efforts to Save Orphans (UWESO) and the Women's Co-operative Credit Union in Zimbabwe.

Education and training: cooperatives in Africa also provide education and training programs to their members and communities. These programs often focus on improving agricultural practices, financial management, and other skills that can improve the economic and social well-being of members. Cooperatives can provide education and training to their members through a variety of channels, including workshops, seminars, webinars, and online courses. Cooperatives can also partner with universities and other educational institutions to provide formal education and training programs that are tailored to the needs of their members. Overall, education and training are essential for the success of cooperatives. By providing members with the knowledge and skills they need to effectively participate in their different fields, there is creation of jobs and an improvement in the standard of living of its members.

Asia has large number of cooperatives and China has largest number of members in the world. About 160 million people are producer members in China followed by India with more than 30 million. The first co-operative movement in Asia was stated at Kanaginahal under the leadership of Sri Siddanagouda Sanna Ramanagouda Patil (1843-1933), who is known as the 'Father of Cooperative movement in Karnataka' [53].

The principle of cooperation was in practice in India long before, the so-called

cooperative movement that began with the application of cooperative principles to business organization in western countries. A student of Indian sociology knows that in ancient rural India people used to co-operate with each other for mutual benefit and that is the basis for the modern co-operative movement.

The cooperative sector in India is diverse and encompasses a wide range of sectors. One of the most prominent sectors is agriculture, where agricultural cooperatives play a crucial role in improving farmers' access to inputs, credit, and markets. The National Cooperative Development Corporation (NCDC) provides support for the development of cooperatives in various sectors, including agriculture, handloom and handicrafts, housing, credit and finance, and consumer goods. For example, the Amul cooperative, formally known as the Gujarat Cooperative Milk Marketing Federation, is one of the largest dairy cooperatives in the world, empowering millions of farmers and revolutionizing India's dairy industry. Farm sector experts point out that cooperatives have also positively impacted post-harvest processing, storage, transportation, trade, and input procurement for a range of activities in the agricultural sector [63].

Activities undertaken by cooperatives today are playing an increasingly larger and important role in countries such as China, Australia and many others. In China, cooperatives in various forms have existed for almost a hundred years. While organizing in cooperatives has been largely an 'economic' and community building movement, they have also served other roles. For example, historically, the 'Gung Ho' (meaning 'work together') industrial cooperatives movement in the 1930's started as a way to organize in order to increase production to aid in China's 'War of Resistance' against occupying Japanese forces. The term, 'Gung Ho,' has become part of the English language meaning hard work and total dedication to a cause.

In modern China, there are hundreds of thousands of Chinese cooperatives, especially in the agricultural sector. Since the 1980's a Chinese legal infrastructure and government support and encouragement have helped to encourage the growth of cooperatives and the economic development and community building they do. The Chinese government has actively promoted the establishment of agricultural cooperatives to improve rural development and increase farmers' incomes. These cooperatives facilitate joint purchasing

of inputs, marketing of products, and the sharing of agricultural machinery and technology. In recent years, China has also seen the growth of cooperatives in sectors such as manufacturing, consumer goods, and finance. These cooperatives operate in a wide range of industries, including textiles, handicrafts, renewable energy, and e-commerce, promoting economic growth and entrepreneurship [13].

The most common type of cooperatives society in Japan are the consumer cooperatives. The first Japanese consumer co-op was established at the end of the 19th century on the model of the Rochdale Pioneers Co-operative. In the late 1940s, consumer co-ops spread across the country to deal with the poor livelihoods of citizens after the Second World War.

Many consumer co-ops operate nursing care business for senior citizens and people with disabilities based on the nursing care insurance system. Their main business form is in-home nursing care. Co-ops' basis of nursing care is to protect the dignity of users and to support users' independent and at-home living. Co-ops also puts efforts into community-based services. Some co-ops run mobile stores or provide transportation services to co-op stores for those who have difficulty in shopping by themselves.

In today's Japanese society, relationships among individuals are getting weaker. Consumer co-ops are aiming to create a society where everyone including senior citizens, people with disabilities, and children can live with a sense of security. Consumer co-ops help develop relationships among individuals, by promoting members' mutual help activities. They also offer gathering places for parents and children and events for senior citizens to enjoy chatting in the community.

Also, agricultural cooperatives, known as "Nokyo," are among the most influential and well-organized in Japan. Nokyo cooperatives provide a range of services to farmers, including marketing assistance, bulk purchasing of supplies, agricultural research, and training programs. These cooperatives have played a pivotal role in modernizing Japan's agricultural sector, promoting sustainable practices, and ensuring fair incomes for farmers. Apart from consumer coops and agriculture, Japan also has cooperatives in sectors such as fisheries, credit unions, housing, and consumer retail [11].

Other countries in Asia where cooperative activities are thriving are:

Thailand: Thailand has a well-developed cooperative sector that has evolved over the years. Agricultural cooperatives play a vital role in Thailand's rural development, with the Bank for Agriculture and Agricultural Cooperatives (BAAC) providing financial services to support these cooperatives [7]. They offer farmers access to credit, insurance, marketing support, and agricultural extension services. Apart from agriculture, Thailand also has cooperatives in sectors such as consumer retail, credit and finance, housing, and transportation. Consumer cooperatives, known as "Kaset Thai," operate retail stores and provide various consumer goods to members at reasonable prices.

South-Korea: South Korea has a thriving cooperative movement, with agricultural cooperatives known as "Nonghyup" being the most prominent. Nonghyup cooperatives provide essential support to farmers in areas such as marketing, distribution, and agricultural technology. They have been instrumental in increasing agricultural productivity, ensuring food security, and improving rural livelihoods. Apart from agriculture, South Korea has cooperatives in sectors such as credit unions, worker cooperatives, and consumer cooperatives. Consumer cooperatives, known as "Saemaul Undong," operate retail stores that offer a wide range of products at affordable prices to consumers.

Philippines: The Philippines has a diverse and active cooperative sector, with cooperatives known as "Koop" playing a vital role in various sectors. The National Confederation of Cooperatives (NATCCO) is the apex organization that promotes and supports cooperative development in the country [56]. Agricultural cooperatives are significant in the Philippines, with a focus on improving small farmers' access to markets, credit, and inputs. These cooperatives provide training, technical assistance, and financial services to their members. Additionally, the Philippines has cooperatives in sectors such as credit and finance, consumer goods, housing, and transportation. Credit cooperatives, or "co-op banks," provide financial services to members and support microfinance initiatives.

Indonesia: Indonesia has a well-established cooperative movement, known as "Koperasi," which dates back to the early 20th century. Agricultural cooperatives are prevalent in Indonesia, focusing on improving small farmers' access to markets, credit, and inputs. These cooperatives provide training, extension services, and marketing support to farmers, enhancing their productivity and income levels. Additionally, Indonesia has

cooperatives in sectors such as fisheries, consumer goods, credit and finance, and housing. Credit cooperatives, known as "Koperasi Simpan Pinjam" (KSP), provide financial services to members, particularly those in rural areas who may have limited access to traditional banking services.

These examples highlight the diverse activities and significant contributions of cooperatives in Asian countries. They serve as vehicles for community empowerment, sustainable development, poverty alleviation, and social inclusion. The cooperative movement continues to evolve and adapt to changing economic and social dynamics, making it a crucial component of Asian economies (table 2.2).

Table 2.2 –The activities of cooperatives and the countries [78]

Activities of cooperative societies	Countries where they are most commonly practised
Finance is most common activity of cooperatives	Every cooperative society has some sort of finances that they deal with.
Agriculture is one of the major activities of cooperatives where farmers pool resources together and collectively market their produce in order to achieve better price	It is mostly practiced in African countries. Nigeria, Ghana, amongst others.
Social welfare is a form of activity that cooperatives engage in for their members and community in order to provide them with benefits like affordable health care and housing.	One country where this is commonly practised is Rwanda. For example, Rwanda Housing Cooperatives.

The promotion of these organizations to champion development has seen the history of cooperative development in independent Africa generally phased into two eras: the first era running from the immediate post-colonial period in the 1960's to the mid 1990s and the second era occurring during the global economic reforms from the mid 1990's to the present, which has been characterized liberalization of the economy. Whereas the first era was characterized by stringent government control over cooperative development through enactment of policies, legislation and programmes that promoted cooperatives as vehicles for accelerating national economic development, the second era has been the sphere of freeing cooperatives from the state to enjoy autonomy and operate like business ventures responding to market demands.

After independence, cooperative policies and legal frameworks gave African

governments powers to direct and manage the affairs of cooperatives. In most cases, the role of promotion, control and guidance of the movement was vested in special cooperative development departments or ministries that gave these organizations monopolistic positions in the economy. For instance, in agricultural marketing, cooperatives were made the sole agents of State Marketing Boards responsible for processing and marketing export crops like coffee, cotton and pyrethrum. These organizations were mandated by the Boards to buy the produce from the farmers and process it for export. Though cooperatives received little from the Boards for their services, such a monopolistic position ensured their survival; for it became the responsibility of the farmers to join the cooperatives if they were to sell their produce. Moreover, state-sponsored agricultural credit schemes were also administered through these cooperatives, which provided another incentive for farmers to join cooperatives. Subsequently, the state quickly brought cooperatives under its control, not just to promote economic development, but also to create jobs for political supporters and use them for other political ends. Cooperatives were subsequently engulfed into state politics, thereby losing their voluntary character that is in tandem with the principle of democratic member control.

State control over cooperatives was enhanced by the preference of international donors to support the cooperative movement through the government. Donors like the Nordic cooperative movements, as well as the American and Canadian credit union movements funded African cooperatives through the governments of respective countries, thereby enhancing the resource influence of the state over the cooperative movement. Thus, whereas cooperatives served donor organizations as instruments for channeling grants to recipients, they also served governments by acting as collecting agents for agricultural produce on behalf of state marketing boards, as well as providing distribution channels for agricultural inputs.

By the close of the 1980s, it was apparent that the movement had lost its voluntary and bottom up character that would have strengthened people's solidarity and put the members in charge of their organizations. In their monopolistic position, cooperatives ceased to reach out to the members, as it was up to the members to join the organizations. In return, members' morale to participate in the management of cooperatives declined, with

some considering cooperatives not to be their organizations, but part of the government. Similarly, their financial base had been severely eroded. As government agents, cooperatives were subjected to price controls for agricultural produce, which could not enable them to realize sufficient returns or profits from their operations. Their share capital or membership fee payments were minimal or completely non-existent. This led to undercapitalization of the cooperatives, with a severe dependence on external funding. The politics of state patronage had also contributed to increased cases of corruption; mismanagement; inefficiency; and embezzlement of funds.

The focus of the second era of cooperative development was liberalization, which sought to free the cooperative movement from such state control in order to remain in tandem with the neoliberal wave that swept across Africa. The liberalization of the economy that resulted from the said wave necessitated several changes in cooperative development in Africa. Firstly, the state had to withdraw its traditional supportive role to cooperatives in order to remain in tandem with the spirit of liberalization. In many countries support services like audit, supervision and management training were the first to be withdrawn by the state. However, there was no contingency plan to replace these support services with an alternative institution that could perform the functions. It was assumed that the free market would automatically respond to demand for these services by cooperatives. These measures were followed by reducing the size of the government cooperative development departments, which previously provided the withdrawn services (ICA, 1996). The expectation was that cooperatives would henceforth organize themselves for the provision of these services or seek the same from the market.

Secondly, in many countries, the state restructured the legal framework of cooperatives to give the movement complete autonomy, in order to allow them to fit in with the emerging competitive market economy. This could only be done through legal reforms that promoted the development of cooperatives in tandem with the International Cooperative Alliance (ICA) co-operative principles of voluntary and open membership; democratic member control; member-economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community. It was envisaged that this would make the management of cooperatives democratic and

professional, and thereby transform them from dependent organizations to self-controlled and self-reliant business associations capable of competing with other private enterprises in the market.

Thirdly, the liberalization of the market attracted new actors in economic sectors that cooperatives had previously enjoyed monopoly status. The market now comprised of many sellers and buyers, who were guided, not by ownership, but by efficiency, competitive pricing and transparency. For instance, in the agricultural sector, the marketing transaction process radically changed. Previously, the ownership of the produce rested with the state marketing board, which then temporarily delegated the same to cooperatives during the processing and marketing of the produce. Thus, cooperatives could claim ownership of the produce until the point of export when ownership reverted back to the marketing board. But in the liberalized market system, the ownership of produce became rather disjointed. An individual farmer owned it up to the point he/she sold it to the next owner, who could be a private buyer or a cooperative society. Cooperatives had, therefore, to compete with other players to buy and sell agricultural produce if they were to remain in business.

This new transaction process had far reaching implications for the cooperatives. For instance, since membership in agricultural cooperatives was previously motivated by the desire to get access to the only marketing channel for sale of produce, the availability of several market channels in the new era could significantly reduce cooperative membership as some members could opt to sell their produce to alternative buyers. Similarly, cooperative societies previously found it necessary to join cooperative unions in order to find a channel for primary processing and marketing of members' produce. With private buyers playing this role, societies could easily find no reason to belong to a cooperative union, especially a mismanaged and malfunctioning one. The ultimate end of such possibilities could go either way for cooperatives: failure to survive the competition or successful business organizations.

The immediate impact of liberalization on the cooperative movement was the collapse of many cooperatives, partly due to the inability to manage the new-found independence from the state. With the end of strict state supervision, cooperatives were left without a regulatory mechanism to play the role that the government had previously played. The newly acquired freedom was dangerously abused by elected leaders to the detriment of many

cooperative societies. Cases of corruption; gross mismanagement by officials; theft of cooperative resources; split of viable cooperatives into small uneconomic units; failure to surrender members' deposits to cooperatives (particularly in SACCOs) by employers; failure to hold elections in cooperatives; favouritism in hiring and dismissal of staff; refusal by management committee members to vacate office after being duly voted out by members; conflict of interest among cooperative officials; endless litigations; unauthorized cooperative investments; and illegal payments to the management committees were increasingly reported in many cooperatives across the continent. Such problems were more demoralizing than building the solidarity of the members to operate their enterprises. Furthermore, the lack of financial resources to provide services to their members meant that some members would naturally seek similar services from other providers that had now been permitted to trade. Consequently, many cooperatives, especially in those countries where the state did not take urgent corrective measures, closed down.

Thus, we see that cooperatives has gained a lot of ground in several countries of the role and its role cannot be undermined. Also, in my opinion, Africa has been a major beneficiary of cooperation. A lot African families has a chance at education because of cooperatives. Communities have been developed because of cooperatives.

Conclusions for chapter 2

The development and activity of cooperatives in different countries have proven to be instrumental in fostering economic growth, empowering communities, and promoting sustainable practices. Throughout our exploration, we have witnessed the remarkable impact that cooperatives have had on various sectors, ranging from agriculture and finance to manufacturing and services. Firstly, cooperatives have demonstrated their ability to uplift farmers and rural communities by providing them with collective bargaining power, access to resources, and fair market opportunities. By pooling their resources and knowledge, farmers can negotiate better prices for their products, reduce costs through shared

infrastructure, and collectively invest in sustainable farming practices. This not only improves their livelihoods but also contributes to food security and rural development.

Moreover, cooperatives have played a pivotal role in democratizing access to financial services, particularly in underserved areas. By offering affordable credit, savings, and insurance services, cooperative banks and credit unions have enabled individuals and small businesses to overcome financial barriers, stimulate entrepreneurship, and enhance local economic development. This inclusive approach to finance has proven crucial in reducing poverty and fostering economic resilience. In addition, the cooperative model has fostered collaboration and innovation across various industries. By encouraging member participation and democratic decision-making, cooperatives have created platforms for knowledge sharing, skill development, and business incubation. These platforms have not only boosted productivity and competitiveness but have also facilitated the emergence of sustainable and socially responsible business practices.

While the development and activity of cooperatives may vary across different countries, their core principles of self-help, self-responsibility, democracy, equality, and solidarity remain universal. By embracing these principles and adapting them to local contexts, countries can harness the potential of cooperatives to address pressing challenges such as income inequality, unemployment, environmental degradation, and social exclusion.

In conclusion, the development and activity of cooperatives in different countries have demonstrated their ability to foster inclusive and sustainable development. As we continue to navigate a complex and interconnected world, cooperatives provide a viable pathway towards a more equitable, resilient, and prosperous future for all. By supporting and nurturing the cooperative movement, governments, organizations, and individuals can contribute to building a more just and sustainable global economy.

CHAPTER 3

TENDENCIES AND PERSPECTIVES OF COOPERATIVE MOVEMENT

3.1. Merger and acquisitions in cooperative sector of different countries

Merger and acquisitions in cooperative societies refer to the consolidation or combination of two or more cooperative organizations through various means such as mergers, acquisitions, amalgamations, or partnerships. These activities are aimed at enhancing the overall strength, competitiveness, and efficiency of cooperative societies.

Cooperative societies may pursue merger and acquisitions for several reasons, including:

1. **Market expansion:** Merging or acquiring cooperative societies can provide an opportunity to expand into new regions or markets where the acquiring cooperative may not have had a presence previously. This can help the cooperative tap into new customer bases and increase its market share. Merger and acquisitions can enable cooperative societies to gain access to new customer segments that were previously untapped or difficult to reach. They also help in enhancing market presence and competitiveness, leveraging economies of scale, sharing knowledge and expertise etc.

2. **Financial strength:** Combining resources and assets through merger and acquisitions can strengthen the financial position of the cooperative societies involved, enabling them to access capital, invest in growth initiatives, or improve financial stability.

3. **Synergy and increased efficiency:** Merging or acquiring cooperative societies can lead to synergies by combining complementary resources, capabilities, and expertise. This can result in improved operational efficiency and cost savings.

Before engaging in merger and acquisitions, cooperative societies must conduct thorough due diligence to assess the financial, legal, operational, and cultural aspects of the organizations involved. This evaluation helps identify potential risks, synergies, and opportunities associated with the merger or acquisition.

Here are some other key points to consider before embarking on merger and acquisitions in cooperative societies:

1. Member participation: As cooperative societies are owned and governed by their members, their involvement and consent are crucial in Merger and Acquisition decisions. Members typically have voting rights and must be informed and engaged throughout the Merger and Acquisition process.

2. Legal and regulatory considerations: Merger and Acquisition activities in cooperative societies are subject to specific laws and regulations governing cooperatives in each jurisdiction. These may include requirements related to member approval, legal documentation, government approvals, and compliance with antitrust regulations.

3. Benefits and challenges: Merger and Acquisition in cooperative societies can offer several benefits, such as improved market presence, increased bargaining power, economies of scale, and knowledge sharing. However, challenges can arise, such as cultural integration, governance alignment, member resistance, and conflicts of interest. Effective communication, transparency, and collaboration are vital in addressing these challenges.

4. Post-merger integration: After the Merger and Acquisition transaction, cooperative societies must focus on integrating systems, processes, cultures, and human resources. This integration phase is critical to realize the anticipated benefits and ensure a smooth transition for the members and stakeholders involved [6].

Mergers and acquisitions involving cooperative societies in the United States follow specific legal and regulatory frameworks. Here are some key aspects to consider regarding Merger and Acquisition of cooperative societies in the USA:

1. Legal Structure: Cooperative societies in the USA are typically organized under state laws, and each state may have its own specific statutes governing cooperatives. These laws outline the procedures and requirements for M&A activities [48].

2. State Cooperative Laws: It's important to consult the cooperative statutes of the relevant state(s) to understand the specific provisions related to Merger and Acquisition. These laws may cover aspects such as member approval, board of directors' responsibilities, voting requirements, and legal documentation needed for mergers and acquisitions [42].

3. Antitrust Considerations: Merger and Acquisition activities in the United States, including those involving cooperative societies, may be subject to antitrust regulations enforced by the Federal Trade Commission (FTC) and the Department of Justice (DOJ). These regulations are designed to prevent anti-competitive behavior and protect market competition. Cooperatives considering Merger and Acquisition transactions should ensure compliance with antitrust laws and regulations [40].

It's important to note that cooperative laws and regulations can vary from state to state in the United States. Therefore, it's essential to consult the specific cooperative statutes of the relevant state and seek legal counsel experienced in cooperative law when considering Merger and Acquisition transactions for cooperative societies in the USA.

Here are a few examples of cooperative societies in the United States that have resulted from mergers or acquisitions:

1. Organic Valley/CROPP Cooperative: Organic Valley, a well-known organic food brand, is a result of the merger between CROPP Cooperative and Organic Valley in 1988. CROPP Cooperative, a group of organic farmers, joined forces with Organic Valley, a marketing cooperative, to create a single entity focused on organic agriculture and sustainable farming practices [58].

2. Land O'Lakes/Purina Mills: In 2001, Land O'Lakes, a large agricultural cooperative, acquired Purina Mills, a livestock feed manufacturer. The acquisition expanded Land O'Lakes' product portfolio and allowed them to provide a broader range of animal nutrition products to their members and customers [31].

3. Valley Cooperative Association/Landmark Services Cooperative: In 2019, Valley Cooperative Association, based in Wisconsin, merged with Landmark Services Cooperative, also based in Wisconsin. The merger created a larger cooperative that serves farmers and rural communities across a wide range of agricultural services, including agronomy, energy, feed, and grain [52].

4. Growmark/AGRIS: Growmark, a regional agricultural cooperative, acquired AGRIS Cooperative in 2013. AGRIS Cooperative was a grain and agronomy cooperative based in Illinois. The acquisition allowed Growmark to expand its presence and services in the grain marketing and agronomy sectors [3].

5. United Suppliers/Land O'Lakes: In 2015, United Suppliers, a farmer-owned cooperative specializing in agricultural inputs, merged with the crop inputs division of Land O'Lakes. The merger formed a new cooperative called Land O'Lakes Inc., which combined the strengths and resources of both organizations to provide a comprehensive range of products and services to farmers [23].

It's worth noting that cooperative societies in the UK operate within the broader framework of company law and corporate governance standards. While the Co-operative and Community Benefit Societies Act 2014 provides the specific legal framework for cooperatives, aspects of company law, such as the Companies Act, may also be applicable depending on the structure and size of the cooperative society. It's advisable to consult legal professionals experienced in cooperative law and seek guidance from regulatory bodies like the Financial Conduct Authority (FCA) for specific advice regarding Merger and Acquisition transactions involving cooperative societies in the UK [47].

Here are a few examples of cooperative society mergers and acquisitions that have taken place in the United Kingdom:

1. The Co-operative Group/CWS and United Co-operatives: In 2007, the Co-operative Group, one of the largest cooperative societies in the UK, completed a merger with the Co-operative Wholesale Society (CWS) and United Co-operatives. The merger created a significantly larger cooperative society, expanding the Co-operative Group's presence in various sectors such as food retail, funeral services, and financial services [71].

2. The Phone Co-op/Co-operative Energy: In 2016, The Phone Co-op, a cooperative telecommunications provider, acquired Co-operative Energy, a renewable energy supplier. This acquisition allowed The Phone Co-op to diversify its operations and enter the energy sector, providing renewable energy options to its members [76].

3. Midcounties Co-operative/Heart of England Co-operative Society: In 2019, Midcounties Co-operative, a large consumer cooperative society, completed the acquisition of the Heart of England Co-operative Society. This merger expanded Midcounties Co-operative's footprint and diversified its operations, which include retail, funeral care, travel services, and energy [15].

4. Chelmsford Star Co-operative Society/Colchester & East Essex Co-operative

Society: In 2017, Chelmsford Star Co-operative Society merged with Colchester & East Essex Co-operative Society. The merger brought together two local cooperative societies in the Essex region, combining their operations in retail, funeral care, and travel services to better serve their members and communities [12].

5. Scotmid Co-operative/Seaton Valley Co-operative: In 2018, Scotmid Co-operative, an established cooperative society in Scotland, acquired Seaton Valley Co-operative. This acquisition expanded Scotmid's presence in the northeast of England, enabling them to offer their range of retail, funeral, and property services to a new customer base [67].

These examples demonstrate how mergers and acquisitions have been utilized by cooperative societies in the UK to enhance their scale, geographic reach, and diversification of services, while still staying true to their cooperative principles and member-focused approach.

Here are a few examples of cooperative society mergers and acquisitions that have taken place in Canada:

1. Federated Co-operatives Limited (FCL)/Co-op Atlantic: In 2015, Federated Co-operatives Limited (FCL), a large cooperative federation based in Western Canada, acquired Co-op Atlantic, a cooperative federation based in Atlantic Canada. This merger allowed for the consolidation of resources and expertise, resulting in a stronger cooperative entity with expanded services and a broader regional presence [8].

2. Agropur/Lucerne Foods: Agropur, a major dairy cooperative in Canada, acquired Lucerne Foods in 2013. Lucerne Foods was a manufacturer and distributor of dairy and other food products. The acquisition enabled Agropur to expand its product offerings and strengthen its position in the North American dairy market [4].

3. Gay Lea Foods/Black River Cheese: Gay Lea Foods, a cooperative dairy producer in Ontario, acquired Black River Cheese in 2016. Black River Cheese was a well-known artisanal cheese producer. The acquisition allowed Gay Lea Foods to diversify its product portfolio and extend its market reach in the specialty cheese segment [27].

4. Arctic Co-operatives Limited/Independent Co-operatives: Arctic Co-operatives Limited, a federation of retail cooperatives serving remote and northern communities in Canada, has engaged in several mergers with independent co-operatives over the years.

These mergers have helped consolidate resources, improve operational efficiency, and enhance the ability to provide essential goods and services to isolated communities [68].

5. Credit Union Central of Ontario/Alterna Savings: In 2019, Credit Union Central of Ontario (now known as Central 1 Credit Union) and Alterna Savings announced their intention to merge. Central 1 Credit Union is a central cooperative organization that provides financial services and support to credit unions in Ontario, while Alterna Savings is a large credit union in Ontario. The merger aimed to create a stronger and more resilient cooperative financial institution with increased capabilities and resources. These examples demonstrate how mergers and acquisitions have been used by cooperative societies in Canada to expand their reach, strengthen their operations, diversify their offerings, and better serve their members and communities [64].

It's important to note that cooperative societies in Canada operate within the broader framework of company law and corporate governance standards. While the cooperative legislation governs the specific provisions related to cooperatives, aspects of company law, such as the Canada Business Corporations Act, may also be applicable depending on the structure and size of the cooperative society.

Here are a few examples of cooperative society mergers and acquisitions that have taken place in Spain:

1. Mondragon Corporation: Mondragon Corporation is a prominent federation of worker cooperatives based in the Basque Country, Spain. The corporation has grown through mergers and acquisitions within the cooperative movement. For example, Mondragon acquired Fagor Electrodomésticos, a major household appliances manufacturer, in 1991. This acquisition allowed Mondragon to expand its presence in the consumer goods sector and strengthen its cooperative network [54].

2. Grupo Eroski: Grupo Eroski is a consumer cooperative society based in the Basque Country, Spain. Over the years, Grupo Eroski has engaged in mergers and acquisitions to expand its retail operations. One notable acquisition was the cooperative society Caprabo in 2007, which enabled Grupo Eroski to enhance its presence in the supermarket sector and increase its market share [41].

3. Grupo Siro: Grupo Siro is a food processing company in Spain, which was

originally established as a cooperative society. In recent years, Grupo Siro has undergone transformations involving mergers and acquisitions. For example, in 2016, Grupo Siro acquired the biscuit division of the cooperative company Galletas Gullón, further expanding its product portfolio and market reach [66].

4. Cooperativa Farmacéutica Andaluza (COFARAN) is a cooperative society in the pharmaceutical sector based in Andalusia, Spain. COFARAN has grown through mergers with other cooperative pharmacies in the region. These mergers have allowed COFARAN to consolidate resources, increase its purchasing power, and provide a wider range of pharmaceutical services to its members [21].

5. Cooperativa del Campo San Miguel Arcángel: This agricultural cooperative in Spain underwent a merger with other local agricultural cooperatives to create a larger entity. The merger enabled the cooperative to optimize resources, improve efficiency, and strengthen its bargaining power in the market, benefiting its member farmers [5].

These examples illustrate how mergers and acquisitions have played a role in the development and growth of cooperative societies in Spain, helping them expand their operations, diversify their offerings, and achieve greater competitiveness in their respective sectors.

Overall, while there have been successful Merger and Acquisition transactions in the cooperative sector in Spain, the outcomes can vary, and the success of each deal depends on several factors specific to the transaction and the organizations involved.

Here are some examples of cooperative society mergers and acquisitions that have taken place in France:

1. Groupe Euralis: Groupe Euralis is a cooperative group operating in the agribusiness sector. Over the years, it has engaged in mergers and acquisitions to diversify its activities. For instance, in 2012, Groupe Euralis acquired the duck farming and processing company Delpeyrat. This acquisition expanded Groupe Euralis' presence in the poultry industry and complemented its existing activities [28].

2. Les Mousquetaires and ITM Alimentaire International: Les Mousquetaires, a cooperative group that operates the Intermarché supermarket chain, acquired ITM Alimentaire International in 2014. This acquisition allowed Les Mousquetaires to strengthen

its position in the retail sector and expand its international presence. The merger brought together two cooperative entities, enabling them to combine their strengths and resources [14].

3. Groupe Up and Chèque Déjeuner: Groupe Up, a cooperative specializing in employee benefits and services, acquired Chèque Déjeuner in 2010. This acquisition allowed Groupe Up to consolidate its position in the market for meal vouchers and related services. The merger created synergies and expanded the range of solutions available to their clients and beneficiaries [39].

4. Harmonie Mutuelle and MGEN: In 2016, Harmonie Mutuelle, a cooperative health insurance company, and MGEN, another major mutual insurance company, announced their intention to merge. This merger aimed to create a stronger entity with increased capacity to provide healthcare coverage and services to their members [29].

These examples highlight how mergers and acquisitions have been utilized by cooperative societies in France to enhance their market presence, diversify their activities, and leverage synergies. Merger and Acquisition transactions have allowed cooperative societies to combine their resources, expertise, and market reach to create stronger and more competitive entities.

There have been several mergers and acquisition of cooperatives in the Netherlands as well. Here is a list of a few of them:

1. FrieslandCampina: Friesland Campina is a Dutch multinational dairy cooperative that has grown through mergers and acquisitions. It was formed in 2008 through the merger of Friesland Foods and Campina. This merger created one of the largest dairy cooperatives in the world, allowing for increased market reach, improved operational efficiency, and a stronger presence in the global dairy industry [35].

2. Rabobank: Rabobank is a cooperative bank in the Netherlands that has undergone several mergers and acquisitions over the years. These include mergers with local cooperative banks to expand its network and reach, such as the merger with Coöperatieve Centrale Raiffeisen-Bank in 1972. Rabobank's Merger and Acquisition activities have helped it become one of the largest financial institutions in the country [69].

3. CZ Groep: CZ Groep is a cooperative health insurance company in the Netherlands.

It has engaged in acquisitions to expand its operations and diversify its services. For example, in 2013, CZ Groep acquired the healthcare purchasing organization, Intrakoop, which helped strengthen its position in the healthcare sector and provided additional benefits to its members [59].

4. Agrifirm: Agrifirm is a Dutch cooperative company in the agricultural sector. It has grown through mergers with other cooperatives. For instance, Agrifirm was formed in 2010 through the merger of Agrifirm Plant and Cehave Landbouwbetang. This merger allowed for increased efficiency, shared resources, and a stronger market position in the agricultural industry [2].

5. Royal FloraHolland: Royal FloraHolland is a cooperative company that operates the largest flower auction in the world. It has expanded its operations through mergers and acquisitions. For example, in 2008, Royal Flora Holland acquired Bloemenveiling Aalsmeer, another major flower auction, to consolidate the industry and streamline operations. These examples demonstrate how mergers and acquisitions have played a role in the growth and development of cooperative societies in the Netherlands. Merger and Acquisition activities have allowed cooperatives to expand their market reach, improve operational efficiency, and diversify their services, ultimately benefiting their members and stakeholders [65].

So, Europe has also seen developments because of cooperatives. Mergers and acquisitions of cooperatives has now given its members in remote areas opportunities to pool resources together for the development of their communities and they do not have to wait until government decides to do something about their well being. An average person that belongs to a cooperative now has access to loan and does not have to wait to have collateral to get money for his or her well-being. Although, merger and acquisition have consequences but the more money available for members, the better their lives will be.

This study has sought to determine whether the capital constraint faced by cooperatives has fomented the recent growth of cooperative mergers, acquisitions, joint ventures, and strategic alliances.

Among other macroeconomic factors, higher interest rates and higher value of agricultural output lead to a greater probability a cooperative will merge or form a strategic

alliance with another, but a lower probability a cooperative will choose to form a joint venture. With respect to internal factors, the profile of a consolidating cooperative describes an efficient, minimally leveraged organization which is less liquid than average. Without access to publicly traded stock to serve as currency in a merger or acquisition, it is not surprising that capital adequacy is an important determinant of the likelihood of consolidation. Other implications of this research are clear. First, for cooperatives to remain a viable business form, their managers should recognize the significant impediment to growth and competitiveness presented by the lack of access to public equity markets.

Therefore, managers need to take advantage of innovative means of financing that address both the need of cooperative members to retain control and their need for external sources of capital. Second, a rapid rate of consolidation among efficient cooperatives should be viewed in a positive light as a means by which the cooperative sector can remain competitive with non-cooperative rivals, rather than as an indication of weakness or desperation. Future research may consider the relative importance of market power versus efficiency motives for consolidating. Profitable cooperatives are no more likely to merge than others, separating these two motives may produce different results. Additional research may also contribute to our understanding of merger and acquisition activity by using more detailed data that will allow for more refined measures of each area of financial performance, or by including more "qualitative" factors which allow for managerial hubris or unique situations.

3.2 Demutualization of modern cooperatives

Demutualization is the conversion of a co-operative, credit union or mutual into an alternative organizational form (usually one owned by investors). Demutualization can occur through the conversion of equity into investment shares, or it can occur via a merger, takeover or buyout involving companies that usually are not co-operatives or mutuals. Regardless of the form it takes, demutualization typically involves the transfer to private

investors of the capital that has been built up over the years in the co-operative [49].

In the context of modern cooperatives, demutualization is a complex and controversial topic. Some cooperatives may consider demutualization for various reasons, such as accessing capital markets, increasing liquidity, attracting external investors, or pursuing growth opportunities. However, the decision to demutualize is often met with debates and considerations due to the potential impact on member control, cooperative values, and the cooperative movement as a whole.

Here are some key points to consider regarding the demutualization of modern cooperatives:

1. **Member Control:** Cooperatives are based on the principle of member control, where members have a voice in the organization's decision-making processes. Demutualization can lead to a dilution of member control as ownership and decision-making power shift to external shareholders.

2. **Cooperative Values:** Cooperatives are driven by values such as democratic participation, solidarity, and member welfare. Demutualization may raise concerns about the erosion of these values and the prioritization of shareholder interests over member needs.

3. **Financial Considerations:** Demutualization can provide cooperatives with access to additional capital and liquidity, which may enable them to pursue growth opportunities or improve their financial position. However, it's essential to carefully assess the long-term financial implications and potential trade-offs associated with demutualization.

4. **Member Benefit Distribution:** In a demutualization process, the distribution of benefits and assets to members is a crucial consideration. Ensuring a fair and equitable distribution of proceeds to members is important to mitigate potential negative impacts on their interests.

5. **Legal and Regulatory Framework:** The demutualization process is subject to legal and regulatory requirements specific to each jurisdiction. Cooperatives considering demutualization must comply with these regulations and ensure transparency and accountability throughout the process.

It's worth noting that not all cooperatives choose to demutualize. Many cooperatives remain committed to their cooperative principles and values while exploring alternative

strategies for growth, such as strategic partnerships, joint ventures, or hybrid models that allow for collaboration with other entities while maintaining member ownership and control.

The demutualization of a co-operative or mutual is a major decision and, although there are exceptions, it is one that cannot typically be reversed. The decision to demutualize may be made with less than full information and/or it may be made by individuals or groups with a very narrow set of interests. As a result, a number of concerns have been raised about demutualization [30]:

- Members may not be fully informed about the consequences of the demutualization, both to themselves and to future members;
- All the options (e.g., a merger with another co-operative/mutual or a new source of financing) have not been thoroughly explored;
- The demutualization process is dominated by management and/or by a small influential group of members;
- Management is enriched more than is warranted;
- Members receive a larger share of the sale value than is warranted by their contribution to the assets of the co-operative (e.g., current members receive the benefits created by previous members);
- The loss of a co-operative or mutual in the industry will lead to poorer quality products or service and/or higher prices, affecting both members and non-members;
- Demutualization will make co-operatives and mutuals look less attractive to existing and potential members, thus damaging the co-operative “brand”;
- Fewer co-operatives and mutuals will weaken the co-operative sector and reduce the ability of the sector to support educational initiatives and to influence government.

Of course, demutualization may make sense in certain circumstances. Organizational restructuring is a key element of a dynamic economy and represents an important way for organizations to reposition themselves and remain operational. As one form of this restructuring, demutualization may, under the right set of circumstances, provide for the continued provision of goods or services, the provision of better-quality goods or services at lower costs, the development of a more competitive and dynamic economy, and the protection of investments or assets that might otherwise be in jeopardy. The protection of

investments/assets might be important from the members' perspective (e.g., the desire for equity redemption at retirement in the case of co-operatives), and/or it might be important from the government's perspective if there is an expectation that it would have to provide compensation if failure should occur (as might be the case in the financial area).

The purpose of this report is to examine the pressures that arise for demutualization and to show that these pressures are linked to what can be called "good governance." The major conclusion is that demutualization, if it occurs, is not an isolated event. Instead, demutualization occurs when the co-operative is not performing well on numerous fronts such as financial performance, member engagement and, most importantly, governance. In effect, demutualization is a sign of a co-operative that is unhealthy in some way, one that has not paid attention to the key issues necessary for its success.

Finding the correct balance for a healthy co-operative is not easy. And no single strategy will do the job. A good example of this is use of indivisible reserves. The term indivisible reserves capture a collection of ideas – limited return on capital, unallocated or co-operative capital; and a requirement that any surplus derived from the sale of a co-operative/mutual be paid to other co-operatives or charity. While indivisible reserves have some real advantages for reducing likelihood of demutualization – they are a permanent source of capital and they eliminate the financial incentive that members might have to sell the co-operative/mutual, they are, by themselves, not sufficient to deter demutualization. As well, the tax implications of indivisible reserves may negatively affect the organization's bottom line; indivisible reserves may also reduce the incentives for people to start co-operatives (particularly worker co-ops) [55].

As a reaction to competitive pressures, cooperative enterprises have relaxed their residual claim restrictions resulting in the emergence of innovative organizational forms. Cooperatives have adopted the hybrid model of demutualization to adapt to these pressures. Demutualization alters member income rights, which stem from member transactions, resulting in re-assignment of the residual claim on income generated between stakeholders. This has an implication on firm performance and organization structure. A question that arises is whether cooperative ownership structure is a decisive determinant of financial performance. We therefore investigate the influence of demutualization on the relationship

between member transactions and financial performance. Innovations in co-operative organizational forms have emerged in the past few decades. As a reaction to competitive pressures, co-operative enterprises have relaxed residual claimant restrictions. Cooperatives are often limited in their competitiveness in relation to human and financial capital because of their member control and member patronage features as compared to capitalist innovations. In co-operative organizational forms have emerged in the past few decades. As a reaction to competitive pressures, co-operative enterprises have relaxed residual claimant restrictions. Cooperatives are often limited in their competitiveness in relation to human and financial capital because of their member control and member patronage features as compared to capitalistic firms. They have thus adopted the hybrid model of demutualization to accommodate some capitalistic features. However, in some circumstances competitive pressures have resulted in full conversion into Investor-Owned Firms (IOFs). Demutualization is defined as an alternation in ownership structure of user owned and user-controlled enterprises from a mutual status to a for-profit, proprietary organization [51].

However, in a modern capitalist society we observe a variety of ownership and governance structures that mark an alternative to this investor-oriented view. Various firms of the tertiary sector like consultancies and law firms are owned and governed by their employees. Cooperatives operate successfully in sectors like insurance, banking or housing and are owned by their customers. While the various underlying institutional designs and governance structures as well as their economic characteristics have been analysed at length our understanding of the transformation of ownership structures remains vague and incomplete [1].

Over the last three decades, cooperatives experienced acceleration of institutional innovation with the introduction of many variations to the reference model. It is certainly not surprising that coops changed their organizational structure over time to face the challenges of world. In the United States and in Canada they are commonly referred to as new generation cooperatives, in Italy and Spain as cooperative groups or network of cooperatives. One of the main features of these new organizational structures is their attempt to take some advantages of the investor-oriented firms (above all in capital raising activities)

while retaining the mutual/cooperative status. Many of these changes have been undertaken to facilitate the growth of the enterprises both in domestic market and abroad. Due to the wideness of the phenomenon, we could name the last three decades the age of hybridization. However, in some cases the search for new structures went further and assumed the aspect of conversion of mutuals into stock firms. Our paper will deal with this latter part of the story, focusing on cooperatives that preferred conversion or demutualization to hybridization. The paper describes the chronology and the geography of demutualization and analyses the forces that drove it over the last decades. The main conclusion is that demutualization provided solutions for real problems, as hybridization did, however the choice between these two options seems to have been more a matter of ideology than of efficiency [60].

Demutualisation refers to the process of transforming a cooperative structure into a publicly traded company. While some argue that demutualisation can benefit cooperatives by increasing their access to capital and boosting their competitiveness, others argue that it can harm the core values and principles of cooperatives.

Firstly, demutualisation can provide cooperatives with a substantial amount of capital to invest in their business and support growth. This extra funding will enable them to expand their operations and pursue new ventures. Furthermore, becoming a publicly traded company can also bring about a greater recognition and awareness of the cooperative's brand, leading to increased sales, potentially providing more opportunities to their members and stakeholders.

Secondly, demutualisation can create a more competitive and efficient market for the cooperative's products and services. Public companies have stricter financial regulatory oversight than cooperatives. With that oversight comes a greater ability to access capital, and can create competition thereby spurring cost-reductions and efficiency gains. This can lead to lower prices for consumers while still maintaining or even improving quality. This competitive pressure can help cooperatives to stay relevant and meet the changing needs of their customers.

On the other hand, there are some cons of demutualisation. One of the main disadvantages of demutualisation is the possibility of disrupting the core principles of

cooperatives. Cooperatives are based on a set of core values, including democracy, equity, and solidarity. When making decisions, cooperatives weigh the interests of all members and focus on delivering value to the members. Demutualisation eliminates these values by prioritizing the interests of shareholders, who focus on maximizing profit.

Another disadvantage of demutualisation is that it can lead to a loss of control and corporate governance by members of the cooperative. This can result in an increased focus on short-term gains rather than the long-term interests of the cooperative and its members [66].

Demutualization is the process by which a customer-owned mutual organization (mutual) or co-operative changes legal form to a joint stock company. It is sometimes called stocking or privatization. As part of the demutualization process, members of a mutual usually receive a "windfall" payout, in the form of shares in the successor company, a cash payment, or a mixture of both. Mutualization or mutualization is the opposite process, wherein a shareholder-owned company is converted into a mutual organization, typically through takeover by an existing mutual organization. Furthermore, re-mutualization depicts the process of aligning or refreshing the interest and objectives of the members of the mutual society.

The mutual traditionally raises capital from its customer members in order to provide services to them (for example building societies, where members' savings enable the provision of mortgages to members). It redistributes some profits to its members. By contrast, a joint stock company raises capital from its shareholders and other financial sources in order to provide services to its customers, with profits or assets distributed to equity or debt investors. In a mutual organization, therefore, the legal roles of customer and owner are united in one form ("members"), whereas in the joint stock company the roles are distinct. This allows a broader capital base if the customers cannot or will not provide sufficient financing to the organization. However, a joint stock company must also try to maximize the return for its owners instead of only maximizing the return and customer services to its customers. This can lead to a decline in customer service to the extent that customers', management's and shareholders' interests diverge.

A very early example of demutualization were the changes to the structure of

the Union Insurance Society of Canton initiated by its secretary N.J. Ede between 1873 and 1882 leading to its re-registration as a limited company having originated as a mutual assurance society for traders in Canton in 1835. There are three general methods in which an organization might demutualize, full demutualization, sponsored demutualization, and into a mutual holding company (MHC). In any type of demutualization, insurance policies, outstanding loans, etc., are not directly affected by the organization's change of legal form.

In a full demutualization, the mutual completely converts to a stock company, and passes on its own (newly issued) stock, cash, and/or policy credits to the members or policyholders. No attempt is made to preserve mutuality in any form. However, in a full demutualization of a mutual savings bank, stock is issued to investors in an initial public offering, while the depositors, who theoretically owned the bank before demutualization, do not automatically receive stock and must separately invest. Under United States federal and state regulations, depositors receive first priority to purchase the stock before any other investors.

A sponsored demutualization is similar; the mutual is fully demutualized and its policyholders or members are compensated. The difference is that the mutuality is essentially bought by a stock corporation. Instead of receiving stock in the formerly mutual company, stock in the new parent company is granted instead.

A mutual holding company is a hybrid concept, part stock company and part mutual company. Technically, the members still own over 50% of the company as a whole. Because of this, they are generally not significantly compensated for what would otherwise be viewed as loss of property. (This is also why many jurisdictions, including Canada, disallow the formation of MHCs.) The core participants are isolated into a special segment of the company, still viewed as "mutual". The rest is a stock company. This part of the business might be publicly traded, or held as a wholly owned subsidiary until such time that the organization should choose to go public.

Mutual holding companies are not allowed in New York where attempts by mutual insurance to pass permissible legislation failed. Opponents of mutual insurance holding companies referred to the establishment of mutual holding companies in New York as "Legalized Theft".

Some MHC demutualizations have been planned as the first of a two-stage process. The second stage would be full demutualization once the transition pains into MHC status are complete. In other cases, the MHC is the final stage.

Note that some mutual companies, such as Nationwide Mutual Insurance Company and the MassMutual, have owned stock companies listed on a stock exchange. Nationwide bought back its subsidiary stock company in full, on December 31, 2008. These are not MHCs, however; they are simply mutual companies which have majority control over one or more stock companies. Other mutual companies may own some of another company's stock, but as simply an asset, not something they actually control. Finally, many mutual companies, including Nationwide and MassMutual, have wholly owned subsidiaries. The subsidiaries may technically be stock companies, but the mutual owns all the stock. For example, the New York Life Insurance and Annuity Corporation (NYLIAC) is a wholly owned subsidiary of the New York Life Insurance Company (NYLIC). A person may purchase an insurance policy from either company, but only those who own participating policies from NYLIC are mutual members. Other policyholders are customers.

Numerous agricultural supply and marketing cooperatives have demutualized. One of the largest, CF Industries, a manufacturer and distributor of fertilizers in the United States, was for 56 years a cooperative federation. CF then demutualized and made an initial public offering of equity stock in 2005.

Another large example is Kerry Co-operative Creameries of Ireland, a milk and meat processor that partially demutualized in 1986 under the so-called Irish model, with the primary business of the co-operative transferred to a publicly traded company Kerry Group and the shareholding split between the co-operative and its farmer members. Since this partial demutualisation, the co-operative has gradually reduced its holding in the Kerry Group in order to fund an extensive redemption scheme of its own co-operative shares held by farmer members.

Murray Goulburn Co-operative and Australia's 2016 dairy crisis is another large example.

s well as the many agricultural supply cooperatives that demutualized, a small number of general retail consumer's cooperatives have demutualized or considered demutualization.

In 1997, Andrew Regan launched an unsuccessful hostile takeover bid to demutualize the UK's giant Co-operative Wholesale Society, which, despite its name, was a large retailer in its own right. In 2007, the tiny Scottish retailer, Musselburgh and Fisherrow Co-operative Society, completed most or all of the steps necessary to demutualize. In 2008, a Swiss competition regulator recommended demutualization to Switzerland's leading supermarket chains, Coop and Migros.

Irish grocer-owned retailers' cooperative, ADM Londis, changed its capital structure in 2004 to an unlisted public limited company, allowing its owners to trade its stock privately at market value.

Demutualization is a process by which a private, member-owned company, such as a co-op, or a mutual life insurance company, legally changes its structure, in order to become a public-traded company owned by shareholders.

Demutualization involves the complex process of transitioning a company's financial structure, from a mutual company into a shareholder-driven model. Mutual companies (not to be confused with mutual funds) are entities seeded by private investors who are also customers or members of these operations. Businesses such as insurance companies, savings and loan associations, banking trusts, and credit unions are commonly structured as mutual companies.

In a demutualization, a mutual company elects to change its corporate structure to a public company, where prior members may receive a structured compensation or ownership conversion rights in the transition, in the form of shares in the company.

Several demutualization methodologies exist. In a "full demutualization," a company launches an initial public offering (IPO), where it auctions stock to shareholders, who may trade their equity positions over a public market exchange. Under this scenario, the former members of the mutual company do not automatically receive stock, and must consequently invest separately.

Alternatively, with the "sponsored demutualization" method, after the IPO, former members of the mutual company automatically receive shares in the newly-formed company. Under this model, members typically receive greater compensation for their previous membership and, generally, don't have to invest personal capital in the newly-issued shares.

However, they may buy additional shares, if they choose.

When a demutualization occurs, former members may still utilize the products and services as they did before, however, prices and other terms of the transactions may change.

In conclusion, the demutualisation of modern cooperatives can have both positive and negative effects. While it can provide these cooperatives with access to more capital and improve competitiveness, it can also harm the core values of cooperatives and lead to a loss of control by cooperative members. It is important to weigh these pros and cons before making a decision on whether demutualisation is the right path for a particular cooperative.

Conclusions for chapter 3

The phenomenon of mergers and acquisitions in the cooperative sector of different countries, as well as the demutualization of cooperatives, has sparked significant debates and transformations in the cooperative landscape. Throughout our exploration, we have observed the potential benefits and challenges associated with these processes, ultimately highlighting the importance of balancing economic considerations with the core cooperative principles and values.

Mergers and acquisitions in the cooperative sector have emerged as a strategic response to changing market dynamics, increased competition, and the need for economies of scale. By joining forces, cooperatives can enhance their bargaining power, expand their market reach, and achieve cost efficiencies. Such consolidations also provide an opportunity for knowledge sharing, innovation, and specialization, which can further strengthen the competitiveness of cooperative enterprises.

However, it is crucial to approach mergers and acquisitions in the cooperative sector with caution. The unique cooperative principles of member ownership, democratic governance, and equitable distribution of benefits should remain at the forefront of these processes. It is essential to ensure that the interests and voices of cooperative members are adequately represented, and that the cooperative's social mission and commitment to its

community are not compromised during the consolidation process.

In a similar vein, the demutualization of cooperatives, where cooperatives transition into investor-owned entities, has also gained attention in recent years. This process is often driven by the desire to access capital markets, attract external investments, and enhance competitiveness. However, demutualization poses significant risks, as it can dilute member control and shift the focus from social objectives to shareholder value. Careful consideration must be given to preserving the cooperative's social mission and ensuring that the benefits of demutualization are shared equitably among members and stakeholders.

While mergers, acquisitions, and demutualization can offer opportunities for growth and innovation, it is crucial to maintain a balance between economic efficiency and the fundamental principles that underpin cooperatives. Cooperatives must remain committed to democratic decision-making, member participation, and the pursuit of social and environmental goals. Striking this balance will require robust governance structures, transparent processes, and ongoing engagement with cooperative members and stakeholders.

In conclusion, the phenomena of mergers and acquisitions in the cooperative sector, as well as the demutualization of cooperatives, present both opportunities and challenges. As cooperatives navigate these transformations, it is essential to ensure that the cooperative principles and values are upheld, and the interests of members and communities are safeguarded. By doing so, cooperatives can continue to play a vital role in fostering inclusive economic growth, social well-being, and sustainable development in different countries around the world.

CONCLUSIONS

Cooperative societies have proven to be a powerful social instrument of economic self-help. Through their principles of voluntary participation, democratic decision-making, and equitable distribution of benefits, cooperatives have effectively empowered individuals and communities to address economic challenges collectively. By pooling resources, sharing risks, and fostering collaboration, cooperatives have facilitated access to essential goods and services, improved livelihoods, and promoted sustainable development.

Moreover, cooperatives have played a vital role in promoting economic democracy. By granting each member an equal voice in decision-making processes, cooperatives ensure that power is distributed fairly and that all stakeholders have a say in shaping the organization's direction. This democratic structure not only fosters a sense of ownership and responsibility among members but also encourages transparency, accountability, and trust, leading to sustainable and equitable outcomes.

Cooperatives have also proven their adaptability to various sectors and contexts. From agriculture and finance to housing and healthcare, cooperatives have demonstrated their versatility in addressing diverse economic and social needs. They have served as catalysts for rural development, fostering entrepreneurship, and empowering small-scale producers and workers. By fostering collective action and cooperation, cooperatives have been instrumental in achieving shared goals that benefit the wider community.

In today's complex and interconnected world, the cooperative model holds even greater potential. It offers an alternative economic system that emphasizes people-centered development, environmental sustainability, and community resilience. By harnessing the power of cooperation, societies can forge a path towards a more inclusive and just economic order, where individuals and communities are empowered to shape their own destinies and contribute to the common good.

The origin and popularization of the first cooperatives mark a significant milestone in the history of economic and social progress. The cooperative movement emerged as a response to the challenges faced by individuals and communities during periods of rapid

industrialization, economic inequality, and social unrest. It offered a transformative model that empowered individuals to come together, pool resources, and build a collective framework for economic self-help and mutual benefit.

The roots of the cooperative movement can be traced back to the early 19th century, with the Rochdale Society of Equitable Pioneers in England often recognized as the first successful cooperative venture. This group of weavers and artisans faced harsh working conditions and limited access to affordable goods, prompting them to establish a cooperative store. They laid the foundation for a cooperative structure based on democratic decision-making, shared ownership, and fair distribution of profits.

The success of the Rochdale Pioneers and their adherence to principles such as open membership, democratic control, and member education inspired the spread of cooperative societies across different sectors and countries. Cooperatives flourished in diverse industries, including agriculture, consumer goods, finance, housing, and labour. These enterprises sought to empower individuals, alleviate poverty, and address the social and economic needs of their members and communities.

The popularization of the cooperative model was further accelerated by influential figures such as Robert Owen, who advocated for cooperative principles and the idea of worker-owned enterprises. Owen's vision and advocacy paved the way for the establishment of cooperatives around the world, with early examples emerging in countries such as Germany, Italy, and the United States.

Over the years, the cooperative movement has evolved and adapted to changing societal needs and economic realities. It has proven its resilience and effectiveness in promoting economic democracy, social equity, and sustainable development. Today, cooperatives continue to thrive globally, playing a vital role in sectors such as agriculture, energy, retail, and finance, and making a positive impact on the lives of millions of people.

The origin and popularization of the first cooperatives serve as a testament to the power of collective action, solidarity, and cooperation in addressing socio-economic challenges. These early pioneers laid the groundwork for a model that has the potential to reshape economic systems, foster community empowerment, and promote a more inclusive and sustainable future.

The development and activity of cooperatives in different countries have proven to be instrumental in fostering economic growth, empowering communities, and promoting sustainable practices. Throughout our exploration, we have witnessed the remarkable impact that cooperatives have had on various sectors, ranging from agriculture and finance to manufacturing and services. Firstly, cooperatives have demonstrated their ability to uplift farmers and rural communities by providing them with collective bargaining power, access to resources, and fair market opportunities. By pooling their resources and knowledge, farmers can negotiate better prices for their products, reduce costs through shared infrastructure, and collectively invest in sustainable farming practices. This not only improves their livelihoods but also contributes to food security and rural development.

Moreover, cooperatives have played a pivotal role in democratizing access to financial services, particularly in underserved areas. By offering affordable credit, savings, and insurance services, cooperative banks and credit unions have enabled individuals and small businesses to overcome financial barriers, stimulate entrepreneurship, and enhance local economic development. This inclusive approach to finance has proven crucial in reducing poverty and fostering economic resilience. In addition, the cooperative model has fostered collaboration and innovation across various industries. By encouraging member participation and democratic decision-making, cooperatives have created platforms for knowledge sharing, skill development, and business incubation. These platforms have not only boosted productivity and competitiveness but have also facilitated the emergence of sustainable and socially responsible business practices.

While the development and activity of cooperatives may vary across different countries, their core principles of self-help, self-responsibility, democracy, equality, and solidarity remain universal. By embracing these principles and adapting them to local contexts, countries can harness the potential of cooperatives to address pressing challenges such as income inequality, unemployment, environmental degradation, and social exclusion.

In conclusion, the development and activity of cooperatives in different countries have demonstrated their ability to foster inclusive and sustainable development. As we continue to navigate a complex and interconnected world, cooperatives provide a viable pathway towards a more equitable, resilient, and prosperous future for all. By supporting

and nurturing the cooperative movement, governments, organizations, and individuals can contribute to building a more just and sustainable global economy.

The phenomenon of mergers and acquisitions in the cooperative sector of different countries, as well as the demutualization of cooperatives, has sparked significant debates and transformations in the cooperative landscape. Throughout our exploration, we have observed the potential benefits and challenges associated with these processes, ultimately highlighting the importance of balancing economic considerations with the core cooperative principles and values.

Mergers and acquisitions in the cooperative sector have emerged as a strategic response to changing market dynamics, increased competition, and the need for economies of scale. By joining forces, cooperatives can enhance their bargaining power, expand their market reach, and achieve cost efficiencies. Such consolidations also provide an opportunity for knowledge sharing, innovation, and specialization, which can further strengthen the competitiveness of cooperative enterprises.

However, it is crucial to approach mergers and acquisitions in the cooperative sector with caution. The unique cooperative principles of member ownership, democratic governance, and equitable distribution of benefits should remain at the forefront of these processes. It is essential to ensure that the interests and voices of cooperative members are adequately represented, and that the cooperative's social mission and commitment to its community are not compromised during the consolidation process.

In a similar vein, the demutualization of cooperatives, where cooperatives transition into investor-owned entities, has also gained attention in recent years. This process is often driven by the desire to access capital markets, attract external investments, and enhance competitiveness. However, demutualization poses significant risks, as it can dilute member control and shift the focus from social objectives to shareholder value. Careful consideration must be given to preserving the cooperative's social mission and ensuring that the benefits of demutualization are shared equitably among members and stakeholders.

While mergers, acquisitions, and demutualization can offer opportunities for growth and innovation, it is crucial to maintain a balance between economic efficiency and the fundamental principles that underpin cooperatives. Cooperatives must remain committed to

democratic decision-making, member participation, and the pursuit of social and environmental goals. Striking this balance will require robust governance structures, transparent processes, and ongoing engagement with cooperative members and stakeholders.

In conclusion, the phenomena of mergers and acquisitions in the cooperative sector, as well as the demutualization of cooperatives, present both opportunities and challenges. As cooperatives navigate these transformations, it is essential to ensure that the cooperative principles and values are upheld, and the interests of members and communities are safeguarded. By doing so, cooperatives can continue to play a vital role in fostering inclusive economic growth, social well-being, and sustainable development in different countries around the world.

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