Reflections on the position and prospects of cooperative enterprises

The significance of Raiffeisen’s ideas in modern times

Working Paper, December 2018

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Abstract

The 200th birthday of Friedrich Wilhelm Raiffeisen (1818-1888), the German cooperative pioneer, represents a good opportunity to explore the significance of traditional cooperative principles in the global society today. Compared to publications on – cooperative contemporaries of – Raiffeisen and case studies on cooperatives, this article takes a fresh and forward-looking approach. It draws parallels between past, present and expected global economic, environmental and social issues where cooperatives have been, are or could be part of the solution. Conceptually, the analysis fuses notions from various social sciences to paint a well-founded image and outlook for different types of cooperatives. The formulated views stem from real-life cases, contemporary scholarly analyses and international policy discussions on the one hand and generally recognised global trends on the other. Concretely, we look for the footprint of cooperative innovators in the agricultural and banking sector in Europe. Particular attention is paid to current issues and future prospects of rural coops and cooperative banks, both in Europe and other corners of the world. The paper pinpoints where the original cooperative ideas show up in trending and mainstream policy and academic discussions and publications on social innovators, social capital and the social economy. The paper also contains an exposition of the potential and viability of incumbent and newly emerging cooperatives outside the rural and banking sector. Taken together, our meta-study finds irrefutable evidence that the attention for and popularity of the cooperative business model gained global momentum since the outbreak of the Great Financial Crisis in 2007/8 as a result of a broad range of interconnected factors and long-term trends. The cooperative movement displays creativity and innovativeness as evidenced by its experimentation with new concepts such as social cooperatives, community cooperatives, business and employment cooperatives, labour intermediation cooperatives, multi-stakeholder cooperatives. This paper supports the notion that every society works best economically and socially with a diverse private sector.

Keywords: cooperative movement, agricultural cooperatives, cooperative banks, social innovation, social capital, social economy, entrepreneurial pluralism, F.W. Raiffeisen

JEL classification: B31, G21, L20, O35, P13, Q18

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1. Introduction

The 200th birthday of Friedrich Wilhelm Raiffeisen (1818-1888) provides an opportunity to take stock of the significance of the cooperative concept in current times. Since the story and worldview of this and other cooperative pioneers are extensively documented (e.g. Aschhoff,1982) and continue to form an inspiration for new publications (e.g. Kaltenborn, 2018), this article takes a different approach. It aims to uncover the pioneers' legacy in national economies and policy arena today. Looking at recent literature, listening to current politicians and/or trend watchers (Van Bavel, 2016), reading recent policy reports (European Commission, 2014a), and observing many mature and large rural and financial cooperatives (World Co-operative Monitor, 2017) and a boom of – new types of – cooperatives in 'new' sectors (e.g. Mori, 2017), the ideas of cooperative innovators do not seem to be old-fashioned or outdated, despite the fact that they were formulated such a long time ago.

Cooperative frontrunners like the German Raiffeisen lived in times of great challenges and rapid changes in society. The associated socio-economic hardship and exclusion proved to be fertile ground for cooperative self-help organisations in agriculture and banking to sprout and flourish. Today, the global society is also transforming at a rapid pace. The world is becoming more and more complex, forcing existing economic and business concepts to change, adapt or become increasingly obsolescent (Allaire and Firsirotu, 2011). Social and environmental issues form a new and challenging context in which individuals and businesses have to operate. The identified mega-trends relate to technological change and the knowledge economy, changes in demographic, societal and environmental trends, globalization and de-industrialization, and the impact of the reorganization of work on working conditions, inequality and social protection (CICOPA, 2017; ILO, 2017; OECD, 2017). At the same time, many observe a retrenchment of the welfare state and privatisation of public services (e.g. Pestoff, 2017).

Different from most studies on the contemporary value and relevance of Raiffeisen's ideas and the position of cooperatives in general, this article takes a holistic, macro approach with a focus on global issues, present and envisaged meta-trends. Practical insights are merged with academic and policy notions about cooperatives. Throughout the paper, we pinpoint how and where Raiffeisen's thoughts show up in recent academic work and socio-economic and social discussions and/or in what way coops could be useful to deal with some current or imminent global challenges. Our analysis is neither restricted to a particular geographic area nor economic sector. Furthermore, the two universal characterisations of cooperatives will be used interchangeably. The first one is based on who the members are, i.e. consumers, producers, workers and community. The associated cooperatives differ from each other by virtue of the economic relation with their members, as consumers versus producers or workers, and the related interests and benefits they promote.The second classification is based on the economic sectors in which the cooperative is active.

Given the broad and global scope of our exploration, we refrain from theorising and providing an exhaustive enumeration of the scholarly and practical literature on Raiffeisen and cooperatives. Instead, our main objective is to extract common denominators from a rich body of academic and practical sources regarding the characteristics, recent performance and prospects of coops. Another qualification is that this article is not arguing that cooperatives are superior to firms with other organisational structures. All organisational forms have their own merits and flaws. However, it is generally believed that every society works best economically and socially with a diverse private sector, ranging from cooperatives to state-owned enterprises, from small entrepreneurial, family owned businesses to large national champions, and from civil society organisations to philanthropic organisations (see e.g. United Nations, 2015). Respecting the hallmarks of responsible applied science, we shall objectively report and assess key elements from recent experiences and academic insights on success and failing factors of cooperatives. It is also important to realise that cooperatives and other types of organisations interact with each other and with the social, economic, institutional and competitive environment in which they are located. The outcomes of these interactions influence their behaviour, performance and ultimate survival.

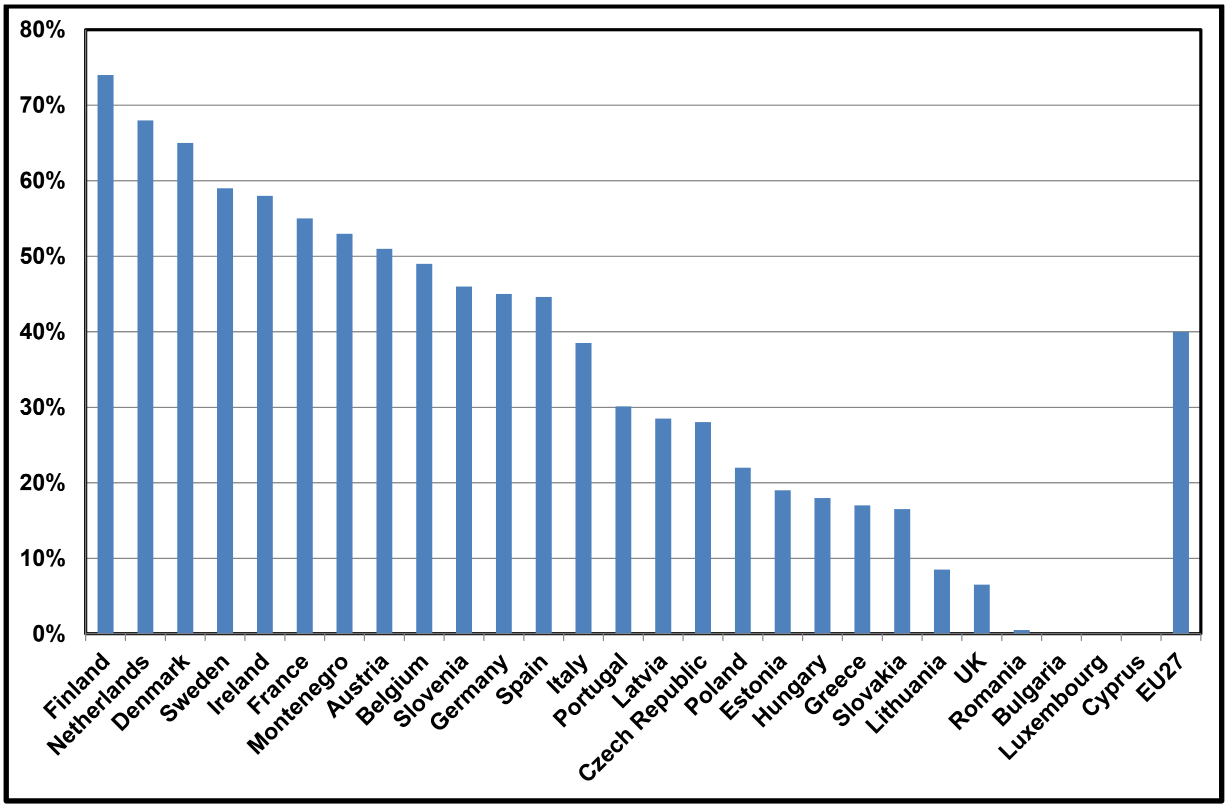
This article is structured as follows. Sections 2 and 3 analyse Raiffeisen's fields of cooperative attention: the food and agricultural (F&A) sector as well as banking, respectively. Both sections illuminate similar aspects. Own data collection and existing data sets are used to assess Raiffeisen's footprint in both economic sectors in Europe. Furthermore, we elaborate on key challenges and opportunities of rural and financial cooperatives in generic terms, and assess the applicability of the cooperative concept within these sectors outside Europe. Section 4 deals with the re-emergence of the ideas of cooperative pioneers, among which Raiffeisen, in trending policy and academic discussions and publications on social innovators, social capital and the social economy. In Section 5, we dig into the global potential and general challenges of cooperatives outside the rural and financial sector. A brief section concludes.

2. Rural cooperatives

To start with, one cannot claim that all current European F&A cooperatives either directly originate from or are exactly modelled on Raiffeisen's ideas: the origin and intensity of the cooperative tradition differ across EU countries. Be that as it may, an extensive EU-wide study in 2012 (Bijman *et al.* (2012): "Support for Farmers' Cooperatives"; SFC) revealed that the cooperative form is a popular business organisation in the European F&A sector. Figure 1 displays the relative importance of F&A cooperatives in all EU Member States, based on the "SFC Cooperative Index": the estimated market share of all cooperatives at farm gate sales level weighted for eight sectors; sheep meat, olives, wine, cereals, pig meat, sugar, diary, fruit & vegetables.

It turns out that large differences between Member States exist. F&A cooperatives have reached dominant market positions in countries like Finland, the Netherlands and Denmark, but have much lower market shares in countries like Estonia or Spain. Cultural, historical and political factors appear to explain these differences between countries to a great extent. The average market share of all F&A cooperatives in the EU equals 40 per cent. On the whole, they are crucially important business organisations for European farmers. Most farmers are member of at least one cooperative, and even non-members trade with them or benefit from the presence of cooperatives in particular markets.

Figure 1 Market share of agricultural cooperatives, per EU country, 2010



Source: European Commission's report on 'Support for Farmers' Cooperatives' (2012, p. 28).

The SFC-research also concludes that the primary drivers for recent generations of European farmers to join cooperatives differ from those of farmers in Raiffeisen's time. Younger farmers generally have no personal experience of the industry in times of hardship caused by market failures like their (distant) predecessors. Although their motives are nowhere near approaching deprivation or exclusion, the economic rationale for participation is in essence not fundamentally different from the ones that prevailed fifty or hundred years ago for the members of the now fully established cooperatives. By joining cooperatives, farmers avoid the relatively high 'market contracting costs', which they normally incur when they act alone in the market, and how, instead farmers settle for relatively manageable 'ownership costs' associated with cooperative membership (Hansmann, 1996). Concretely, cooperatives enable farmers to obtain economic independence, coordinate large scale production, disseminate knowledge and information, monitor work contributions and product quality, increase bargaining power, share risks, and facilitate access to new markets. The aforementioned aspects accrue from both vertical and horizontal integration within cooperatives and are especially important in remote areas of Europe where farmers face thin markets. The latter are often characterized by asymmetric information between seller and buyer and by farmers being dependent on only a few (large) traders or processing companies.

In contrast to most developed countries, the rural population in many other parts of the world still encounters financial exclusion and poverty. In the past, farmers in European countries were in a similar situation as many farmers in emerging and developing countries (henceforth EDCs) are today. They were farming on small plots, had little or no access to financial services and no bargaining power due to small production quantities. Moreover, the F&A supply chain was very fragmented. F&A cooperatives in EDCs could in principle deliver comparable market improvements and increases in revenues for farmers as their mature counterparts in the western world have been able to achieve for their members. They could protect individual farmers against opportunistic behaviour on the part of downstream and upstream actors in agricultural markets. By offering a collective bargaining mechanism, participating farmers can benefit from lower input and higher output prices, while also reinforcing their mutual social ties. Regarding the latter facet, an early theorist (Nourse, 1922) already argued that cooperatives can be interpreted as a logical extension of family farms. This insight was picked up by Tortia *et al*. (2013) who point out that the creation of collective governance models in the form of agricultural coops is the only option that is compatible with both the retention of independent small ownership and the realisation of adequate scale economies and market survival potential.

New F&A cooperatives face completely different market circumstances and dynamics than their western counterparts many decades ago. Agricultural markets are increasingly globally oriented and the sophistication of available technologies advances exponentially (European Parliamentary Research Service, 2016). Sexton (2012) identifies greater concentration, strengthened vertical coordination, increased emphasis on product quality and differentiation as major drivers behind fundamental changes in agricultural markets worldwide. The Committee on Agriculture and Rural Development (2009) and Oxfam (2011) recommend a much more rapid development of newly established cooperative enterprises into larger, market-oriented, professional and well-managed organisations. Past experience in Europe learns that sufficient scale and/or a strong umbrella organisation, which can help remove high transaction costs for new (and fragile) cooperative enterprises, might yield additional advantages for the members of primary cooperatives. Raiffeisen already recognised the benefits of the establishment of APEX organisations to assist and serve grassroots – F&A or credit – cooperatives a long time ago. He propagated and established regional cooperative organisations and federations. These regional centrals for instance had an important function in advising, consulting, auditing and training – personnel of – local cooperatives. In present times, such APEX organisations could play a pivotal role in the cost-sharing and adoption of the current-state-of-the-art digital technologies by primary cooperatives in EDCs. Implementations of so-called precision and smart farming could result in a great leap forward for young and new cooperatives in EDCs, provided that issues of data management, data ownership and access to open data are tackled satisfactorily. Both new farming methods promise to increase the quantity and quality of agricultural output while using less input (water, energy, fertilisers, pesticides, etcetera). They rely mainly upon a combination of new sensor technologies, satellite navigation and positioning technology, and the Internet of Things.

The European history demonstrates that collective self-help, self-responsibility and self-governance were the keys to success for many F&A cooperatives. It seems worthwhile to experiment with Raiffeisen's concept, enriched with recent academic and practical insights, to combat critical economic impacts and their social consequences, i.e. poverty, distress and indebtedness of farmers, by new and existing F&A cooperatives in EDCs. In this respect, the World Bank states (2008) that agricultural development functions as a catalyst for economic development, poverty alleviation and reducing malnutrition. Today, only one third of the smallholder farmers in emerging and developing countries takes part in some form of group enterprise. Increasing the degree of organisation could lead to considerable benefits for many smallholders. 85 percent of the world's 460 million farms are small-scale, of less than two hectares. By joining farmers' interest organisations, they would be able to scale up their production well above household subsistence levels, thereby producing marketable surpluses. Productivity growth in F&A is also needed to address one of the most urgent global challenges for mankind: food security and the food supply chain (see United Nations, 2015). These issues are becoming increasingly pressing in light of the predicted increase in world population to around 10 billion in 2050.

Groeneveld (2012) emphasizes that the viability and success of F&A cooperatives in EDCs largely depend on the readiness of their members to obey internal institutional arrangements. These requirements are (i) a duty of delivery for all production concerned, and (ii) the specification and application of *Product Regulation* for the commodities to be sold. Product Regulation is necessary to prevent members from considering their cooperative as an outlet for their lower quality production and selling their better quality production directly to private traders. This conduct would threaten the cooperative's viability. Product Regulation ensures that volumes and qualities meet market demands and standards (e.g. Sexton, 2012). It also enables the cooperative to cover the fixed capital and investment costs, thus making it creditworthy and bankable.

At this point, we recall three additional practical lessons learned by Raiffeisen that are relevant for new and incumbent F&A cooperatives in EDCs. Firstly, he recognised that those who need cooperatives most, have usually the least resources and capabilities to establish, maintain and manage one. Hence, F&A cooperatives in EDCs would benefit from the participation and involvement of all classes in society, i.e. small and large farmers, local notables and elites. Every member of the cooperative should have 'something' to pool and should not be dependent on others for its survival. The question should not be how cooperatives can help the poor and disadvantaged, but how the poor and disadvantaged can help themselves by forming or joining cooperatives (Grosskopf *et al*., 2010).The latter aspect is linked to another personal experience. After some experimentations, Raiffeisen lost confidence in charity and donations to fulfil economic and social needs. He concluded that philanthropy was not effective and not self-sustaining; it does not stimulate people to take control of their own destiny (Kappes, 2015). 'Free' external help to – members of – F&A cooperatives should only be based on the motto: '*So jemand nicht will arbeiten, der soll auch nicht essen*' ('If a man will not work, he shall not eat'; Raiffeisen, 1866). Self-help became his adage. The third insight is that F&A cooperatives can serve multiple objectives. F&A cooperatives do not just bring about economic benefits for individual farmers, but can also amplify their ability of collective action (Ostrom, 1990, p. 25) and sustain a kind of rural social order. Put differently, they could be effective institutions to strengthen and (re)invigorate local communities.

This section closes with generic topics emerging from the vast body of empirical and academic literature on F&A coops. A sizeable strand of research examines the determinants of longevity of rural cooperatives, particularly in developed countries. Based on several decades of investigation and conversations with agricultural coops, Cook (2018) finds that cooperative longevity is associated with multiple factors, primarily among them, ability to adapt and ameliorate frictions of an increasing heterogeneous membership and subgroup factions. Two other dominant streams in the economic literature distinguish between the conceptions of agricultural cooperatives as units of vertical integration and as firms marked by common governance of collective entrepreneurial action with an ability to reduce transaction costs and economic risk (Nuhanovic-Ribic *et al.*, 2017). Both strands attempt to offer complementary explanations for the observation that agricultural coops have grown substantially in most developing and developed countries. Many studies enquire into the economic mechanism behind this growth and the relationship between the cooperative identity and the outcomes of cooperative activities. An important driver behind their growth seems to be the desire to increase productivity. This has led to fewer and larger operations along the production and marketing chain, including farms, cooperatives, processors and retailers, which look for larger operations and reduced per-unit costs. As firms cut their costs, they become more competitive. In this way, they can increase sales and market shares at the expense of less profitable firms (Shields, 2012). Cooperatives have adopted various business growth strategies through formulas, such as mergers and acquisitions, joint ventures, creation of federated structures, etc., and by consolidating large cooperative groups in the EU. One of the significant challenges for agri-food cooperatives is how to manage growth over time (Mazzarol *et al.*, 2014). In line with this, organizational models are a key element. Many scholars have analyzed the organizational and structural changes made by cooperatives in their growth strategies and internationalization processes (e.g. Chaddad and Cook, 2004).

The second chief research strand concentrates on the struggle by many cooperatives, including successful ones, to understand how to reconcile being competitive in the market on the one hand and staying true to cooperative principles on the other. It elucidates the multi-layered nature of both the structure and purpose of coops in the context of the debate about the true nature of cooperative identity. This dilemma has to do with mounting pressures present in the F&A industry, which come from sector-specific features and mirror distortions in the broader institutional environment within which the sector functions (Swinnen and Maertens, 2007). The analyses usually point to financial and governance limitations of rural coops, often supplemented by a treatise on institutional tools and models that may be implemented to overcome such constraints (e.g. Jones and Kalmi, 2012).

3. Cooperative banks

The legacy of Raiffeisen is very much alive in European banking today. A number of contemporary European cooperative banks still bear his name. We have detected eight European cooperative banking groups that ‘descend’ from his ideas, but were logically founded by national pioneers of cooperative banking. All of these banks were originally linked to the agricultural sector[2] and are currently members of the International Raiffeisen Union (IRU) based in Bonn.[3]

It is fair to reiterate two aspects. First, imitations of Raiffeisen’s model did not succeed in every European country. Raiffeisenism disappeared in Belgium and Ireland, and never even got off the ground in Denmark (Colvin and McLaughlin, 2014). Second, popular banks belong to the other family of cooperative banks. One of the founding fathers of the latter strand of cooperative banks was Raiffeisen’s fellow countryman Franz Hermann Schulze-Delitzsch (1808-1883). He invented a similar type of cooperative bank for townspeople, providing credits to enable artisans and small business people to come through turbulent economic times and frequent depressions that accompanied the industrial revolution. Aschhoff (1982) describes the original ideological and practical contrasts between these two men who created the cooperative movement in Germany. It appears that these differences have gradually vanished over time. In Germany, the Volksbanks (popular banks) and Raiffeisenbanks already operate as one cooperative banking group for a long time.

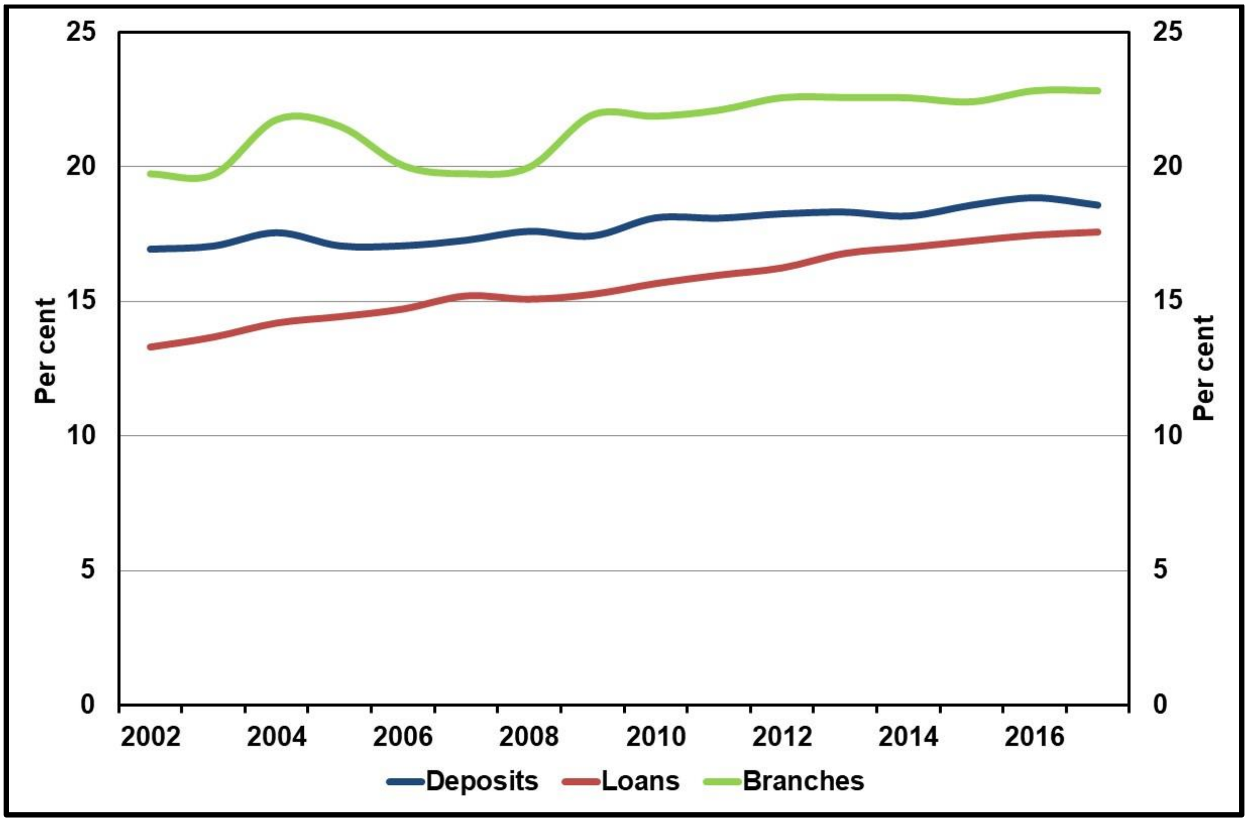
The evolution of the member base is an indicator for the vitality of cooperative banks associated with Raiffeisen, because membership is not necessary to request a loan from them anymore. Since the start of this millennium, the number of members surged from 25 million to around 33.5 million in 2017, i.e. a rise of 36 per cent. The ratio of the total number of members to total population grew by almost 3 percentage points and currently equals more than 13 per cent. The rising number of members translated in strengthened market positions (see Figure 2). In 2017, their average market shares were around 17-19 per cent in domestic retail banking markets. This means that they are important suppliers in retail banking services. We could not plot the average F&A market share in the Figure due to missing data. For cooperative banks that do report these figures, we found that their F&A market share lies far above their overall loan and deposit market share. From these scanty figures, it can be inferred that cooperative banks play an important role in financing agricultural and food

[2] Austria: Raiffeisen banks; France: Confédération du Crédit Mutuel; Germany: Bundesverband der Deutschen Volksbanken und Raiffeisenbanken; Italy: FEDERCASSE; Luxemburg: Banque Raiffeisen; Netherlands: Rabobank; Switzerland: Raiffeisen Schweiz; Portugal: FENACAM.

[3] The website of the IRU states that this organisation is a worldwide voluntary association of national co-operative organizations which work and ideas are based on Raiffeisen’s principles – i.e. self-help, self-responsibility and self-administration. IRU was founded in 1968 and has today 52 members in 33 countries. IRU’s mission is to translate Raiffeisen’s ideas in the current time, put them into practice and propagate them with modern means.

industries throughout Europe. Raiffeisen's principle of 'locality' is still visible as well: the average branch market share considerably surpasses the average loan and deposit share. This signifies their decentralised structure and territorial proximity.

Figure 2 Average domestic market shares of eight 'original' Raiffeisen banks in Europe (2002-2017)



Source: own calculations based on data of eight European cooperative banks (see footnote 2) that are member of the International Raiffeisen Union, and databases of the European Central Bank and Swiss National Bank.

Note: it concerns loans and deposits of the non-financial private sector, excluding government.

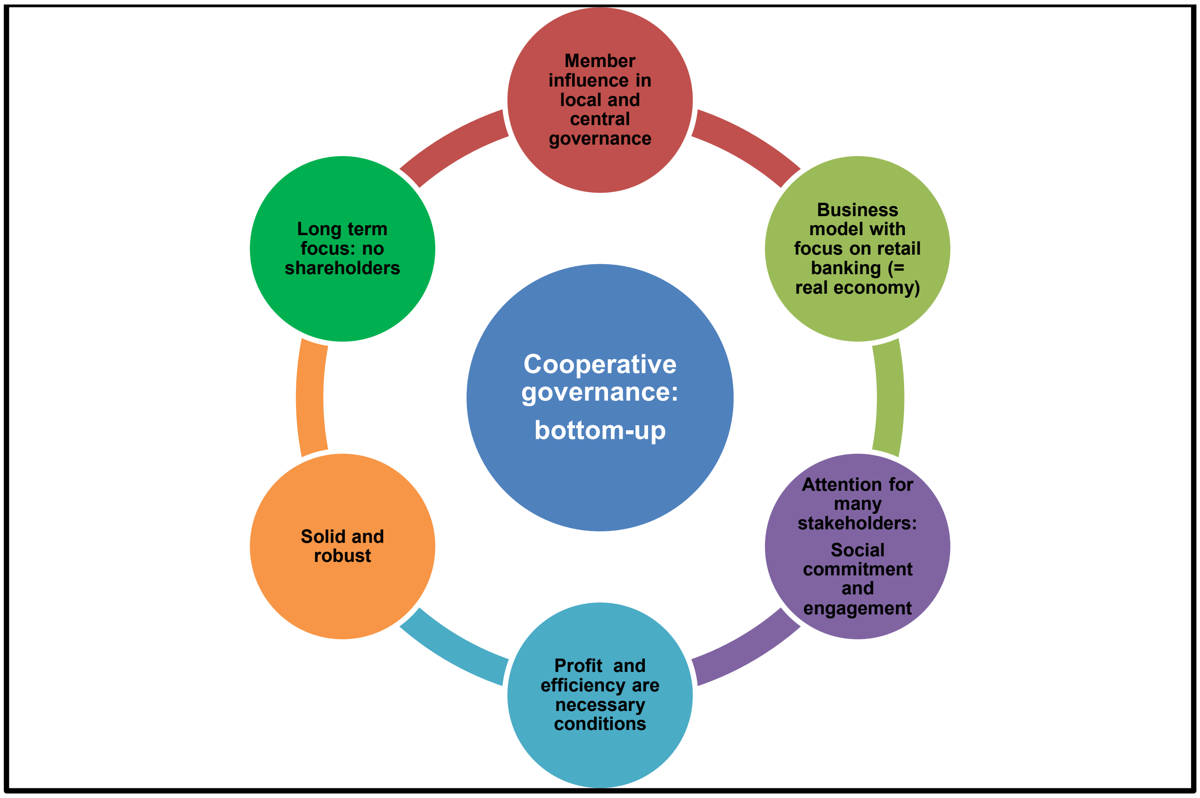
Obviously, their operations and governance structure differ from those of the original local credit cooperatives from the remote past. The longevity of these financial cooperatives does demonstrate their ability to adapt to changing circumstances, to surmount challenges and to re-invent themselves all the time. In this respect, it must be noted that all cooperative banks have followed divergent evolutionary trajectories, because they – had to – act in different political, geographical, legal and regulatory contexts (Groeneveld, 2015). Before turning to the key organisational adaptations and major differences between coop banks, it is useful to highlight the features that from the very beginning characterised credit cooperatives and still distinguish the descending business model (Cornée, Fattobene and Migliorelli, 2018). The member-based governance founded on democratic principles (i.e. bottom up structures) and on mutualism is the deciding timeless characteristic. Democratic governance is based on two notions: (i) every customer of a local bank is eligible to become a member, and (ii) each member has one vote, regardless of the number of member shares. Members can participate in local and/or regional governance bodies and – ideally – determine the policy and strategic course of the local bank or cooperative banking group. Mutuality rests on the commitment to focus the main activities on members, and to be not for profit (but profits are necessary for capitalisation), but for the well-being of members and society.

Figure 3 visualizes the proclaimed implications of the cooperative governance. The presented manifestations are derived from a concise questionnaire conducted among 11 financial cooperatives which were originally based on Raiffeisenism (Groeneveld [Ed.], 2018). The six elements are interconnected. Without exception, the surveyed banks state that their governance ensures member influence at the local/regional and central tiers. Member ownership is said to be reflected in an approach that is consensus-driven and avoids a strong fixation on just one stakeholder. This member-based governance is supposed to lead to a business model with a predominant focus on retail banking, which is closely connected to the real economy, i.e. attracting deposits and granting loans to SME's and private households. With reference to their roots, these cooperative banks see the worth in connections with their members and local societies. Recognising that connections have both an economic and social value, they assert that enabling connectivity becomes itself an economic and social goal. In order to be able to strive for social goals and implement a social agenda, cooperative banks stress the importance of making sufficient profits. Profits are a means to guarantee continuity and retained earnings were and still are the primary and traditional source of equity building by coop banks. Furthermore, they emphasize the need to be efficient and innovative in their business operations to remain competitive. The first factor corresponds to Raiffeisen's principle of thrifty management.[4] If they are not efficient, they do not behave in the interest of their members, i.e. lose attractiveness and competitiveness. Most respondents emphasized that local/regional cooperative banks are part of an integrated cooperative system with internal solidarity arrangements to prevent the failure of an individual cooperative bank. This facet contributes to the stability and robustness of the entire cooperative banking group. Two other mentioned reasons for their solidity are that, with some exceptions, their risk profile is relatively conservative due to a strong focus on retail banking and that a short-term orientation on profit maximization is absent. Many publications find that these factors explain why coop banks weathered the Great Financial Crisis of 2007/8 (henceforth GFC) and the subsequent recessions relatively well (Boonstra and Mooij, 2012). At that time, many large listed European banks needed some form of state support to survive (De Groen and Gros, 2015). During this period, cooperative banks acted as stabilisers in national financial systems (Groeneveld and

[4] Initially, local credit cooperatives were run by a cashier in his home office, who only received a small salary. His tasks comprised receiving and distributing the funds as well as bookkeeping and correspondence. The cashier's job was a part-time occupation. During the 20th century, the cashier's activities grew into full-time professions, with increasingly strict – supervisory and regulatory – requirements.

De Vries, 2009; Ayadi *et al*. 2010) and did not require any form of government aid. Last but not least, most cooperative banks have no external capital providers with voting rights or only external shareholders with minority stakes (in particular subsidiaries), which would enable them to apply a long-term horizon.

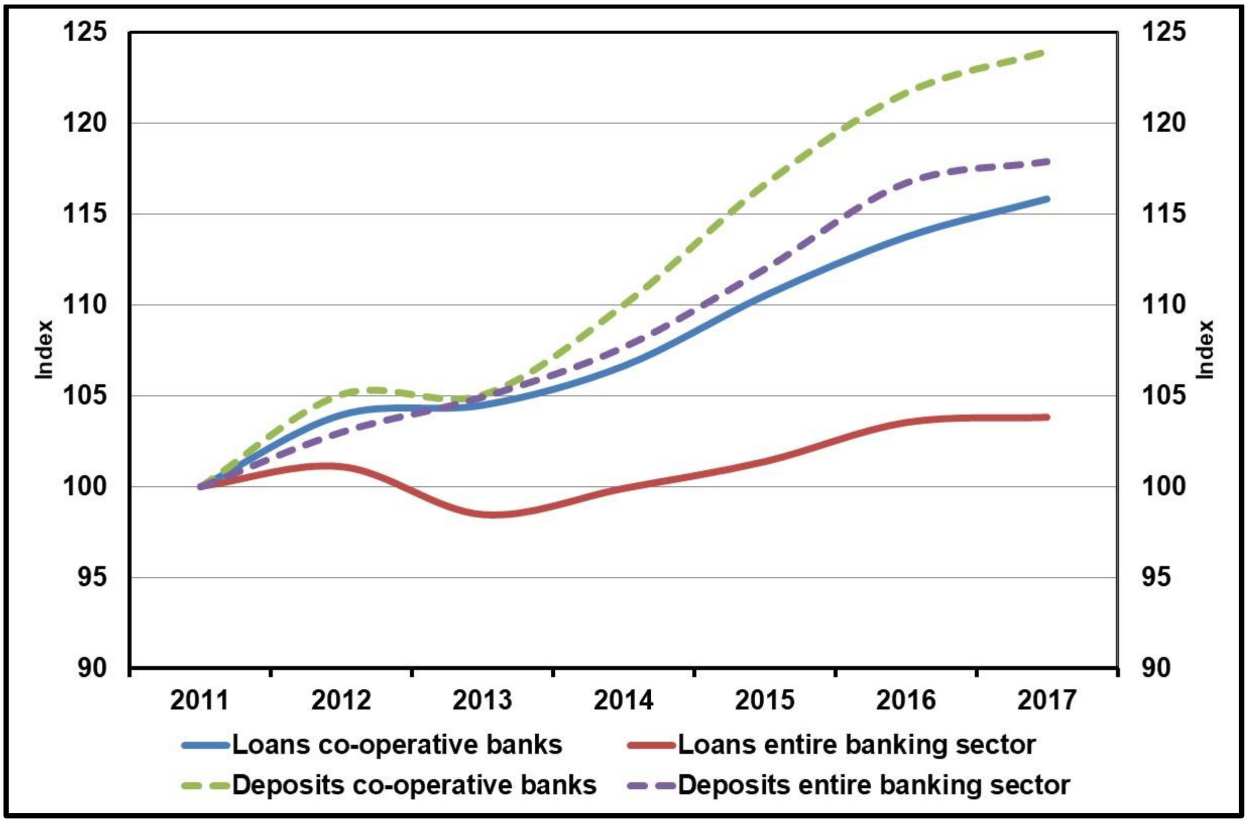
Figure 3 Manifestations of the cooperative governance



Source: figure is based on survey results reported in Groeneveld (Ed., 2018).

Recent data corroborate the cooperative bankers' claim that their business model and strategy are oriented towards the real economy as a result of the member-based governance. Figure 4 plots the aggregate loan and deposit volume of these eight coop banks and that of the entire banking sector indexed at 100 in 2011. Several aspects catch the eye. Firstly, one can discern a divergent loan growth pattern during this time span. This period started with economic downturns and financial distress. Subsequently, a modest economic recovery and a restoration of financial stability in many European countries occurred. It can be inferred that, on average, cooperative banks have continuously supplied the real economy with new loans, whereas the loan portfolio of all other banks actually contracted in 2013. These empirical facts suggest that customers benefit from the commitment of cooperative banks to remaining locally based, keeping a relatively extensive branch network, and maintaining a high level of lending to local small and medium-sized businesses as well as the agricultural sector during in times of economic and financial turmoil, thanks to their good capitalisation (Groeneveld, 2014; Coccorese and Shaffer, 2018). Bolton *et al.* (2013) adds that coop banks played a countercyclical role due to their relationships build on trust and adequate knowledge of the local context. This suggests that they have smoothed lending cycles and can therefore be beneficial to overall economic activity (e.g. Čihák and Hesse, 2007). Cumulatively, the loan volume at cooperative banks and all other banks is respectively 16 and 4 percentage points higher than in 2011. For deposit growth, analogous conclusions can be drawn. The deposit base of cooperative banks increased much stronger since 2011. This is evidenced by the gap between the two broken lines in Figure 4. Obviously, cooperative banks needed more deposits to fund the expanding loan portfolio. Another observation is that deposit growth significantly outpaced the rise in loans.

Figure 4 Loan and deposit growth (2011 = 100)



Source: own calculations based on data provided by eight cooperative banking groups (see footnote 2) and databases of the European Central Bank and Swiss National Bank.
Note: Loans concern loans and advances to the non-financial private sector, excluding government. Deposits pertain to all deposits and savings of the non-financial private sector, excluding government, placed at banks. Data of the entire banking sector do not include loans and deposits of these eight cooperative banking groups.

The distinctiveness of coop banks is visible in their financial data and often emphasized in public statements (EACB, 2007; Oliver Wyman, 2014). Looking at individual coop banks, one has to conclude that a great diversity in coop banking exists. They have all adjusted their organisation and governance in response to or in anticipation of changes in society in a different way. Without pretending to be exhaustive, the following generic changes took place:

1. Most cooperative banks began to service other client groups and businesses, opened up membership for non-agricultural customers and private individuals and abolished membership requirements for customers applying for a loan in the 1960-1970s. These adaptations were partly triggered by the dwindling share of the agriculture sector in the total economy, increasing competition in banking, and the need to realise economies of scale in retail banking operations as a result of the emergence of electronic payment systems which required huge IT investments. Consequently, cooperative banks serve large numbers of non-members today;
2. The centrals of cooperative banks traditionally exercise a variety of activities, including marketing, lobbying, educating members and their representatives, and realise important economies of scale and scope (e.g. banker's bank). Cooperative centrals manage the liquidity within the system, i.e. allocating the savings from banks with deposit surplus to those with deposit deficit, investing the surplus in the interbank markets, and borrowing in case of deficit. The roles and responsibilities of the central organisations of cooperative banking groups have gained in importance over time, largely due to the increase of non-traditional activities in cooperatives and the actions of regulators and rating agencies. This has resulted in a higher level of integration within cooperative banking groups. Some cooperative banking groups expanded internationally and/or became active in domestic activities outside the cooperative core. This was facilitated by waves of deregulation and liberalization of the global financial sector in the 1980-1990s. The management of these types of activities is normally delegated to the centrals. These developments led to a so-called hybridisation of cooperative banks which allegedly made them less distinguishable from other banks. Several case studies show that activities outside the cooperative part, e.g. corporate projects, investment banking activities, and internationalisation, usually entail relatively high risks. These operations may put the entire cooperative banking group in jeopardy if their proportion in total activities exceeds a certain threshold (e.g. Groeneveld, 2015);
3. Most cooperative banks invested heavily in IT, and virtualised their products and services in this millennium, partly due to changing customer needs and the desire/need to achieve cost reductions. Consequently, they experienced consolidation waves among local cooperative banks, albeit in a varying intensity.

Obviously, the implemented governance and organisational transformations were meant to overcome challenges but also caused new issues. Goglio and Kalmi (2017) argue that contemporaneous cooperative banks are specifically witnessing governance and regulatory challenges. The governance issue has various causes. For instance, the unavoidable broadening of the member base has increased member heterogeneity, which is generally assumed to complicate the functioning of the cooperative banks' governance (e.g. Höhler and

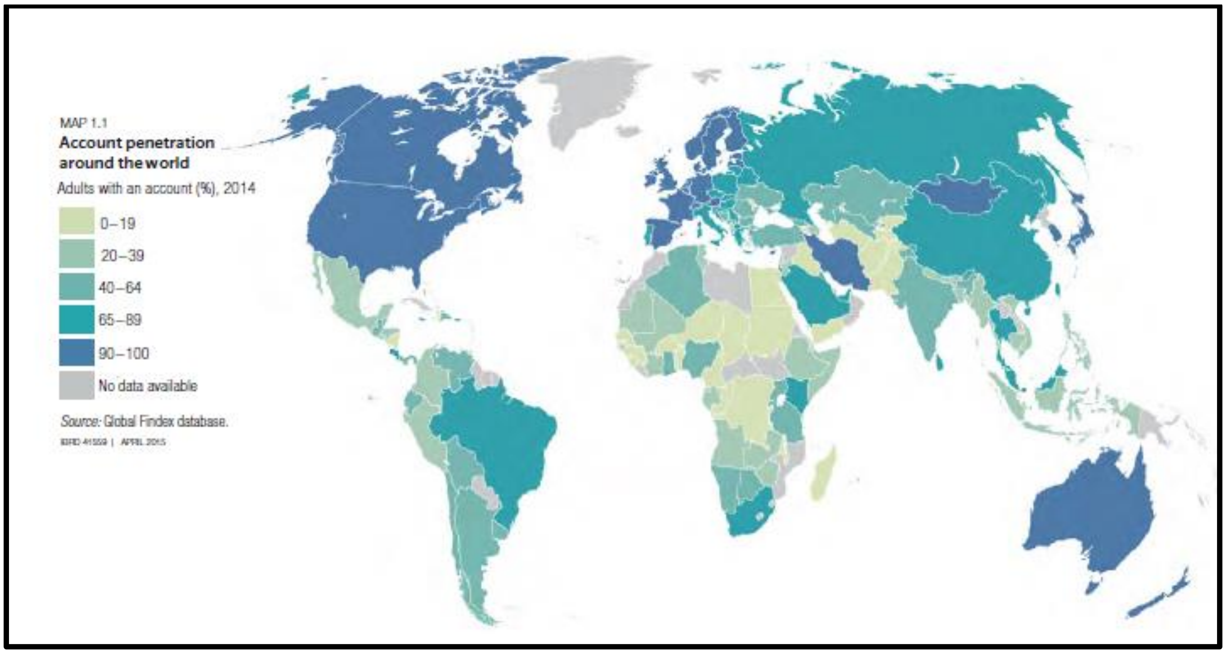
Kühl, 2017). A counterargument is that this broadening might have led to risk diversification to all members' benefit. Digitalisation of the business, the reduction of the number of local banks and the growth of – the working areas of – cooperative banks are also assumed to constitute major governance challenges. Each merger between two local banks leads to a decline in the number of active member representatives in the governance. The increase in members and mergers between local cooperative banks is believed to impact on the voting mechanism, to reduce member mobilization, and to weaken – social – networks with local communities. This could amount to deteriorating internal control of the management and in enlarged free-riding by members who may feel disempowered as the institution adds new members and grows beyond the traditional domains. The potentially weakening democratic control on management may lead to opportunistic bank policies and strategies, a misappropriation of cooperative funds, or a significant misalignment between corporate philosophy and needs and will of members. Apart from discouraging existing members to exercise their ownership rights and responsibilities to oversee management, members may feel incapable and unqualified to participate in governance bodies if a cooperative bank grows in size and becomes more complex. They might feel that they lack the knowledge and competences to discuss the policy and strategy of the cooperative bank with the professional management. However, weak participation of members in the governance creates an inertia in the turnover of managers that may lead to a group-thinking problem and is a breeding ground for favouritism of a particular group of owners (members) or stakeholders in general.

These governance issues were recently heavily debated by regulators and coop banks. In policy documents, the former (e.g. EBA, 2017) have sometimes voiced doubts about the independence and suitability of non-executive directors (i.e. elected member representatives). Cooperative banks reject these assumed governance weaknesses on various grounds (EACB, 2016). Regarding the first aspect, they consider the directors of the management board, in one-tier systems, and of the supervisory board, in two-tier systems, independent because they have been elected by the members, are not subject to the will of the management, and because they are often depositors and customers of the bank. Concerning the second criticism, cooperative banks assert that too much focus is placed on experience and technical expertise criteria of elected members in governance bodies (diplomas, technical training, financial and banking experience) in the current environment. They argue that good governance largely depends on the attitude and behaviour of individuals and that technical expertise is not conducive for governance if it is used to maximise profits while disregarding risks.

The second class of challenges concerns – compliance costs of – regulation. New and higher regulatory capital requirements have a great impact on cooperative banks. It is not unthinkable that cooperative banks will be confronted with a trade-off between retaining profits and pursuing a counter-cyclical behaviour, and financing local economies. If members and loyal customers have difficulties to acknowledge that retained earnings are in fact the safest way to safeguard the presence of a cooperative bank in the banking landscape, imposed capital building directives may fuel the perception that a cooperative bank is not so different from any other banking institution. This problem may be aggravated if the cooperative bank would actually accommodate credit demand by using alternative capitalisation options which would increase its dependency on external debt or capital, especially if external capital providers are granted voting rights. This could limit its degree of freedom in its quest to aim at economic goals and social objectives simultaneously and create conflicts between the interests of members and those of external investors. Besides, the presence of external capital may hamper free internal discussions about the desirable strategic course because this could have immediate effects on the prices of issued capital and funding instruments. Finally, rising compliance costs are complicating the internal capital-generation capacity of cooperative banks. This ‘regulatory compliance cost risk’ applies particularly to smaller and medium sized cooperative banks for which the combined compliance costs could endanger their viability.

According to others, the distinguished governance and regulatory challenges do not automatically and/or necessarily imply a dilution or alienation of the cooperative identity. For instance, they argue that the validity of the above arguments partly depends on how the mergers between cooperative banks are managed in practice; consolidation could also lead to enhanced solidity and closer bonds with an enlarged community. Moreover, cooperative banks are experimenting with new – digital – ways to incentivise members to participate in decision-making and governance bodies and are shifting to making connections with communities that share common values, but not necessarily physical proximity (Giagnocavo and Gerez, 2012). As long as member involvement, engagement and commitment are cherished and stimulated and membership yields (non-)monetary advantages, it is postulated that sufficient number of inspired member representatives will be prepared to participate actively in local and collective governance bodies, thereby safeguarding the nature and determining the strategic course of cooperative banking groups. To assume their supervisory and monitoring responsibilities adequately, non-executive board members need to acquire and maintain skills and competences via tailored-made permanent education programs and should have a diverse composition (i.e. it is not just about technical and financial know how). With an effective and efficient member-governance, it is assumed that the economic dimension can remain closely interwoven with a social, ethical and/or ecological component. If so, cooperative banks could distinguish themselves from shareholder banks by embodying values such as cooperation, reciprocity, long term orientation and territorial embeddedness, while being sustained by the commitment to equitable social goals. Regarding regulatory challenges, it is deemed necessary to disseminate credible and verifiable information and knowledge about their features to a broad audience and many stakeholders. To avert the compliance cost risk, cooperative banks are encouraged to make regulators and supervisors understand that they should adhere to the principle of proportionality (Caselli, 2018). Regulations and requirements should be proportionate to the size, scale and nature of operations of an institution, as well as to the nature, scale and complexity of the risks associated with its business model and activities. In the cooperative context, this includes institutional protection schemes, bottom-up group governance and split of activities between local/regional banks and central structures, as these have prudential consequences.

Figure 5 Bank account holders (as % of total population)



Source: Global Findex database (2014)

In section 2, we briefly sketched the opportunities for rural cooperatives in EDCs. However, as Raiffeisen already acknowledged, it is hardly possible to stimulate rural development and/or F&A cooperatives without addressing the issue of rural finance development. Both aspects are intertwined. Oxfam (2011) posits that the viability and growth potential of rural cooperatives will be severely tempered if they, and their members, would encounter high barriers to access financial services. This would also impede general economic and social progress. Hence, a well-functioning rural finance system is a necessary ingredient for rural economic growth. The point is that financial access is still not self-evident in many parts of the world. In a recent publication, the World Economic Forum (2018) estimates that 2 billion adults currently lack access to basic financial services and many more are underserved. Based on immense research, a world map with bank account penetration is constructed (see Figure 5). Account ownership varies widely around the world. In high-income OECD economies, account ownership is almost universal: 94 per cent of adults reported having an account in 2014. In developing economies only 54 per cent did. There are also enormous disparities among developing regions, where account penetration ranges from 14 per cent in the Middle East to 69 per cent in East Asia and the Pacific.

The present reasons for financial exclusion sound similar to those heard in rural Germany around 1850. Global surveys indicate that 59% of adults without an account cite a lack of enough money as a key reason, which implies that financial services are not yet affordable or designed to fit low income users. Other barriers to account-opening include distance from a financial service provider, lack of necessary documentation papers, lack of trust in financial service providers, and religion. Moreover, around 200 million formal and informal micro, small and medium-sized enterprises in emerging economies lack adequate financing to thrive and grow. According to the World Bank (2008), closing the financial exclusion gap is vital to spurring economic growth, alleviating extreme poverty, and boosting shared prosperity. Financial inclusion is actually identified as an enabler for 7 of the 17 so-called Sustainable Development Goals (SDGs). In a supportive enabling environment, there are certainly good opportunities for cooperative financial institutions and for networks of savings and credit cooperatives in EDCs. While the current state of European cooperative banks may be too sophisticated for replication elsewhere, their experiences and the historical factors that contributed to their development may provide useful lessons and, combined with modern technology, could perhaps allow for ‘leap-frogging’ stages in EDCs (Cuevas and Fischer, 2006). Recent developments in Geodata, Fintech, Ag tech and data analytics provide new opportunities to improve productivity and income for farmers in EDCs. Especially when different data streams are combined into smart applications for farmers and financial institutions. In sum, financial players based on the original principles of rural credit cooperatives could contribute to the elimination of unbanked or underbanked population groups worldwide and bolster rural development.

4. Modern re-interpretation and re-appraisal of traditional cooperative ideas

4.1 Social innovators

Recently, the work and achievements of Raiffeisen are re-interpreted or framed within a new context. With the benefit of hindsight, Fairbairn (2017) asserts that Raiffeisen can be qualified as a 'social innovator': he found a solution to a social problem, and society as a whole was the main beneficiary. On the one hand, Raiffeisen worked in many ways within existing social institutions. At the same time, his desire to meet economic and social needs drove him to create new forms of action and organisation that resulted in social innovation. His process of 'trial and error' illustrates that social innovation in fierce transitional eras depends critically on values, will, a readiness to experiment, flexibility and an ability to find allies. These personal qualities enabled Raiffeisen to break through existing institutions to initiate large-scale processes of social change.

The mentioned qualities provide new insights for social-innovation research and policy. The message is that social innovation is a context-dependent and institutionally embedded process and may even sometimes have a profounder impact on society and economy than the generally prevailing unidimensional focus on technical innovation. Social innovation cannot be standardised and is not universal. Each pressing social issue in specific times, specific places, specific cultures and mentalities requires a different solution and actors of change having the same qualities and perseverance as Raiffeisen.

The collaborative economy and the increasing European policy attention for social innovations are topical manifestations of Raiffeisen's ideas and approach, though the advocates are not always referring to his legacy. The European Union has recently defined social innovation as '… *new ideas, that meet social needs, create social relationships, and form new collaborations. These innovations can be products, services, or models addressing unmet needs more efficiently*' (European Commission, 2014a). Raiffeisen's activities and purposes fully matched this definition. In retrospect, he was a social innovator *avant la lettre*.

4.2 Social capital

About twenty years ago, some timeless characteristics of cooperatives popped up as key elements in a new interdisciplinary academic strand centred around the concept of 'social capital' (Putnam, 2000). Social capital generally refers to anything that facilitates individual or collective action, generated by networks of relationships, reciprocity, trust, and social norms. People who are part of these networks are inclined and prepared to do things for one another. Like cooperative pioneers elsewhere, Raiffeisen was explicitly aiming at knitting strong interpersonal ties in local communities. He strongly believed in what is now called 'social capital' and collective action to meet economic and social needs. Many years later, the literature has theoretically and empirically formalised that trust is both a condition for and a consequence of cooperation and involvement in networks. In other words, social capital, collective action and cooperatives are closely connected (Ostrom, 1990).

In this view, trust and social capital are indispensable for the creation and subsequent prosperity of cooperatives. Without exception, all cooperatives are/were established by a network of people with common social and economic needs. Cooperatives are usually set up as small scale and locally oriented enterprises by members who know each other and have fairly homogenous interests. The homogeneity of member interests and a high level of trust among members render cooperatives effective instruments of collective action. In this respect, Pestoff (2017) maintains that cooperative enterprises have a unique capacity to mobilize social capital and to provide relational goods that neither public nor private for-profit providers demonstrate to the same degree. Hence, member participation in cooperative governance is expected to be more intensive when the size of the cooperative is smaller (e.g. Poteete and Ostrom, 2004).

Initially, cooperative firms have a transparent and manageable structure. When they are small, they can be governed like partnerships. Particularly regarding consumer cooperatives, it is usually assumed that this will change when they (i) open up their membership to population groups with different backgrounds, i.e. consumer coops have to cope with more heterogeneous member preferences, (ii) increase the scale and/or scope of their (non-)cooperative activities, e.g. to meet growing competition from other firms.[5] In the latter cases, it is becoming more difficult to sustain a critical level of active member participation as these cooperatives generally shift to a governance system based on delegated representation or an elected non-executive board that appoints and monitors professional managers. This, in turn, could lead to tensions between the associative and business parts of the coop or the logic of cooperation and the logic of bureaucratic organisations. It also stretches the relationship between members and management in decision-making structures (Pestoff, 2017).

The bulk of research seems to suggest that the heterogeneity of members' preferences and size of cooperatives[6] have an adverse impact on investment behaviour, collective decision-making costs, and member commitment, thus increasing the probability of organisational degeneration (Cook and Iliopoulos, 2016). The proponents of this view envisage an erosion of the original social fabric among local members and the emergence of free rider behaviour (Dowding, 2007). Consequently, social capital is posited to evaporate, which would

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[5] These issues are somewhat less prevalent within growing producer cooperatives, because the interests of their members remain more aligned and they have a clear financial incentive to monitor the management in cooperative networks and/or second- (or third-) tier cooperatives.

[6] The definition of a 'large' cooperative is ambiguous. Size can refer to total assets, number of employees, turnover, number and heterogeneity of members, product range, geographical scope of activities, etcetera. The potential remedies for deficiencies of large cooperatives depend on the parameter that gives the cooperative the predicate 'large'.

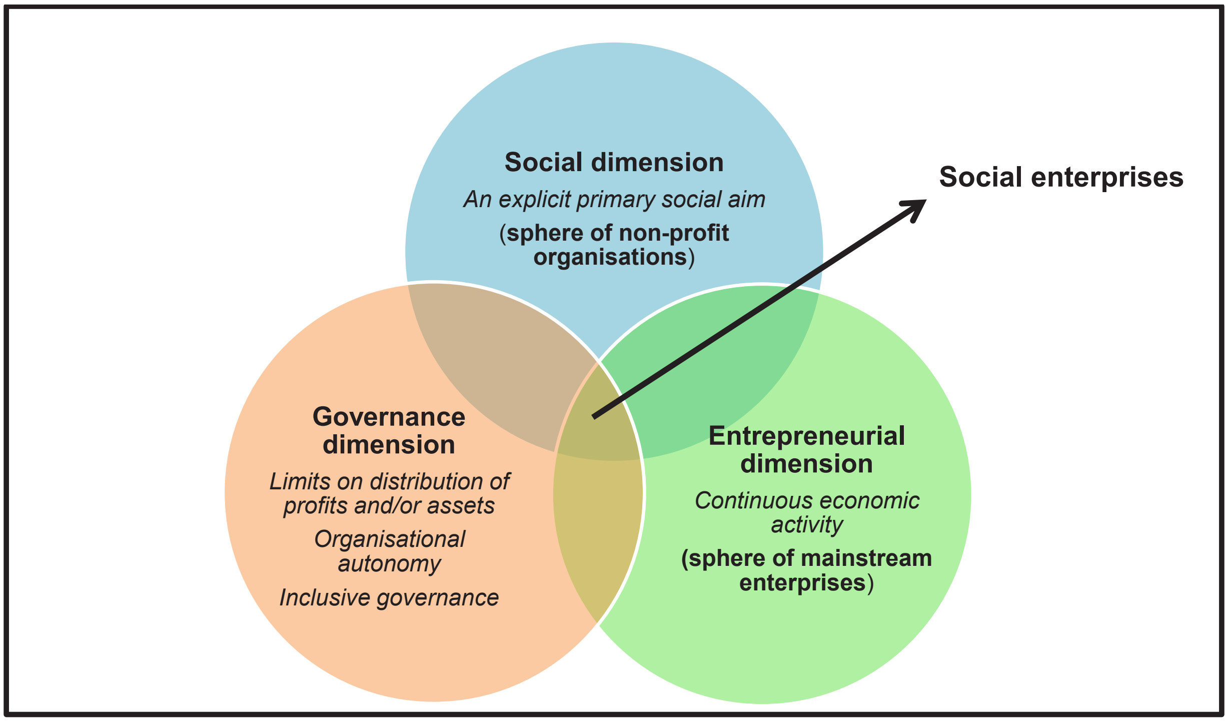
unavoidably lead to either the demutualisation or simply the disappearance of larger and more complex cooperatives. These views are predominantly based on examples of conversion and failure of large agricultural cooperatives (e.g. Fulton and Hueth, 2009; Nilsson *et al.*, 2012).

Others oppose to the views above by pointing to successful large – in terms of turnover – and internationally active producer and consumer cooperatives (World Co-operative Monitor [WMC], 2017). Based on a survey of sixty cooperatives from this WCM, Birchall (2017) concludes that an important success factor is the design architecture of their governance. Pestoff *et al. (*2017) adds that if the worldwide trend toward bigger, but fewer (consumer) coops is combined with innovative organisational structures for effective member participation and reflexive renewal of the cooperative identity by members and management alike, a loss of cooperative identity is less likely to occur. Both academics stress that the governance structure of a large cooperative should foster three sets of relationships: between members and the – elected – board, the elected board and the managers, and the managers and the employees. These relationships are basically about mutual confidence among all stakeholders that their individual objectives of the cooperative are fully aligned. In order to solidify these relationships, Spear (2004) suggests a balanced governance system, which combines high-trust relations with checks and balances on managerial power, so that good social and economic performance of the organization is achieved. The governance framework must strike a balance between three key elements: member representation, expertise and member voice. This is actually a plea for treasuring social capital as mortar for large cooperatives, too. Trust is generated when members see the large cooperative focusing on their needs, i.e. it treats its current members as real owners. Furthermore, it is argued that appointed cooperative managers (particularly of large cooperatives) need to have additional qualifications relative to managers of investor-owned firms (Cook, 1994). To maintain trust among all stakeholders, these additional qualifications comprise being comfortable with complexity, having a people-oriented resource allocation, being communitive to multi-stakeholders, and having coalition-building skills.

4.3 Cooperatives as social enterprises in the modern social economy

Over the last two decades, there has been a revival of the 'social enterprise' concept in Europe (see Borzaga and Defourny, 2001). Upon closer inspection, this construct bears a close resemblance to the cooperative concept which gradually evolved in the 19th century. The European research network EMES employs nine criteria for identifying social enterprises, grouped into three blocks: the economic and business dimension, the social dimension and the participative governance dimension (Figure 6). It defines social enterprises as organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. They place a high value on their independence and on economic risk-taking related to ongoing socio-economic activity. It seems that the inventors of the social enterprise concept have rephrased and transposed Raiffeisen's ideas in a modern way.

Figure 6 The three dimensions of a social enterprise



Source: European Commission (2014b).
Note: Pestoff (2014) points to two shortcomings of the EMES approach to social enterprise. The first concerns the need to specify the participatory governance dimension more specifically. It is a political criterion related to democracy and democratic participation by members and/or clients served by a social enterprise. Second, these three dimensions and nine criteria are highly interactive and tend to reinforce each other. The question is to what extent a certain enterprise is less sustainable as a social enterprise and more vulnerable or subject to isomorphic tendencies if one or more of these criteria is not met. Hence, the additive and interactive nature of these conditions must be explored in greater depth.

The notion of social enterprises currently enjoys considerable political attention and is embraced by the European Union (EU). The deep economic and financial crises in the EU around 2011 provoked this interest (see European Union, 2014b). At that time, many joint stock firms failed and unemployment rates rose to high levels in many EU countries. Governments acted as temporary shock absorbers by increasing their expenditures. This led to soaring deficit and debt levels that triggered comprehensive austerity measures which in turn pushed many countries in a severe economic recession. Policy makers started to look for alternatives to investor-owned businesses. The interest in social enterprises was further boosted by research and data confirming their steady growth rate that has shown good resilience to the crisis.

Nowadays, the EU regards social enterprises as fundamental pillars for the so-called social economy (abbreviated as SE; European Economic and Social Committee [EESC], 2017). Leaving aside the details, the SE comprises two sub-categories: a) the market or business subsector and b) the nonmarket producers' subsector. The market subsector of the SE is made up, essentially, of cooperatives, mutual insurance and mutual provident societies, company groups controlled by social economy organisations and other similar enterprises and certain non-profit institutions at the service of social economy enterprises.

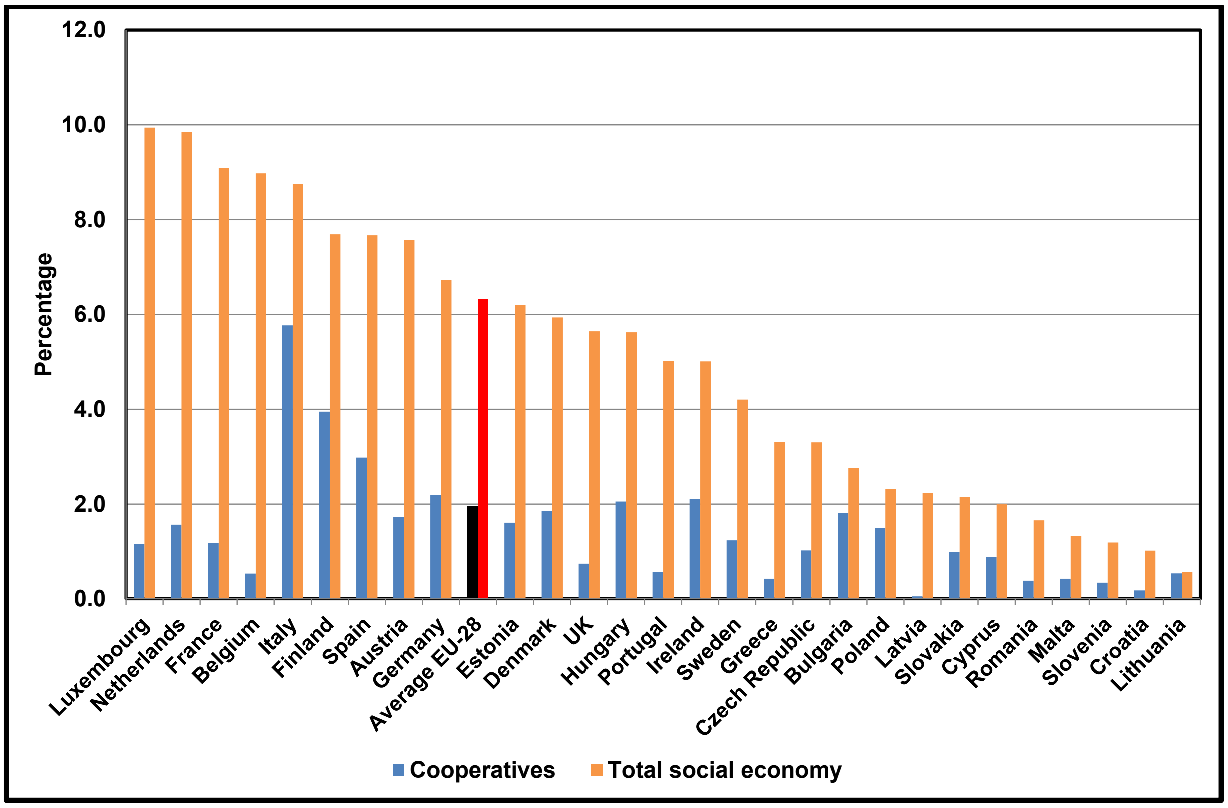
Zooming in on the characterizations of cooperative firms in terms of definition, principles and desired values, the contrast between the primary motivating forces behind cooperatives and for-profit firms attracts attention. For cooperatives, profitability is a means to safeguard continuity and growth on the one hand and to be able to meet social or developmental goals ('*needs and aspirations*') on the other.[7] For-profit firms are mainly what their name indicates. The products and services they provide are a means to generate income for their investors, within the limits of the law and publicly acceptable standards for sustainability among other things, of course. This is quite the opposite of cooperatives' basic goal (Nadeau, 2012); cooperative firms are not subject to the pressure from investors for immediate returns, and can consequently apply a longer-term perspective and pursue multiple goals. Following on from this, the ILO and ICA (2014) view the sustainable profile of cooperatives as an asset in light of the Sustainable Developments Goals.

The EESC attempts to measure the size and monitor the evolution of the SE in all EU countries on a regular basis. This is not an easy task, because serious statistical gaps in the data for various countries exist. Conservative estimates indicate that the SE currently provides at least 14 million paid jobs in Europe, accounting for 6.5% of the total working population of the EU-28. Employment in cooperatives resemble around 30 per cent of all SE jobs. Including both paid and non-paid employment, the SE has a workforce of over 19.1 million, with more than 82.8 million volunteers, equivalent to 5.5 million full time workers. Cooperatives, mutuals and similar entities have more than 232 million members. Finally, the SE encompasses over 2.8 million entities and enterprises. Despite this size, the SE remains invisible in national accounts, a hurdle that constitutes a major challenge to emphasise the importance and relevance of the SE.

[7] Cooperatives have a hybrid nature because they generally pursue both economic and social goals, not just a single goal. That is why cooperatives attract the attention of various academic disciplines. Given the differences between disciplines, economists focus on different questions than political scientists or sociologists when studying coops. Economists look for the economic rationale behind the existence of coops. The sociology or political academic interest in coops usually centres around the question what and how they can contribute to society and how they can facilitate the functioning of the democracy.

Measured in terms of employment, Figure 7 depicts the state of the SE as well as the cooperative sector in each EU country and thereby offers an international comparison. As explained above, these weights are the lower boundaries of the true shares of SE employment due to incomplete underlying statistical information sources. Apart from this general remark, the small employment shares of the sub-sector cooperatives underestimate the 'presence value' or the impact of this sector on general market conditions and society. For instance, workers in cooperative firms are dedicated to meet the social and economic needs of large numbers of members.

Figure 7 Share of cooperatives and entire social economy in total employment per EU country



Source: own graphic representation of data published in EESC (2017, p. 68-69)

Looking at the bars in the figure, one observes large variations in the SE landscape across EU countries. While SE employment accounts for between 9% and 10% of the working population in countries such as Belgium, Italy, Luxembourg, France and the Netherlands, in the new EU Member States such as Slovenia, Romania, Malta, Lithuania, Croatia, Cyprus and Slovakia the SE remains a small, emergent sector, employing under 2% of the working population. The large share of cooperative employment in Italy clearly stands out. This mirrors the existence of many employee cooperatives, which are less common in other EU countries.

The SE is seen as a cornerstone not only for jobs and social cohesion throughout Europe but also for building and consolidating a European Pillar of Social Rights.[8] The SE is also praised for its ability to create genuine interdependence between economic and social issues rather than making one subordinate to the other. The EESC states that the SE is a model of resilience, and usually continues to prosper while other economic sectors are struggling. Within this concept, social enterprises like cooperatives reflect the need for an economy that reconciles social, economic and financial dimensions, that is able to create wealth and that is not measured solely in terms of its financial capital, but also – and above all – by its social capital. Attention for the mix of interests of stakeholders with different backgrounds is inherent in cooperatives. The activities of social enterprises are not driven solely by market or growth criteria. Development, double-digit profitability and profits are not their ultimate objectives: the contribution to the general interest, social cohesion and the well-being of societies are. They are hybrid organisations and an alternative in the market to firms prioritizing the interests of short-term transactional owners. These remarks about the advantages of social enterprises in the SE resonate Raiffeisen's conviction.

[8] While the importance of the Social Economy has been recognised by the EU, its role in supporting local development in other continents is still overlooked. The European Parliament (2014) has therefore commissioned an exploratory study about the Social Economy in Africa and its potential for local development. This study reveals that the Social Economy is a growing segment of the African economy, and that it substantially contributes to improving the wellbeing of local communities. However, some barriers to its development remain, including weak legal frameworks and inadequate policies; weak governance; and poorly developed managerial practices.

5. Global developments and prospects for coops outside the rural and financial sector

Two centuries after his birth, the Raiffeisen idea is still inextricably linked with cooperative basics of self-help, self-responsibility and self-governance and the possibilities to work together for a better existence for all. A comprehensive collection of articles on cooperatives by Michie *et al*. (2017) illustrates that the cooperative organisational form is principally suitable for virtually all economic sectors and population groups in many countries. Cooperatives come in all shapes and sizes and have their own specific features and issues. An important takeaway is that new cooperatives could be established in all sectors and in every country around the world where incipient or existing 'unmet' needs exist in the eyes of potential members. In both developed and developing societies, not everyone has easy access to certain products or/and services or is able to fully participate in society. Or some population groups are on the brink of being deprived from essential services or struggle to achieve or maintain a basic living standard. This could be due to many factors, like changing government policies, gender discrimination, weak or eroding social security, health care and education systems, etcetera. Unmet needs and/or exclusion threats differ considerably across population groups, economic sectors, countries, as well as over time. Besides, the economic, legal and cultural structures and development phases of countries deviate widely. This implies that the potential for various types of cooperatives varies across countries and continents, too.

Such an aspiration, i.e. a perceived or imminent need, is not a sufficient condition for the propensity to set-up and develop a viable cooperative and to become and stay a member. The availability or eligibility of the cooperative model to potential members depends on the entire spectrum of 'institutions' (norms, values, attitudes) as well as the institutional and legal environment in a particular country (Groeneveld, 2016). Cracogna, Fici and Henrÿ (2013) especially stress the nature of national cooperative law as a crucial enabling factor. In a supportive external constellation, cooperatives can thrive because people are attracted to join and shrink if membership does not entail advantages exceeding (non)pecuniary contributions. Apart from a conducive environment, the ultimate success and viability of each cooperative depend on the functioning of its internal governance (Couchman, 2017), operating efficiency, strategic vision and the quality of the products and services and level of satisfaction of their members, i.e. the perceived member value (Sexton and Iskow, 1988). Internal governance issues of cooperatives encompass a wide spectrum of facets. These include decision-making processes, managerial capacity, the role of different governing bodies, the tasks and responsibilities of higher tier levels in the organisation, the capitalization policy, the attitude, involvement and commitment of members, and the allocation of control rights to the management. One of the financial requisites for a successful cooperative deserves explicit mention: cooperatives require financial capital for start-up and subsequent continuity or growth, typically from members but that source is not always sufficient or available at the levels needed. An adequate capitalisation policy and/or gaining access to capital sources is key for a cooperative's viability and survival. A global survey commissioned by the International Cooperative Alliance (2014) concludes that the bottom line for a sound capitalization policy is that cooperatives must be profitable and should not pay out all annual profits as dividends to members. This recommendation echoes Raiffeisen's preferred capitalisation policy of rural and credit cooperatives.

In view of the current policy attention for social enterprises, cooperatives seem to fit in the zeitgeist (Nadeau and Nadeau, 2018). The popularity of the cooperative business model rose after the eruption of the GFC. This turmoil positively affected the opinions and views about cooperatives among policy makers, regulators and academics. The shifting mind-set was partly based on 'hard' evidence that in a time of crisis cooperatives seem to be able to endure and survive for longer than other companies. Whilst the financial and ensuing economic crisis has had negative impacts on the majority of enterprises, Birchall and Ketilson (2009) found that cooperative firms around the world had shown resilience to this crisis. Michie *et al.* (2017) document that they were able to create and preserve employment at times when other types of enterprises shed jobs. This observation casted doubt on the validity of the mainstream view in economic manuals and policy debates which prevailed for many years. According to Ferri and Leogrande (2017), the private limited company (PLC), which is frequently viewed as a public company, a large listed enterprise with dispersed shareholders, was assumed to be the stereotypical form of enterprise. One of the reasons is that the latter enterprise is easy to research due to the obligation to release public documents on a regular basis for external shareholders. Non-archetypical enterprises were generally described as anomalous, immature and possibly the result of unstable constructions that were waiting to evolve into public companies. Ferri and Leogrande (2017) rebut these assumptions on positive and normative grounds. It appears that every country has a rich configuration of enterprises and that profit maximizing firms mostly constitute a small part of total businesses. On normative grounds, progress in the theories of industrial organisation, corporate governance, stakeholder inclusion, and the common goods all seem to suggest that entrepreneurial pluralism may be welfare enhancing (Freeman *et al.*, 2010). The chief finding is that cooperatives contribute to entrepreneurial pluralism which is the norm rather than the exception.

Allaire and Firsirotu (2011) list a number of reasons why they think that the 'old mainstream view', which discriminated against non-archetypical enterprise forms, will not become dominant again. They allege that the global dynamic context calls for a form of entrepreneurship that is closely linked to the historical fundamentals of cooperatives; businesses must show their ability to plan and manage for the long term and for the benefit of all stakeholders. In their view, it is necessary that existing and new businesses, both corporate- and social enterprises, align their strategies with the problems faced on a local, national and global level if they want to thrive and survive. Pestoff (2017) and Zamagni (2017) add that coops possess a comparative advantage as a result of the switch from an industrial to service-oriented economy in advanced societies. In addition, the relatively good performance of cooperatives during and after the GFC prompted the United Nations to declare 2012 as the 'International Year of Cooperatives'. This year reinforced public and policy awareness for the specifics of the cooperative organisational form. International consultancy firms started to show more interest in the merits and characteristics of the cooperative business model; cooperatives had hardly been on their radar for many years (e.g. McKinsey, 2012). Another spin-off was the rebound in the interest to the benefit of 'member-owned' organisations in academia (Michie, Blasi and Borzaga [Eds.], 2017; Karafolas [Ed.], 2016). At the same time, initiatives were launched to compile reliable statistics on the impact and relevance of coops at the global level (CICOPA, 2017; World Co-operative Monitor, 2017). Another milestone was the recognition of the cooperative idea as an Intangible Cultural Heritage of Humanity by the UNESCO (United Nations Educational, Scientific, and Cultural Organization) in 2016.

CICOPA's contribution to the substantiation of the quantitative and qualitative relevance of cooperatives pertains to the world of work. According to conservative estimates, the number of employees in or within the scope of cooperatives is around 279.4 million people throughout the world. Out of this total estimate, 27.2 million work in cooperatives, including 16 million cooperative employees and 11.1 million worker-members. Employment within the scope of cooperatives, mainly self-employed producer-members, equals 252.2 million people, the vast majority being in agriculture. This means that cooperative employment represents 9.5 per cent of total world employment (last column in Table 1). Additionally, the estimated number of cooperatives across the world is around 3 million and the number of members in all types of cooperatives is 1.2 billion. Due mainly to the considerable numbers from China and India, Asia represents a very large part of cooperative employment, regardless of the work forms.[9] Whilst producer-members are the dominant form of cooperative employment (over 90%) in Asia and Africa, in Europe employees also account for a large proportion (30%). In America, worker members represent an important portion of cooperative employment (16%), whilst the huge amount of user-members (more than 368 million out of 421.8 million in all American countries) are to be found primarily in the US and Canada.

[9] Xiaoshan (2013) doubts the authenticity of farmers' specialized coops in China in particular. Many of these coops do not meet important universal cooperative principles (i.e. 'Voluntary and open membership (#1)', 'Members' democratic influence (#2)', and 'Autonomy and independence (#4)'). Therefore, some experts state that only forty to fifty per cent of these cooperatives are really active as businesses.

Table 1 Cooperative, cooperative employment and membership worldwide

Continent (number of countries included in data collection)	Employed population (+15)	Total cooperative employment						
		Employees	Worker-members	Direct employment		Producer-members		
	(T)	(A)	(B)	(A+B)	(A+B)/T	(C)	(A+B+C)	(A+B+C)/T
Europe (37)	331,067,000	4,710,595	1,554,687	6,265,282	1.89	9,157,350	15,422,632	4.66
Africa (35)	326,388,000	1,939,836	37,836	1,977,672	0.61	20,410,298	22,387,970	6.86
Asia (33)	1,827,220,000	7,426,760	8,573,775	16,000,536	0.88	219,247,186	235,247,721	12.87
America (39)	450,443,000	1,896,257	982,285	2,878,542	0.64	3,237,493	6,116,035	1.36
Oceania (12)	17,807,000	75,438	0	75,438	0.42	147,071	222,509	1.25
Total (156)	2,962,925,000	16,048,896	11,148,583	27,197,469	0.92	252,199,398	279,396,867	9.46

Source: CICOPA (2017, p. 25).
Note: Some maintain that these figures disregard the indirect job creation by coops. Jobs and economic activities are also generated through loans granted by credit cooperatives, or through other key inputs provided by insurance cooperatives or electricity cooperatives to millions of producers, or indirectly for providers and clients. In addition, many cooperatives are involved in producers' and SME clustering, as has been recognized by the ILO (2015).

Aside from quantitative estimates, the CICOPA report qualitatively examines cooperatives' specific contributions to addressing problems related to work and employment in the informal economy and the potential contribution of cooperatives to technological development and accompanying social change. The latter aspects are not trivial as evidenced by new manifestations. It concerns the growth of self-employed workers, often called independent contractors or freelancers, of atypical work forms in enterprises, as well as new work forms which are difficult to define and regulate with existing employment arrangements. Although they are stimulated by technological, social and economic changes and are supposed to allow people to work with greater flexibility and independence, such work forms raise concerns regarding the deterioration of conditions of work and quality of life, as well as the emergence of new forms of informal economy. CICOPA (2017) refers to cooperatives as a solution to mitigate the negative effects of these new phenomena, while preserving their technical, economic and social potentials.

Turning to the question of innovation in cooperative development, two types of cooperatives are surging in several countries both within and outside Europe over the past decade. The first category concerns cooperatives with specifically declared *social* goals which spouted up as pure bottom-up phenomena. The recent advance of social cooperatives is partially linked to the contraction of direct government services in many industrial countries which now experience pressing demands from their citizens, also because of demographic developments (i.e. an ageing population). Galera (2017) stresses that some of these new 'social' cooperatives are engaged in the supply of welfare and educational services, which are carried out beyond the 'boundaries' of each cooperative's membership. Their emergence has introduced a new element to the traditional model of cooperatives, which were predominantly based on a single stake-holding system. Here, we have the identification of both members and users, leading towards a greater openness, and a readiness to have additional bearers of interests, such as volunteers, sharing the duties and benefits of the organisation. Zamagni (2017) discerns a shift in the social role of coops from being a provider of goods, wares and services in an industrial society to an emerging provider of services of general interest and enduring social services in today's post-industrial or service society. These services of general interest express the social and political dimensions of cooperatives more clearly than their traditional commercial efforts as agricultural, consumer or credit cooperatives. According to trend watchers (e.g. Hertz, 2012) and academics (e.g. Pestoff, 2017), this development symbolizes that more and more people are turning their back on the one-dimensional focus on narrow, measurable outcomes and want to avert the paralysing bureaucracy that have taken away a part of their autonomy and responsibility. Their understanding is that people want to take back control of their own lives and the organisation of local livelihood. It can be interpreted as a counter-reaction to the alleged 'democratic deficit' phenomenon (Gould, 2017).

The second category of a new sort of cooperative that is spreading today in many parts of the world originates from civil initiatives to establish cooperatives with a community focus. These community cooperatives are part of an evolutionary process characterised by a shift of cooperatives' focus from specific social and professional groups to society as a whole. In Europe, market liberalisation has been a major impetus for the entry of new cooperative providers into public services. Outside Europe, this phenomenon is widely present too (Mori, 2017). The most relevant sectors seem to be – renewable – energy, followed by – rural – water systems. In the terminology of Ostrom (1990), these cooperatives mobilize collective action to manage scarce common-pool resources. The cooperative form is increasingly in the picture as a partial solution for failed privatisations of public utilities and services like waste disposal sites, incinerators, nuclear power plants, etcetera. The novelty is that the primary members of these public benefit coops are the people providing the services (Nadeau, 2012). These member-providers are specially trained, and their livelihood depends on providing services well. These coops do not need to compromise their level of service to make a profit for investors. In addition, these coops can be designed so that multiple groups are represented in their boards of directors: coop employees providing services, the recipients of the services (or their family members), and other people in the community who have a stake in the delivery of the coop's services. (i.e. a multi-stakeholder cooperative).

Finally, an exploratory study by Como *et al.* (2016) investigates the relationship between cooperatives and a fairly new phenomenon, the 'sharing' or 'collaborative' economy in Europe.

The underlying idea is that many existing resources are underutilised by their owners, and they could be better valorised if shared or exchanged with others who may be in need of them. This is realised via digital platforms. Most existing collaborative platforms are currently financed with venture capital. The commercial nature of these platforms gives rise to concerns regarding the governance and the way value is generated and appropriated between users bringing to the platform the key assets that create value on the one hand and the restricted group of platform owners on the other. The initial inventory suggests that platform coops may revert this skewed distribution of benefits because they would be controlled by their users. In this case, coops would contribute to the collaborative economy with a new, i.e. new for the collaborative economy, not for cooperatives, idea of community that is based on membership rather than usership. This would be in line with Scholz's idea of Platform Cooperativism (Scholz, 2016). Embryonic initiatives of platforms using the cooperative democratic control model tend to suggest that technological innovation and control by a few can be de-coupled (CICOPA, 2018).

6. Concluding remarks

This article intended to get across the point of the viability, diversity and versatility of cooperative businesses two centuries after Raiffeisen's birth in generic terms. There is ample evidence of their proven ability to address basic human needs in a way that includes also the more vulnerable segments of society. Moreover, case studies by country and sector showcase the ability of these organizations to adapt to contexts that can be very different in terms of economic, social and cultural conditions (Cook, 2018). Data show that they provide a large variety of goods and services operating in sectors ranging from agriculture to banking (i.e. 'Raiffeisen's' sectors), from social services to consumer goods, etcetera. Presently, they are experimenting with new forms such as social cooperatives, community cooperatives, business and employment cooperatives, labour intermediation cooperatives, multi-stakeholder cooperatives etc. But having said this, it is obvious that cooperatives are not the panacea for all current and future issues in the world. Like any other organisational form, cooperative enterprises have strengths and weaknesses. As a corollary, the failure of a cooperative or a private-sector equivalent does not justify the conclusion that the respective organisational model itself is flawed (Birchall, 2017).

Our meta study has also pointed to a series of policy recommendations and areas for future research. In the first place, the views and statements of coops would gain in strength if they were supported by more reliable quantitative data and academic research. That is why recent initiatives related to statistics on cooperatives driven by international institutions such as the ILO, the Food and Agriculture Organization (FAO) and the International Cooperative Alliance (ICA) are critical and should be further developed. It is important to make sure that statistical categories and definitions reflect not only the quantitative reality of cooperatives but also the various types of impact which cooperatives have on societies, economies and employment. This could in turn facilitate scholarly research to validate frequently expressed claims, e.g. cooperatives are inclined towards a high level of sustainability in environmental, social and economic respects (ILO and ICA, 2014) or are well-positioned to contribute to a more equitable, inclusive and participatory society and/or the realization of a large number of Sustainable Development Goals (Nadeau and Nadeau, 2018). In tune with the spirit of the times, coops deserve a more prominent place in standard business, organizational, and economic manuals and text books in higher education programs around the globe (Kalmi, 2007). Apart from inclusion in educational curricula, the cooperative alternative can also be brought to the attention of younger generations via new opportunities offered by technology. Technology has already exemplified the benefits of collaboration, not necessarily linked to spatial proximity. Through the Web, cooperation can transcend physical boundaries and connect people across the globe. The European Parliament (2009) has made clear that conceptualization as well as legislation must be adapted to these new dimensions and purposes of cooperation.

Another recommendation is that cooperatives continuously need to explain their identity if they are to avoid misuse of the form, and risk undermining its reputation and credibility. Gould (2017) warns that history is replete with examples where the cooperative form has been appropriated by governments or development agencies seduced by its ability to stimulate growth. He states that cooperative businesses that are not based on self-help, not democratically controlled and dependent from government will not have the commitment and participation of their members and are likely to fail. This calls for full respect for both the seven universal cooperative principles as well as Raiffeisens' principles (Raiffeisen, 1866). Linked to the latter aspect, Zamagni (2017) posits that cooperatives should continue to make the case for their model in contrast to a capital-based model. Models that underpin business and accounting regulation worldwide should not recognize and reward only the shareholder PLC, but take into account the specifics of cooperative firms.

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