



Conditions for successful and viable CFIs

Financial Cooperatives International Symposium – Session 1 – 16 November 2023
Hans Groeneveld



Crucial factors for a strong Co-operative Identity of viable CFIs

Adherence to cooperative principles and values, e.g.:

- Participatory democracy
- Bottom up
- Goals: economic and social
- Concern for society
- Cooperative funds

Legal and political aspects (enabling environment)

- National cooperative law
- General political, popular & regulatory attitude towards cooperatives

Activities, strategy, business model

- Capitalization (e.g., adding net surpluses to reserves as decided by members)
- Specific – cooperative – modalities of products and services
- Inclusion of ignored client segments
- Marketing and communication
- Standing longer behind customers in bad times (less cyclicity)
- Less risky business model



Member value and advantages (motives for membership), e.g.:

- Financial member benefits
- Dialogues
- Access to networks
- Cooperative funds
- Education

Employees and executives

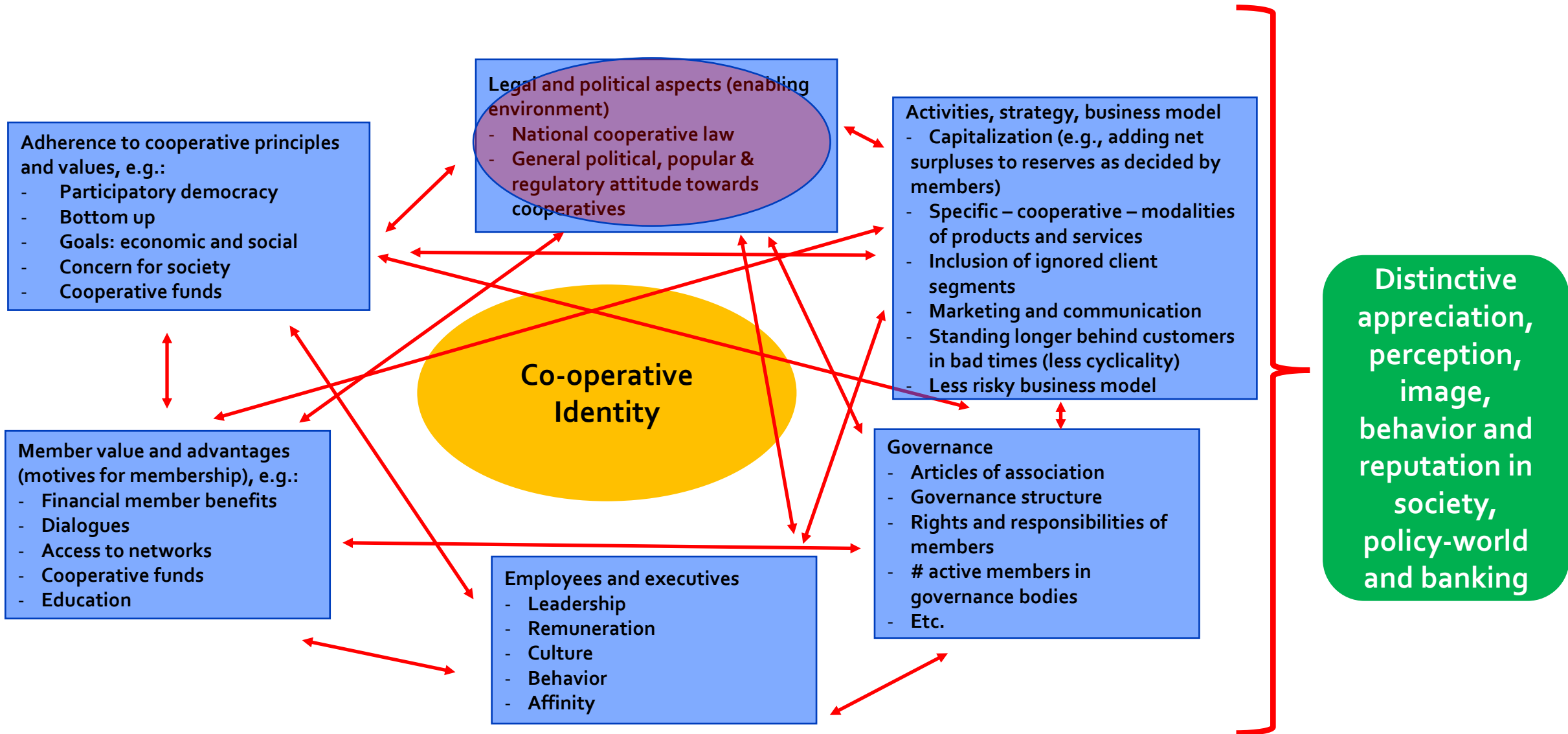
- Leadership
- Remuneration
- Culture
- Behavior
- Affinity

Governance

- Articles of association
- Governance structure
- Rights and responsibilities of members
- # active members in governance bodies
- Etc.

Distinctive appreciation, perception, image, behavior and reputation in society, policy-world and banking

Crucial factors for a strong Co-operative Identity of viable CFIs



The Enabling Environment

“The enabling environment for various types of co-operatives is the degree to which nations, governments and/or societies support and foster co-operative firms in their establishment and subsequent development in accordance with the seven universal Co-operative Principles.”

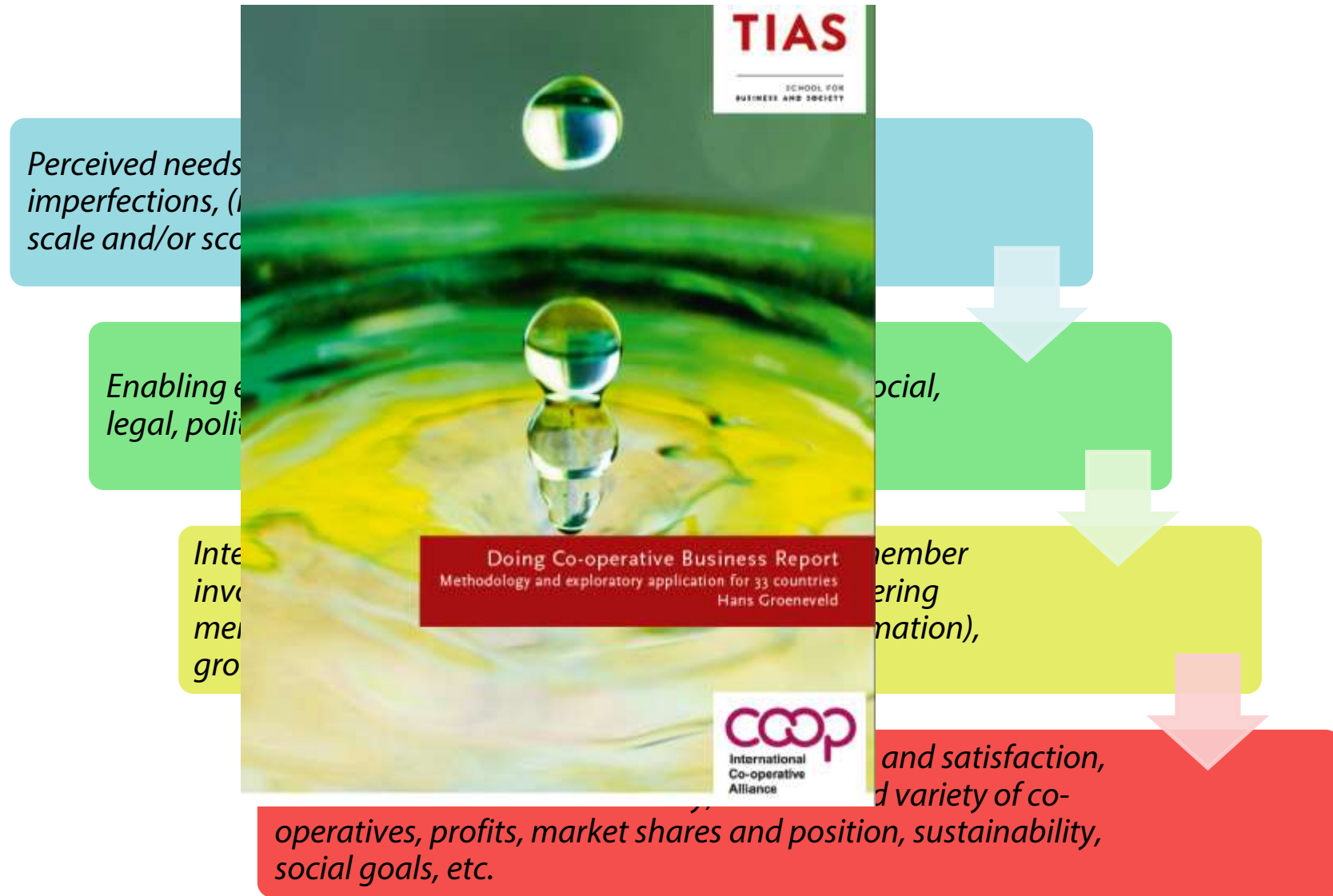


Rabobank



Rabo Foundation

The cascade of conditions to be met for successful CFIs



Interrelated elements of the enabling environment for CFIs

Historical, social, and cultural elements, e.g.: <ul style="list-style-type: none">• Values, norms, and attitudes• Rules, habits, and routines
Legal aspects, e.g.: <ul style="list-style-type: none">• Absence or presence of co-operative law, e.g.,<ul style="list-style-type: none">• Content of co-operative law regarding membership, independence, co-operation between co-operatives, etc.• Property rights• Competition law• Labour law• Etcetera
Policy and political support, e.g.: <ul style="list-style-type: none">• Supporting or impeding co-operative development• Fiscal aspects & tax regimes
Economic factors, e.g.: <ul style="list-style-type: none">• Access to markets, capital, general support services• Economic structure• Development phase of country

Key elements of Membership Policy

- Multi-state co-operative society requires at least 50 persons from each of the states concerned; maximum 4 months to make the admission decision; disqualification criteria rewards active members; one member, one vote irrespective of capital contribution.

Tentative assessment of Tax Treatment

- Various types of exemptions and deductions available to co-operative societies. These provisions are with the intention of promoting co-operative societies in India. There is no wealth tax for co-operative societies. Nevertheless, there is lobbying by the other types of business firms for equal treatment and termination of special treatment of co-operative societies.

Qualitative Assessment of Governance Aspects

- The Indian co-operative movement adopts a tripartite structure in co-operative management. The general body is the supreme authority of the co-operative society. The general body elects the board of directors and they appoint the chief executive. The board of every multi-state co-operative shall, within such period as may be prescribed, and no later than six months after the close of the corresponding year, call the annual general meeting.

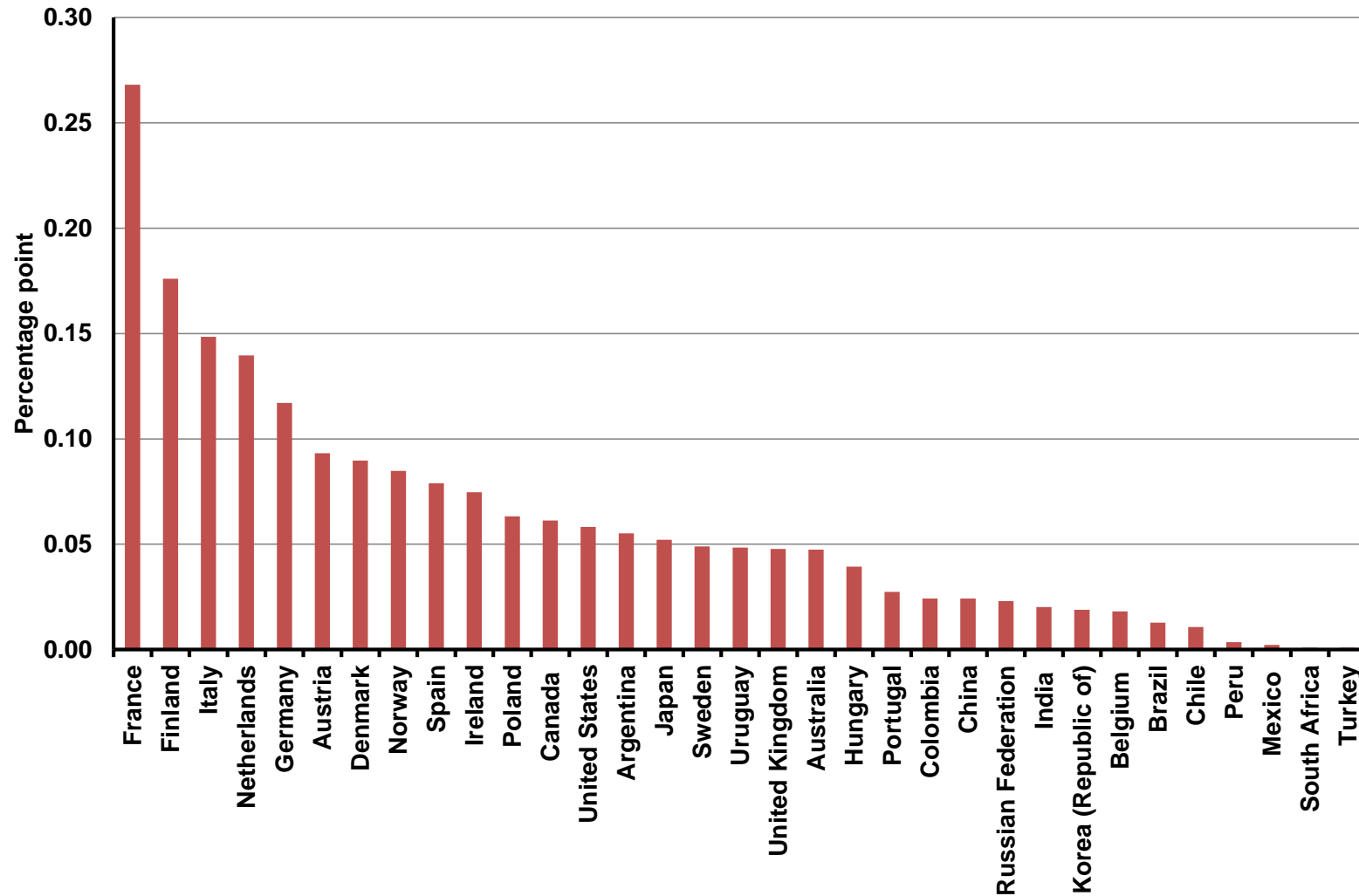
Qualitative Assessment of Cooperation among Cooperatives

- A multi-cooperative society shall credit 1% to co-operative education fund maintained by the National Co-operative Union of India. The National Co-operative Union of India utilizes the money for the purpose of organization and promotion of cooperatives, education and training to the stakeholders and representing the Indian co-operative movement.

Qualitative Assessment of Government Guidance and Support

- The government of India enunciated a national co-operative policy in 2002 to streamline the Indian co-operative movement. The Indian co-operative movement has a solid regulatory framework and is strongly supported by the constitution. The central government has the power to direct special audit in certain cases where a co-operative society is not managed in accordance with the co-operative principles.
- First legislative act dealing with cooperatives originated in: 1904
- Current law established in: 2012

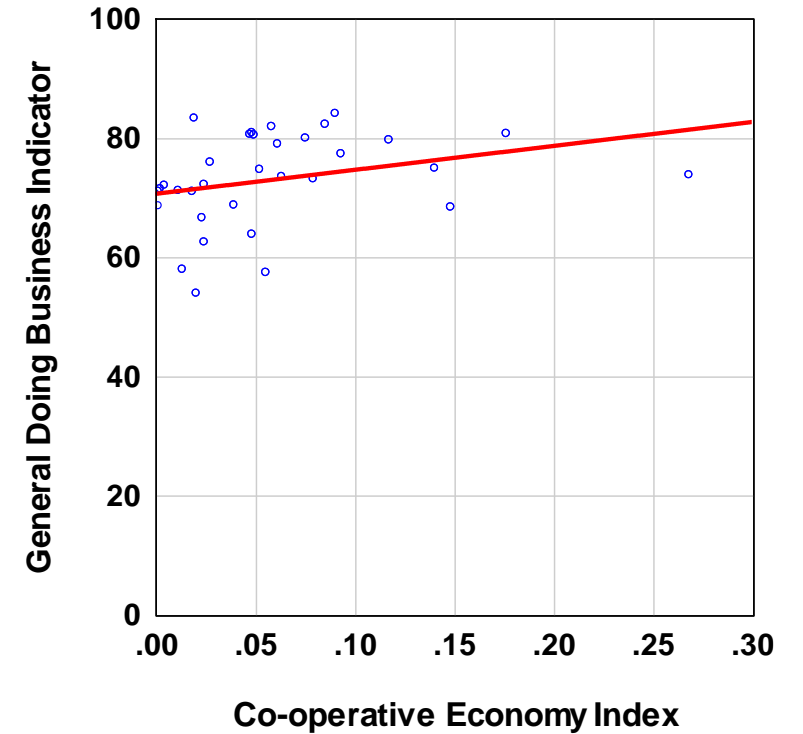
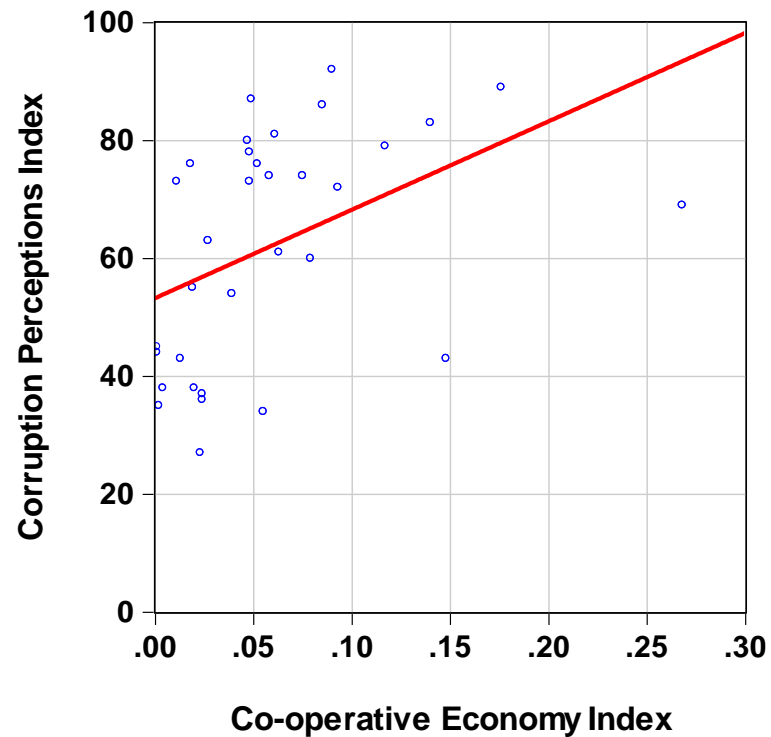
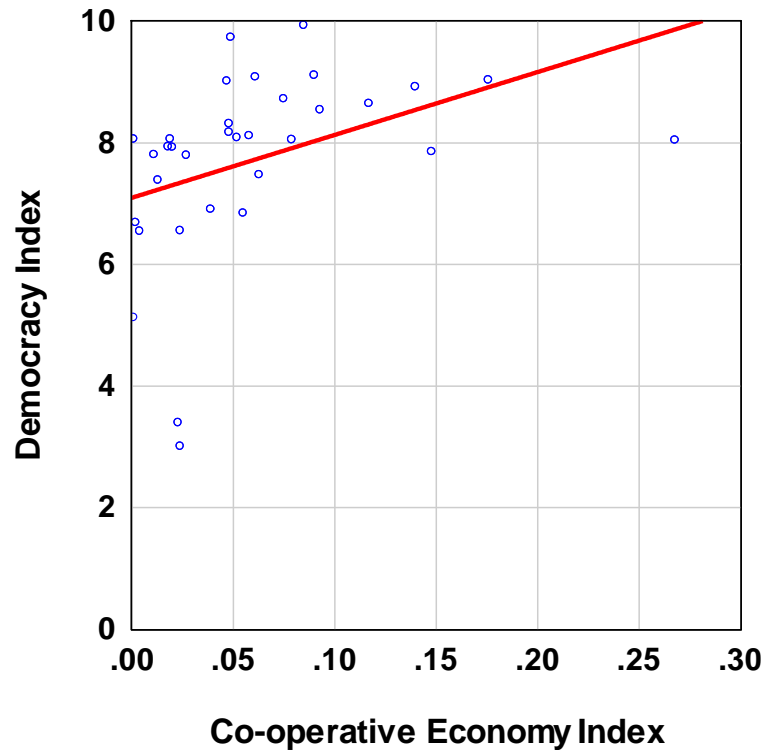
Co-operative Economy Index (2014!)



Source: UNDESA (2014), *Measuring the Size and Scope of the Co-operative Economy: Results of the 2014 Global Census on Co-operatives*, report for the United Nation's Secretariat Department of Economic and Social Affairs, Division for Social Policy and Development.

Indicators of enabling environment

- Hofstede indicators: Power Distance, Uncertainty Avoidance, Individualism, Masculinity, Long Term Orientation, Indulgence
- Worldwide governance indicators: World Bank
- Doing business indicator: World Bank
- Corruption Perception Index: Transparency International
- Democracy index: Economist Intelligence Unit
- Gini Coefficient



3 take-aways

1. The degree of success or failure of CFIs within a given country depends on the entire spectrum of 'institutions' (norms, values, attitudes, rules, habits, and routines), as well as the interacting historical, social, cultural, legal, political, and economic elements of the institutional environment.
2. While the effects of policy measures and law on co-operatives must be assessed on a case-by-case and country-by-country basis, certain correlations exist between the vitality of the co-operative economy and the institutional environment in which it operates.
3. For viable CFIs, many conditions must be met and many of the abovementioned aspects must be considered

