

# A Diorama on the Perspective of Corporate Governance in Co-operatives

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## Abstract

Co-operatives form a significant part of the world economy. They are significantly involved in wealth creation and are major employers of the workforce across the globe. It is believed extensively that the principles and ethics of co-operatives symbolize the aims and ideals of the cooperative movement. The collapse of a few of the biggest co-operatives has led to ponder corporate governance and its importance in co-operatives. While studying the peculiarities of co-operatives and what sets them apart from corporates the paper brings out the silent facets of principles, the requirement of appropriate leadership, and the relevance of corporate governance. Considerable work has focused on the area which associates issues of corporate governance to co-operatives. This paper reviews existing pieces of literature and attempts to identify the weaknesses/ limitations of co-operatives and suggest recommendations for applying them for achieving effective and sustainable corporate governance for co-operatives.

**Keywords:** Co-operatives, Corporate Governance.

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## Introduction

In any organisation it is difficult to achieve good governance, irrespective of the size or type of ownership, and no matter how well the governance structure is designed. According to Birchall (2017), in 2001, the seventh-largest company in the US, Enron, collapsed with the largest bankruptcy in US history occurred, when with a loss of 27,000 jobs and \$63 billion in assets.

In their report (Basterretxea et al., 2020), in 2013 one of the largest makers of domestic appliances and probably the biggest co-operative within Europe, FED, disintegrated. This collapse not only hogged media attention within affected countries but also was a huge scoop in the international media. The importance of this collapse was that other than its huge size, FED represented how a co-operative could be hugely successful and how others could and had in the past emulated it.

Birchall, J. (2017) in 'The Governance of Large Co-operative Businesses. Co-operatives UK' brings out that although Co-operatives are owned by their members rather than by shareholders, and have a remarkably

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good record of corporate governance, there have been some aberrations. There is a need to differentiate between producer and consumer co-operatives. Members of 'producer co-operatives' rely on the co-operative to help them run the business such as medical doctors, farmers, foresters, and many other such types of businesses. There have been many more 'Consumer co-operatives' governance failures. Since they tend to have many members whose relationship with the co-operative is less and hence are easily captured by special interest groups or by ambitious managers, at many times without the notice of even their members. Thus, the challenges of effective corporate governance within the cooperative sector continue to be less realized and maybe even less studied (Shaw, 2006). The quality of co-operative governance has led to the being questioned in

different co-operative societies across Europe, such as the failure of democracy, mismanagement, financial scandals, etc (Lees, 1995; Lees and Volkens, 1996). The democratic legitimacy of boards has always attributed concerns because of low levels of member participation, and effectiveness, in particular the board member's ability to effectively ensure probity, supervise senior managers and protect the interests of members and other relevant stakeholders.

### Corporate Governance

Corporate Governance has not been considered of significant relevance till the late eighties. It was the collapse of some of the prominent companies in the early nineties in the UK that triggered the need for corporate governance.

'Corporate Governance' may be defined as "Procedures and processes according to which an organization is directed and controlled". Corporate Governance may not be broadly understood as denoting direction and control of the affairs of the company (Pandit, n.d.). As a comprehensive definition, 'the policies and practices adopted by a corporate entity in achieving its objectives concerning its shareholders' may be attributed to 'Effective Corporate Governance.' It is not a destination, rather a journey to be covered by the commercial entity. The concept has more significance at the contextual and operational level rather than the conceptual level. Enhancement of long-term values of shareholders while at the same time protecting the interest of other stakeholders sum up to be the fundamental objectives of Corporate Governance. It may also be enumerated as the process of constant endeavours to ensure equilibrium amongst all stakeholders and to harmonize their rights and interest. The exclusive responsibility of Corporate Governance lies with the Board of Directors, who are mandated to be functioning ethically and diligently. In India, concerning Corporate Governance, Shri Kumar Mangalam Birla Committee appointed by SEBI recommended and the Indian government implemented the Listing Agreement Clause – 49, in respect of listed companies. Subsequently other committees viz Nareshchandra Committee, Narayanmurti committee, also made their vital contribution for the cause. (Kaur et al., 2018)

### Co-operatives

In their report (Villavicencio et al., 2019) define co-operatives as jointly owned and democratically managed enterprises, which are established through the voluntary alliance of several people, to meet the needs of their members. It is a 'mutual benefit association,' in which the beneficiaries are the organization's members, about the services they offer and the profits they generate.

According to the study of Corporate Governance in Cooperative Societies & Banks (Pandit, n.d.), Co-operatives are an independent association of persons united willingly to meet their common economic, social, and cultural needs and goals through jointly owned and democratically controlled enterprise. Economic upliftment of the common man is the main objective. The distinctive feature of co-operatives is that the member would have only one vote, irrespective of the shareholding.

In the report (Shaw, 2006), co-operatives combine dissimilar interests and aim within a single enterprise. The internationally accepted definition of a co-operative is 'An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise' (ICA 2006). Co-operatives deriving their dual identity, have always faced corporate governance challenges and there has always been a well-established institutional framework to deal with this.

### Differentiating Co-operatives from Corporates

According to Saxena (2012), incorporation is decided by the capital invested by the shareholders- (more capital more Representation), however in co-operatives members have equal rights and representation in the decision-making irrespective of the shareholding. While corporates are concerned only about self-interest, co-operatives are concerned about member development besides organizational growth. The wealth generated by the co-operatives remains within the co-operatives for their members however in, corporates it flows out. Corporate culture causes an invasion of local culture and values, whereas

co-operatives take care of the social & cultural needs of the members and hence preserve the local culture and values. In, corporates leadership is either by inheritance or by dynasty whereas in co-operatives it is a fusion of professional managers and elected Representatives. Corporates compete for profits and supremacy however, co-operatives seek the overall development of the community Corporates are primarily bothered in mergers and acquisitions for accruing profit whereas co-operatives support each other and even work for the revitalization of weak co-operatives. They follow healthy management Practices, established values & principles in all decisions while corporates do not have such commitments.

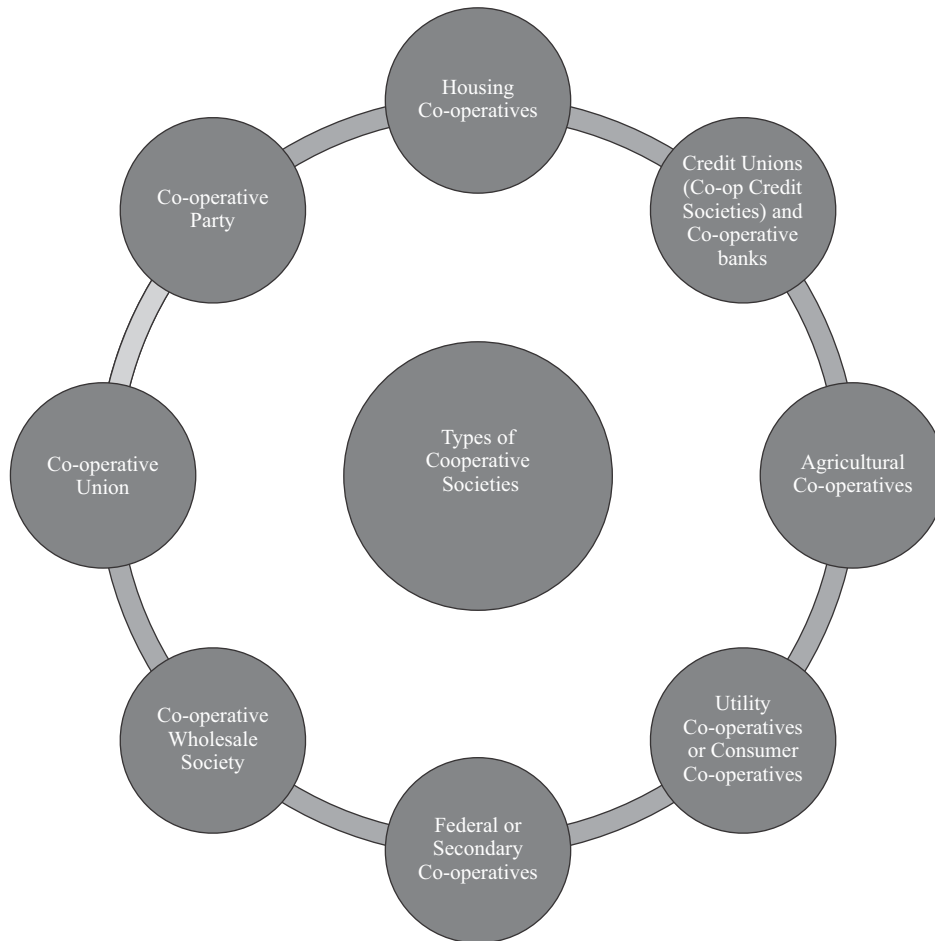
Also, the regulatory provision differentiates the co-operatives from corporates. They must serve a market

efficiently and effectively and must manage as well as survive financially.

In the study by Pandit (n.d.), The Values of co-operatives of Self-help, Self-Responsibility, Honesty, Equality Solidarity Sincerity, Social Accountability and Caring for Others are the Vision Statements of Co-operatives. Co-operative Values and Principals enunciated in 1925, by the International Co-operative Alliance are Mission Statement for the Co-operatives.

### Types of Co-operatives

According to the study of Corporate Governance in Cooperative Societies & Banks (Pandit, n.d.), the types of cooperative societies are broadly divided in the ways listed out in Fig 1.



**Fig 1. Types of Co-operatives**

There can be a variation in the type of cooperative institutional form adopted. According to Shaw (2006), setting aside financial co-operatives, there is a generally accepted typology of co-operatives with four major forms:

- Consumer - Owned by the public who purchases the goods or utilizes the facilities or services of the co-operative.
- Worker-Owned and managed by the workers/ members/ employees of the enterprise. Provide workers with both employment and ownership opportunities.
- Producer - Owned by people who produce similar types of products, often by farmers who grow crops, raise cattle and milk cows, or by craftsmen and artisans.
- Shared services - Purchasing and shared services co-operatives are managed and owned by independent business owners, small municipalities, and state governments that join to enhance their purchasing power, lower their costs and improve their competitiveness and ability to provide quality services.

Some of the biggest co-operatives in the world are listed in Table 1.

**Table 1. Biggest Co-operatives in various sectors**

Name	Turnover (in \$ Bn)	Type of Ownership	Type of Governance
<b>Agriculture and Food Industries Sector</b>			
NH Nonghyup (Korea)	63.76	Co-operative Group (producer)	Indirect via member council
Zen-Noh (Japan)	47.69	Co-operative Group (producer)	Indirect via member council
CHS Inc (USA)	42.66	Primary/co-operative of coops mix (producer)	Indirect via member council
<b>Wholesale and Retail Sector</b>			
ACDLEC Leclerc (France)	58.4	Primary co-operative (producer)	Direct – election of store owners to board
ReWe Group (Germany)	56.4	Primary co-operative (producer)	Direct
Edeka Zentrale (Germany)	37.3	Primary co-operative (producer)	Direct
<b>Industry and Utilities Sector</b>			
Mondragon Group	16.7	Co-operative Group (mainly producer)	Direct, then indirect via member council
National Cable TV Coop (USA)	2.8	Primary co-operative (producer)	Direct, plus advisory committees
Basin Electric Power Co-op (USA)	2.2	Co-operative of coops (consumer)	Direct, via electoral constituencies

<b>Health and Social Care sector</b>			
Unimed Confederation (Brazil)	22.4	Co-operative Group (producer)	Indirect, via member council + forum
Health Partners (USA)	5.5	Primary co-operative (consumer)	Direct + advisory committee
Group Health Coop (USA)	3.7	Primary co-operative (consumer)	Direct + advisory committee
<b>Banking and Financial Services Sector</b>			
Groupe Credit Agricole (France)	63.42	Majority owned IOB (consumer)	Conventional shareholder
BVR (Germany)	54.07	Co-operative Group (consumer)	Indirect, via member council
Groupe Credit Mutuel (France)	35.43	Co-operative Group (consumer)	The indirect, three-tier system
<b>Insurance Sector</b>			
State Farm (USA)	63.73	Mutual	Direct, members endorse board decisions
Kaiser Foundation Health Plan (USA)	62.66	Non-profit	Subsidiary - board appointed by main board of KF
Zenkyoren (Japan)	54.71	A subsidiary of Cooperative Group	Subsidiary - board appointed by JA federation

Some of the Interesting findings of co-operatives are listed in Table 2.

**Table 2. Interesting findings of Co-operatives**

Sr No.	Finding	Source
1.	Total Co-operatives: International Co-operative Alliance (ICA) - 760 million World Council of Credit Unions – 118 million International, Raiffeisen Unions - 190 million.	Shaw (2006)
2.	The co-operative sector in Europe has a total of 235,000 Co-operative enterprises with 5.4 million employees and 140 million members in thirty-three countries.	Cuevas and Fischer (2006)
3.	Co-operatives contribute directly to improving the living standards of half the world's population.	ILO 2001
4.	Diversity within the financial co-operative sector with institutional, legal, governance, scale, and product portfolio, subject to huge variation.	Cuevas and Fischer (2006)
5.	The top global three hundred cooperatives measured in terms of turnover for 2004 had a combined total turnover estimated at \$1,000 billion. Co-operatives from twenty-eight countries are to be found in the list of which most are from the developed world. Co-operatives from India, Brazil, China, and Mexico are also included, and though US co-operatives appear in the list they only comprise only 11 of the top one hundred.	Shaw (2006)

6.	Agricultural marketing co-operatives supply 15% of the total farm output in the USA whilst agricultural co-operatives manage 50% of the supply and marketing of foodstuffs in the European Union	ILO 2006
7.	One in four consumers in the USA obtain their electricity supply from a co-operative.	Shaw (2006)
8.	Consumer co-operatives hold only around 5% of the food retail market in the UK but in Sweden, the total is around 20% and Finland has recently grown to become the country's largest retailer. The presence of financial co-operatives also varies widely – measured by the ratio of members to active population, market coverage varies from 1% in Asia to 41% in North America Consumer co-operatives hold only around 5% of the food retail market in the UK but in Sweden, the total is around 20% and in Finland have recently grown to become the country's largest retailer. The presence of financial co-operatives also varies widely – measured by the ratio of members to active population, market coverage varies from 1% in Asia to 41% in North America.	Cuevas and Fischer (2006)
9	UN survey in 2005 by thirty-five countries and thirty-eight apex co-operative organizations indicated that almost 90% of respondents viewed co-operatives as having a contribution to make to poverty reduction though this was not reflected in levels of participation in Poverty Reduction Strategy Programmes	UN (2005)

### Elements of Co-operatives

The principles of co-operatives are listed in Fig 2 (Co-operative Principles adopted in Manchester, 1995)

1.	Free, voluntary and open membership	Any person who is willing to accept the obligations and responsibilities of membership and who expects to use the services of the organization may join the cooperative.
2.	Democratic administration.	All members have the right to one vote and can therefore exercise their right to participate actively in the setting of policies and decision-making of the cooperative.
3.	Economic participation of partners.	The members contribute equitably to the capital of the cooperative and manage this capital in a democratic way which, in part, is generally the common property of the cooperative and they receive a limited remuneration, if any, on it. Members allocate surplus for various purposes.
4.	Autonomy and independence.	Co-operatives are autonomous self-assistance organizations managed by their members. If they sign agreements with other organizations, they do so in terms that ensure democratic control by their members and maintain their cooperative autonomy.
5.	Education: Training and Information.	Co-operatives provide education and training to members, elected representatives, managers and employees so that they can contribute effectively to the development of the co-operatives.
6.	Cooperation among co-operatives.	Co-operatives serve their members as effectively as possible and strengthen the cooperative movement by working together through local, national, regional and international structures.
7.	Community interest.	Co-operatives work for the sustainable development of their communities through policies approved by their members.

**Fig 2. Principle of Co-operatives**



### International Co-operative Alliance

In the study by Pandit (n.d.), the co-operative alliances have been talked off. The biggest alliance is the International Co-operative Alliance (ICA) which is a non-governmental co-operative federation or, a co-operative union representing co-operatives and the co-operative movement worldwide. Currently, ICA has

267 member organisations from ninety-six countries, representing approximately one billion individuals worldwide. The ICA logo depicts doves of peace emerging from a rainbow, the symbol of the Co-operative Movement which represents the unity of ICA's diverse membership (Fig 3). The seven-colored flags depict its cooperative principles.



Fig 3. ICA Logo

### Leadership

Co-operative leaders need to understand and have precise knowledge about the co-operative philosophy,

their responsibility, and their role in the management to ensure retention of control by the Members. Fig 4 lists out the tenets of effective cooperative leadership.



- Autonomous and independent
- Member driven -accountable to members
- Knowledge about business dimension, vision and Business acumen
- Transparent decision making
- Monitor and direct cooperative towards its objects
- Alive and responsive to social needs
- Alive to market practices and technological Innovation
- Open for ideas and sensitive to market changes.
- Handling conflict
- Visualise the future

Fig 4. Tenets of Effective Co-operative Leadership

### Principles

The principles of governance that guide the leaders or the board or decision-making in co-operatives have been identified and legislated by the Co-operative Governance Expert Reference Panel (2019). They are listed below:

I: Effective and entrepreneurial board which is

accountable.

Collectively responsible for long-term sustainable success and following the ICA Values and Principles.

Board as custodians for current and future generations of members.

II: Purpose, strategy, and values, by the ICA values and Principles.

Directors must act with integrity, led by example, live the values in a meaningful way, and promote the desired culture.

III. Ensure that necessary resources are in place to meet its strategic aims and objectives, measure performance against them, and capitalize on opportunities.

Establish a framework of prudent and effective controls enabling risk to be identified, assessed, and managed.

IV. Policies and processes to be coherent with the co-operative's values.

Members, employees, and wider stakeholders should be able, and encouraged, to raise any matters of concern.

### Roles and Responsibilities

Thus, the responsibilities of the Board that have also been framed by the Co-operative Governance Expert Reference Panel (2019) areas listed below:

I. Promote success of the co-operative and act in the best concerns of the co-operative, for the advantage of its members.

Discharge their duties under the ICA Values and Principles.

Act objectively and fairly and serve the interests of the members, take decisions that protect the assets of the co-operative and its members.

II The leader of the board is responsible for its overall effectiveness and has obligations to the members of the

co-operative.

He/ She should demonstrate independent and objective judgment throughout their term of office and promote a culture of openness, challenge, debate, and effective decision making.

Facilitate constructive board relations, engagement, and participation and function as the primary link between the board, the secretary, and the chief executive.

III. All directors should have sufficient information and enough time to meet their board responsibilities, discharge their duties, and take an active role in decision-making.

IV Requirement of a clear division amongst the leadership (role) of the board and the operational activity of the co-operative.

Directors of co-operatives should provide the leadership with constructive challenge, review, and support.

V The board, supported by the secretary, should ensure that it has the policies, processes, information, time, resources, and assurance it needs to function effectively and efficiently.

VI The board should create committees and delegate specific aspects of its remit to them.

the scope of such committees should be clear and include confirmation that they operate under the delegated power of the board.

As per Villavicencio et al. (2019) within this framework of responsibilities, the Board of Directors complies with Legal Obligations, Strategic Direction, Fiduciary Obligations, Supervision, and Self-Assessment, the main roles to be fulfilled have been listed in Fig 5.



Comply and enforce the country's legal provisions and the Cooperative's by-laws	Approve the Cooperative's general business strategy, including its risk policy and management procedures.	Understand the Cooperative's operating structure
Approve and monitor the Cooperative's strategic objectives and social values and communicate them to the entire organization	Understand and perform its supervisory function, in line with the Cooperative's risk profile.	Oversee the management, exercising its obligations and authority to demand clear explanations therefrom and to obtain sufficient and timely information that enables the Board to assess its results.
Identify the Cooperative's main risks.	Identify and resolve situations where conflicts of interest arise.	Avoid using the Cooperative's confidential information for personal benefit or for the benefit of others.
Establish and enforce clear lines of responsibility throughout the organization.	Ensure that the management complies with the directives of this governing body.	Make use of, for its decision-making processes, the work carried out by internal and external auditors and the Supervisory Board.
Guarantee that the Cooperative's remuneration policies are congruent with its organizational culture, objectives and long-term strategy	Promote the Cooperative's soundness and sustainability, understand its regulatory environment and ensure that the Institution maintains an effective relationship with its supervisors.	Approve social responsibility policies.
Establish information and communication policies with Assembly members and various external stakeholders.	Appoint and remove the Cooperative's chief executive.	Ensure that the appointment of other executives be carried out in a transparent manner

**Fig 5. Role and Responsibilities of Board of Directors of Co-operatives**

**Remuneration of the Board**

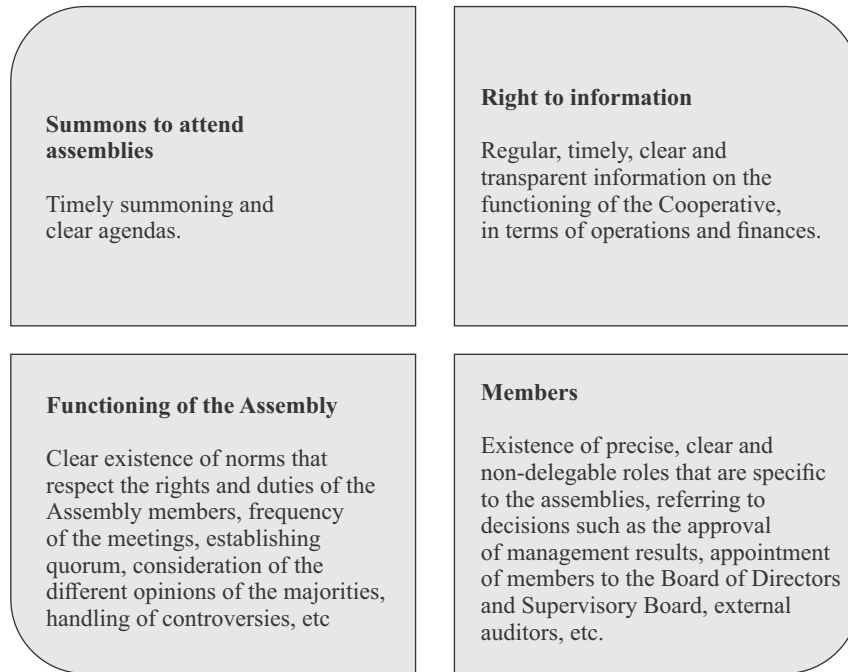
Accordingly, the remuneration that would be paid to the board functioning following the principles have also been framed by the Co-operative Governance Expert Reference Panel (2019) as under:

- I Equitable, transparent, and aligned with the ICA Values and Principles.
- II Recognised and visible and should ensure that any remuneration is sufficient to recognize the input and effort of directors and members.
- III Members have the responsibility for approving the levels of remuneration of all directors. No director

to determine their remuneration.

**Member assembly**

As per Villavicencio et al. (2019), the Members' Assembly is the Cooperative's highest authoritative and decision-making body. Cooperative's efficient activity mandates effective functioning of this body and hence, good governance requires timely and committed participation of the Assembly members. This body decides the Cooperative's overarching policies and elects' people who will serve on the Board of Directors and Supervisory Board. The main elements that must be deliberated about the Members Assembly are listed out in Fig 6:

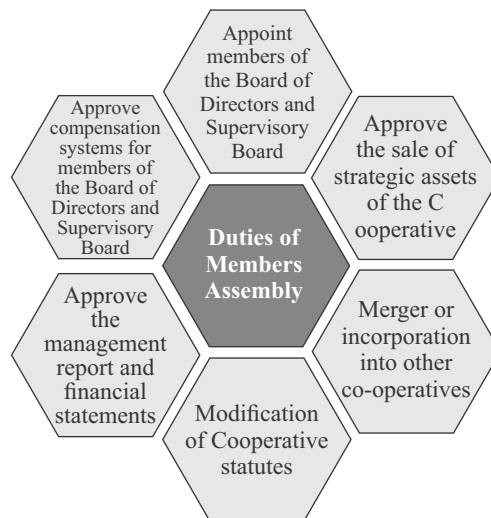


**Fig 6. Elements to be considered about Member Assembly**

**Functioning of the Assembly**

In 2019, Villavicencio et al. stated that it is important to define in the by-laws or Governance Code of the Cooperative how would this assembly function, which would allow for fair and rightful involvement of its members while at the same time responding to international principles. Pressure or manipulation by members of the Assembly must be avoided, which can give rise to the norm of consensus that at any cost

dominates the realistic evaluation of alternative courses of action. In such cases, the pressure from leaders or small groups toward certain viewpoints or conformity discourages critical appreciation of other options. When such an incident takes place, people remain silent which is taken as acceptance. This situation profoundly threatens the principle of democratic management of the Cooperative. Thus, the main duties of the Member Assembly have been listed in Fig 7.



**Fig 7. Duties of Member Assembly**

## Objectives & Relevance of Good Governance in Co-operatives

In 2019, Villavicencio et al. the main objectives of Good Governance in Co-operatives have been laid out and areas listed below (Villavicencio et al., 2019):

- a) To increase the confidence of the Cooperative's different stakeholders in its work, increasing its long-term value.
- b) To ensure a proper balance in the running of the Members' Assembly, Board of Directors, Supervisory Board, and Management.
- c) Ensure transparency among the various governing bodies of the Cooperative, generating relevant, timely, reliable, and verifiable information, minimizing conflicts of interest therein.

## Risks, Challenges, and Hurdles in Corporate Governance in Co-operatives

The main risks faced by a Cooperative that lacks adequate governance structures are

- a) Difficulties in strategic decision-making processes tend to limit and impair the overall performance of the organization.
- b) Dysfunctional conflicts between the various governing bodies affect the overall productivity of the organization and the quality of its services.

According to Basterretxea et al. (2020) Cooperatives may have to deal with issues arising from their particular type of governance structure. Since all members of the co-operative need to have equitable participation (Cornforth, 2004; Novkovic, 2008). Also, any member can volunteer to be elected as a board member. As a result, the eventual elected important governing members may fall short of the desired

abilities and capability to effectively manage the overall functioning as well as take important decisions.

Also, in co-operatives exercising control over the management committee poses a challenge to the members (Spear, 2004), as well as providing the essential assistance to the board members or contributing effectively to their plans. As per agency theory of governance, it is assumed that the biggest concern of shareholders is to boost productivity, prevent takeover bids as well as board monitoring will ensure that the managers are effectively affiliated to their goal. In co-operatives, members, owners, or any random member has a single vote irrespective of shareholding thus, there is no such force from anyone or the risk of takeover (O'Sullivan and Diacon, 2003). Co-operatives usually have the members unitedly taking important decisions, but as they expand, it may no longer be practical as well as profitable. Studies have found that the contribution of the general members usually decays as the co-operatives grow and expand (Chaves et al, 2008; IFA, 2006; Spear, 2004; Lees and Volkers, 1996) and uniform meetings of shareholders for making important decisions may not be effective or efficient. The participation can be restricted to authorizing the annual accounts and reports (Mozas, 2004: Chaves et al, 2008). A form of an elected board in big co-operatives display that democracy is an important means by which members can control managerial behavior or improve management decisions, but because of their diversification and numbers may be deficient of the requisite skills and capability to exercise effective influence (Chaves et al. 2008; IFA, 2006, Lees and Volkers, 1996). Thus, the problem is summarised as 'Earnest people with good prudence, but without the requisite skills to make effective, planned and deliberate decisions those required in the business world.'

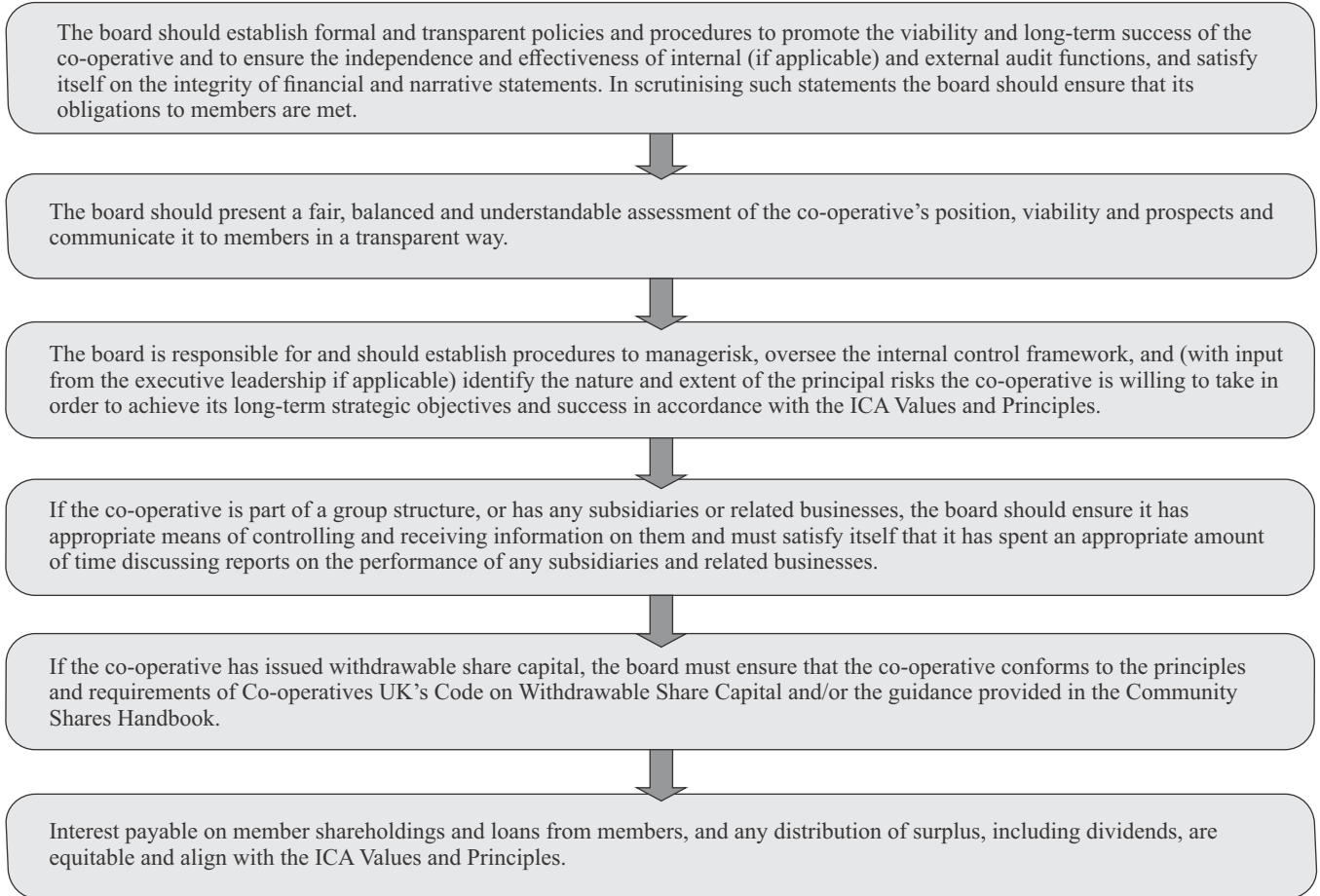
In the study by Pandit (n.d.), the major hurdles in implementing the Corporate Governance in the Cooperative sector have been listed in Fig 8: -

- 1 Legal Constraints: In case of Corporates, the amended Company Act, SEBI Act strongly advocate the implementation of Corporate Governance. There are no such provisions even in new amended Cooperative Acts.
- 2 Lack of professionalization and trained personnel.
- 3 Due to democratic set up the importance is given to electoral merit of Directors rather than their qualitative merit. As a result, many a times the board of directors of co-operatives may not be independent and competent, resulting in bad management. Favoritism and nepotism become prime considerations.
- 4 Politicization of Co-operatives
- 5 Inadequate or total lacking of Cooperative Principles at Board Level and senior management level.
- 6 Ignorance for self sustainable growth or long term interest of stakeholders but preference to short term and unwarranted benefits.
- 7 Remuneration policy not commensurating with market trends. Competent and efficient personnel not attracted.
- 8 No statutory restriction on tenure of directorship.
- 9 Weak internal control system Distaste of management for internal audit.
- 10 Inadequate Management Information System.
- 11 Lack of operational transparency.
- 12 Restrictions on raising the capital no access to capital market.

Fig 8. Hurdles in implementing the Corporate Governance in Co-operative

As per the Co-operative Governance Expert Reference Panel (2019) the principles for risk, financial

management, and internal controls for Co-operatives have been brought out and are listed in Fig 9 as under:

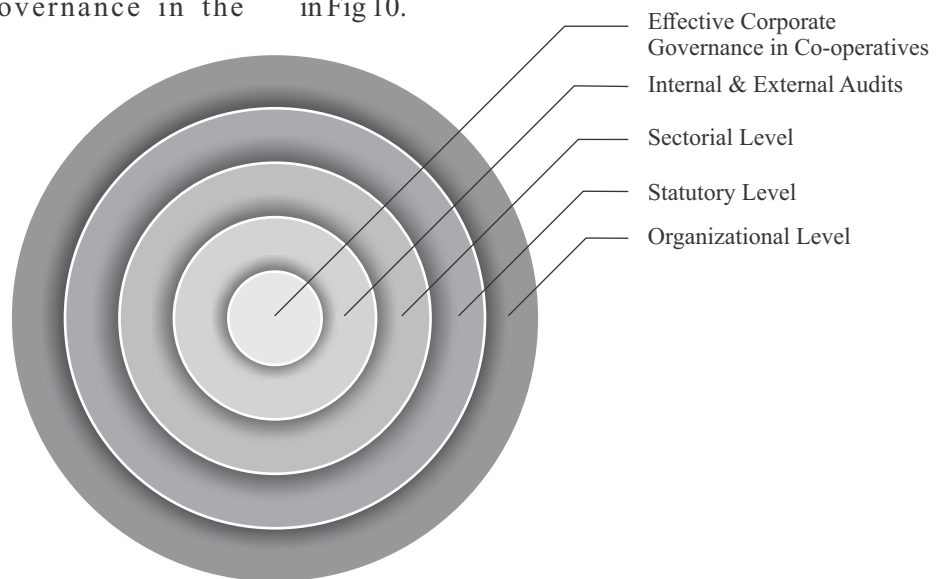


**Fig 9. Principles for Risk, Financial Management & Internal Controls for Co-operatives**

**Implementing Corporate Governance**

Thus, there needs to be a proactive approach for implementing Corporate Governance in the

Cooperative sector (Pandit, n.d.). Its implementation should not be postponed till it is made mandatory. Measures need to be adopted at various levels as shown in Fig 10.



**Fig 10. Measures for Implementing Corporate Governance at various Levels**

*Organizational Measures*

to be adopted for implementing effective corporate governance are listed in Fig 11.

Various organizational measures that are recommended

<b>Vision Statement</b>	Defining in unambiguous terms aims and objects in form of Vision Statement and deciding strategical planning to achieve them and uploading the same on website of the Bank/ Society
<b>Organizational Structure</b>	Setting up organizational structure clearly defining the roles, responsibilities and authorities at all levels of management.
<b>Code of Conduct</b>	There should be code of conduct for Directors and senior management. Its compliance should be reviewed on annual basis. The necessary undertaking should be obtained from the director regarding his commitment to strictly adhere to his role and responsibility.
<b>Role of Board of Directors</b>	Should be confined to policy making and directing the organization. They should not interfere in day to –day to working of the society.
<b>Formation of Committees</b>	The Board should form its various sub-committees with delegated powers and specified role and responsibilities considering the nature of business of the society.
<b>Harmony</b>	Harmony amongst all the Directors as well as the members
<b>Internal Control System</b>	Effective internal control system Innovative Internal Audit with adequate remuneration, commensurating with the duties and responsibilities.
<b>Transparency</b>	Transparency at all operational levels.
<b>Information</b>	Regular rapport with all stakeholders and providing them necessary information of their interest.
<b>Promulgation of Policies</b>	Uploading various policies of society/bank on the website
<b>Composition of Board</b>	Specific to the Indian scenario, as per Clause 49 of listing agreement of SEBI, the Board of Director of a company should consist at least 50% non-executive director (Kaur & Khanna, 2018, p. 5). There is no such no provision in State Cooperative Acts. This issue has been addressed in new Amended Cooperative Act 2013.

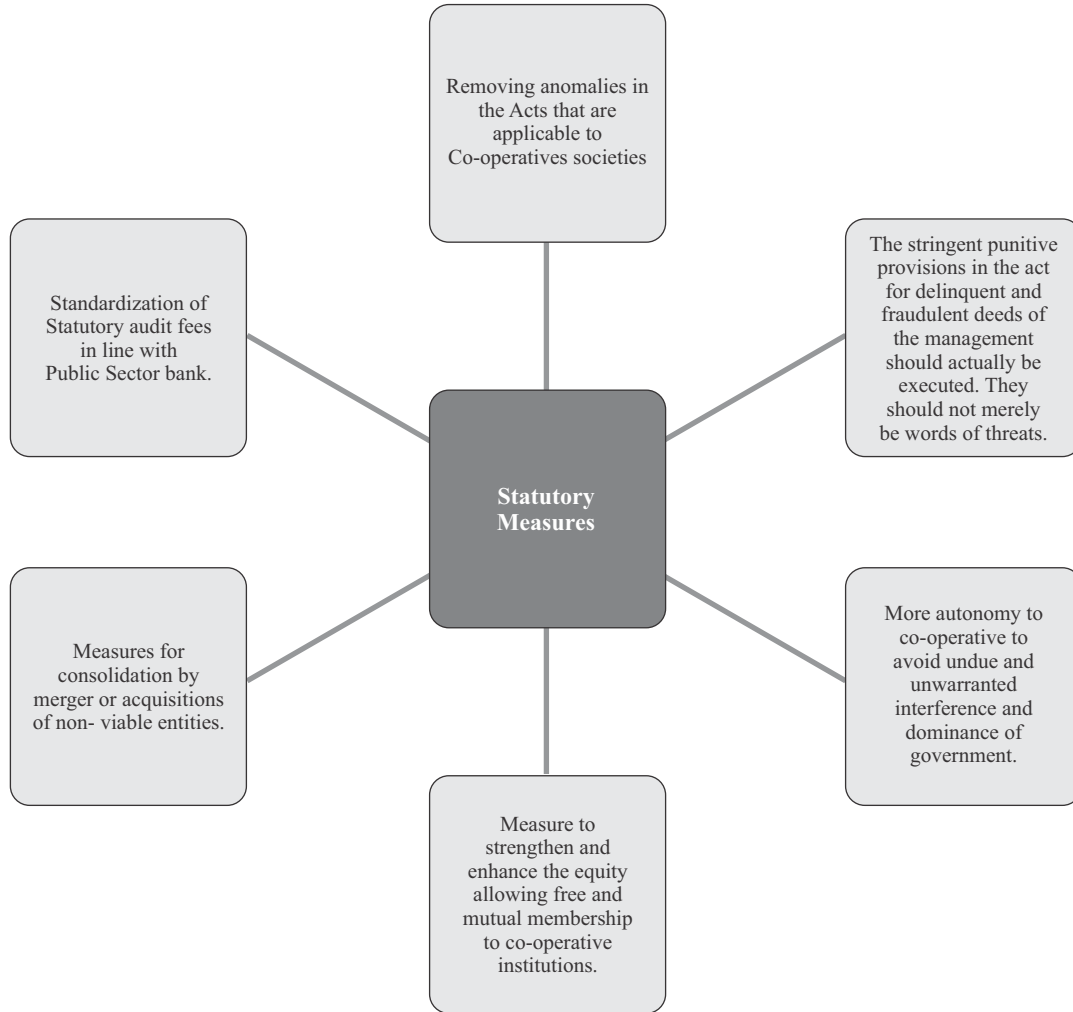
**Fig 11. Organizational Measures Recommended to be adopted**

**b) Statutory Measures**

adopted for implementing effective corporate governance are listed in Fig 12.

Various statutory measures that are recommended to be





**Fig 12. Statutory Measures Recommended to be adopted**

*Sectorial Measures*

adopted for implementing effective corporate governance are listed in Fig 13.

Various sectorial measures that are recommended to be

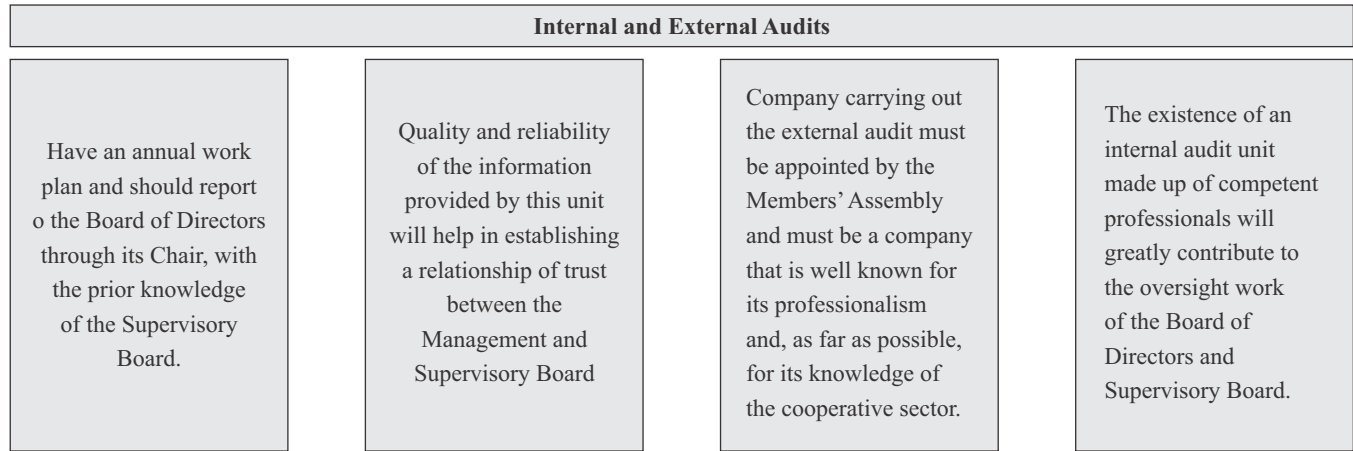
Sectorial Measures				
Implementing constant measures for creating awareness about cooperative culture amongst the stakeholders	Forming strategic alliance amongst Co-operatives in their respective fields to avoid competitions amongst them and tackle competition from outsiders.	Providing legislative representation both at state assemblies and parliament exclusively for Co-operatives.	Rating or accreditation of cooperative societies by evaluating its standard of Corporate Governance.	In annual report of the society, there should be separate section on Corporate Governance and its compliance.

**Fig 13. Sectorial Measures Recommended to be adopted**

*Internal & External Audit*

The existence of an internal audit unit made up of competent professionals will contribute to the

oversight work of the Board of Directors and Supervisory Board. The role and advantages offered by the areas of the audit are listed in Fig 14.



**Fig 14. Sectoral Measures Recommended to be adopted**

**Conclusion**

It can be exemplified that the principles of Corporate Governance are not unfamiliar to co-operatives but are rather distinctive with the particular co-operative culture and the principles of co-operative governance are offshoots to Corporate Governance. These co-operatives have a significant share in the World Economy. There is no doubt a need for co-operatives to pursue Corporate Governance as is being followed by corporates, however within its particular variant. Since the gamut co-operatives are very vast and unlike Corporates, co-operatives are not aimed at enriching and protecting interest and values merely of equity holders, instead are expected to function for the overall economic development of a common man. The major challenge to co-operatives today is their capacity to integrate themselves with their corporate counterparts without sacrificing their cultural ethos. Effective following of a good Corporate Governance code is bound to soar the co-operatives to newer heights.

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