

THE APPLICATION OF THE CO-OPERATIVE CONCEPT IN MALTA

BY

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A dissertation submitted in partial fulfilment of the requirements for
the award of the Master in Accountancy degree in the
Department of Accountancy at the
Faculty of Economics, Management and Accountancy at the
University of Malta

May 2023

Abstract

Title: The Application of the Co-operative Concept in Malta

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Purpose: The objectives were to determine the co-operative concept and values as perceived by three major Maltese co-operative stakeholders, to assess the extent to which such concept and values have been applied, to date, through compliance with the co-operative principles, and to establish the major reasons for the relatively minor development of Maltese co-operatives.

Design: Primary data for this research was collected through the use of semi-structured interviews conducted with thirteen co-operative representatives, four co-operative institutional bodies representatives and five experts.

Findings: The findings of this study indicated that many Maltese respondents were, as yet, deficient in their understanding of the co-operative concept made up of its elements, values and principles. In particular, a number of compliance barriers to the application of the seven principles seem to have persisted over the years. Nonetheless, minor improvements were indicated within the last decade with respect to the application of the concept. Furthermore, the minor recent development of co-operatives could be attributed to different reasons including their insufficient promotion, deficiencies in relevant education and training, regulatory framework restrictions, co-operative financing issues, as well as misconceptions about the particular adaptability of the co-operative structure to socially oriented entities.

Conclusion: This research concludes that Maltese co-operatives and their major stakeholders lack a clear understanding of the co-operative concept. The significance of socially relevant elements which are meant to be entrenched within the concept needs to be given more priority over the mere registration of surpluses. The study also concludes that the concept and values have, as yet, not been applied sufficiently through compliance with the co-operative principles. A final conclusion is that the reasons why co-operatives in Malta have developed less relatively well than LLCs and co-operatives in other European countries are serious and diverse. While such reasons have not become more accentuated over the years, as yet, they remain consistent barriers for the success of the Maltese co-operative movement.

Value: It is hoped that this dissertation helps all co-operative stakeholders achieve a better understanding and appreciation of the co-operative concept, including its values and principles, in order to be able to apply better the co-operative concept to the benefit of the co-operative movement, particularly, although not solely, in Malta.

Keywords: Co-operative Concept, Maltese Co-operatives, Co-operative Values, Co-operative Principles, Malta

Dedication

*To my loved ones for their
love, support and motivation
in all my pursuits*

Acknowledgements

I would like to express my gratitude to everyone who supported me in conducting this dissertation, without whom completing this study would have been much more challenging.

My sincere appreciation goes to my supervisor Prof. Peter J. Baldacchino, Ph.D.(Lboro.), M.Phil.(Lboro.), F.C.C.A., F.I.A., C.P.A., for his unwavering guidance, support, and patience. I would also like to thank Prof. Liberato Camilleri, B.Ed.(Hons), M.Sc., Ph.D.(Lanc.), for his contribution to the statistical analysis. I also appreciate the participation of everyone who devoted their time to this study. In addition, I am thankful to Koperattivi Malta and the Malta Co-operative Federation, as well as the Co-operatives Board and the Central Co-operative Fund, for providing me with the essential material required to conduct this study.

My sincere gratitude goes to my family and friends, particularly my parents Joseph and Eleanora, my sister Martina, my grandparents, and my boyfriend Jurgen, for their constant support throughout my five-year university course, and particularly during the completion of this dissertation.

Finally, I am grateful to God for always watching over me.

Table of Contents

Abstract.....	i
Dedication	ii
Acknowledgements	iii
Table of Contents.....	iii
List of Figures.....	x
List of Tables.....	xi
List of Abbreviations	xii
CHAPTER 1: INTRODUCTION.....	1
1.1 Introduction	2
1.2 Background to the Study	3
1.2.1 The Co-operative Concept.....	3
<i>Major Elements in the Co-operative Concept.....</i>	<i>3</i>
<i>The Values and Principles Relating to the Co-operative Concept.....</i>	<i>3</i>
1.2.2 A Note on the Development of the International Co-operative Movement.....	6
1.2.3 The Co-operative Movement in Malta	7
<i>Brief History.....</i>	<i>7</i>
<i>The Maltese Co-operative Institutional Bodies.....</i>	<i>8</i>
1.3 Need for the Study	9
1.4 Research Objectives	9
1.5 Scope and Limitations	10
1.6 Overview of the Study	10
CHAPTER 2: LITERATURE REVIEW	12
2.1 Introduction	13
2.2 The Three Components of the Co-operative Concept.....	14
2.2.1 The Four Major Co-operative Elements	15
<i>Joint Member Ownership and Democratic Control.....</i>	<i>15</i>
<i>Meeting Common Economic, Social and Cultural Needs.....</i>	<i>16</i>

<i>Voluntary Membership</i>	16
<i>Entity Autonomy</i>	16
2.2.2 The Six Co-operative Values	17
<i>Self-Help</i>	17
<i>Self-Responsibility</i>	17
<i>Democracy</i>	17
<i>Equality</i>	18
<i>Equity</i>	18
<i>Solidarity</i>	18
2.2.3 The Seven Co-operative Principles.....	19
2.3 The Application of the Co-operative Concept and Values in Malta	21
2.3.1 Voluntary and Open Membership	21
2.3.2 Democratic Member Control	22
2.3.3 Member Economic Participation	22
2.3.4 Autonomy and Independence	22
2.3.5 Education, Training, and Information	23
2.3.6 Co-operation Among Co-operatives.....	23
2.3.7 Concern for Community.....	23
2.4 The Location of Co-operatives within the Hybrid Spectrum	24
2.5 The Development of Maltese Co-operatives.....	25
2.6 Conclusion	27
CHAPTER 3: RESEARCH METHODOLOGY	28
3.1 Introduction	29
3.2 Preliminary Secondary Research	30
3.3 Research Design.....	30
3.4 Research Tool.....	31
3.5 Research Participants	33
3.6 Data Collection	34
3.7 Data Analysis	35

3.7.1 Qualitative Data Analysis	35
3.7.2 Quantitative Data Analysis	35
3.8 Research Limitations	36
3.9 Conclusion	37
CHAPTER 4: RESEARCH FINDINGS	38
4.1 Introduction	39
4.2 The Co-operative Concept and Values	40
4.2.1 The Co-operative Concept and its Essential Elements	40
4.2.2 The Co-operative Concept and its Values	41
<i>Democracy</i>	42
<i>Equality</i>	42
<i>Equity</i>	42
<i>Self-Responsibility</i>	43
<i>Solidarity</i>	43
<i>Self-Help</i>	43
4.2.3 The Co-operative Concept and its Promotion	44
4.2.4 The Co-operative Concept and the CSA (2001)	45
4.2.5 The Co-operative Concept and its Perceived Relevance by the Public	46
4.2.6 The Co-operative Concept and its Understanding by Various Stakeholders	47
4.2.7 The Co-operative Concept and the Formation of Co-operatives	49
4.3 The Application of the Co-operative Concept and Values	50
4.3.1 Compliance with the Seven Co-operative Principles	50
4.3.2 Respondent Comments on each of the Aspects Relating to Compliance to Co-operative Principles	52
<i>Member Economic Participation</i>	52
<i>Autonomy and Independence</i>	54
<i>Democratic Member Control</i>	54
<i>Voluntary and Open Membership</i>	55
<i>Concern for Community</i>	55
<i>Education, Training, and Information</i>	56

<i>Co-operation Among Co-operatives</i>	56
<i>Final Comments by Respondents on the Compliance with the Co-operative Principles</i>	57
4.4 The Relatively Minor Development of Maltese Co-operatives and the Subsequent Reasons.....	58
4.4.1 The Relatively Minor Development of Maltese Co-operatives	58
<i>Fewer Co-operatives than LLCs Formed in Malta</i>	58
<i>Fewer Co-operatives in Malta than in other European Countries</i>	59
4.4.2 Regulatory Framework Restrictions	60
4.4.3 Difficulties Relating to Internal and External Financing	61
<i>Difficulties Relating to Internal Financing</i>	61
<i>Difficulties Relating to External Financing</i>	62
4.4.4 Dilemmas Relating to Opportunities for Financial and Managerial Participation	62
<i>Dilemmas Relating to Financial Participation</i>	62
<i>Dilemmas Relating to Managerial Participation</i>	63
4.4.5 Possible Limitations of the Co-operative Structure.....	64
<i>Socially Oriented vs Commercial Entities</i>	64
<i>Advantages vs Disadvantages in an Entity being a Co-operative</i>	65
4.4.6 A Low Number of Active Co-operatives	66
4.4.7 Looking Forward.....	67
4.5 Conclusion	68
CHAPTER 5: DISCUSSION	69
5.1 Introduction	70
5.2 The Co-operative Concept and Values.....	72
5.2.1 Is the Maximisation of Surpluses Being Overemphasised in Maltese Co-operatives?	72
5.2.2 Are Co-operatives Ambiguous about the Values of Self-Responsibility and Self-Help?	73

5.2.3 Does the Value of Equity result from Balancing Co-operation and Commercialism?.....	73
5.2.4 Does the Value of Solidarity in Co-operatives Require the Co-operation/Commercialism Balance to be Weighted more Towards Co-operation?...74	
5.2.5 Why has the Co-operative Concept not been Sufficiently Promoted to Date? .75	
5.2.6 Is the Co-operative Concept Well Perceived by the Public?.....	76
5.2.7 Is the Co-operative Concept Well Understood by Various Stakeholders?	76
5.2.8 Are Fiscal Advantages Promoting the Co-operative Concept?.....	77
5.3 The Application of the Co-operative Concept and Values.....	78
5.3.1 Are Co-operatives Compliant with the Seven Co-operative Principles?	78
5.3.2 Can the Principle of Member Economic Participation Co-exist with that of Democratic Member Control?.....	79
5.3.2 Can Management or the COM be a Barrier to the Application of the Co-operative Concept?.....	80
5.3.4 Is the Voluntary and Open Membership Principle to be Subject to Tough Control?.....	81
5.3.5 Are Co-operatives Becoming more Community-Conscious and thus Applying Better the Co-operative Concept?	82
5.3.6 Is There a Way to Improve Compliance to the Principle of Education, Training, and Information by Co-operatives?.....	83
5.3.7 Why are Co-operatives Not Co-operating Among Each Other to such an Extent?.....	83
5.4 Major Reasons for the Minor Development of Maltese Co-operatives	84
5.4.1 Insufficient Promotion, Understanding and Education and Training of Co-operatives.....	84
5.4.2 Regulatory Framework Restrictions and Co-operative Financing Issues.....	84
<i>Regulatory Framework Restrictions and a Related Misperception</i>	84
<i>Co-operative Financing Issues</i>	85
5.5 Conclusion	86

CHAPTER 6: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	87
6.1 Introduction	88
6.2 Summary.....	89
6.3 Conclusions.....	90
6.4 Recommendations	92
6.5 Areas for Further Research	95
6.6 Concluding Remark.....	96
REFERENCES	R-1
General	R-2
Regulatory.....	R-7
APPENDICES	A-1
Appendix 2.1: Findings by Mizzi (2015).....	A2.1-1
Appendix 3.1: Interview Schedule	A3.1-1
Appendix 4.1: Comparison between the Number of Co-operatives and LLCs in Malta	A4.1-1
Appendix 4.2: Statistical Data Analysis using the Friedman Test.....	A4.2-1
Appendix 4.3: Statistical Data Analysis using the Kruskal Wallis Test	A4.3-1
Appendix 4.4: Statistical Data Analysis using the Chi Squared Test.....	A4.4-1

List of Figures

Figure 1.1: Chapter 1 Outline	2
Figure 1.2: Structure of the Study.....	10
Figure 2.1: Chapter 2 Outline	13
Figure 2.2: The Major Co-operative Elements, Values and Principles (Section 2.2)	14
Figure 2.3: Principles 1-4 intertwined with the Four Elements specified by the ICA Definition	19
Figure 2.4: The Location of Co-operatives Within the Hybrid Spectrum, Adapted from Alter (2007)	24
Figure 3.1: Chapter 3 Outline	29
Figure 4.1: Chapter 4 Outline	39
Figure 5.1: Chapter 5 Outline	71
Figure 6.1: Chapter 6 Outline	88
Figure A4.1: The Co-operative Concept and its Essential Elements.....	A4.2-1
Figure A4.2: The Relevance of Values to the Co-operative Concept.....	A4.2-1
Figure A4.3: The Promotion of the Co-operative Concept by five major Stakeholder Groups	A4.2-2
Figure A4.4: Compliance with Aspects of the Seven Co-operative Principles	A4.2-2

List of Tables

Table 3.1: Interview Schedule Structure	31
Table 3.2: Combination of Open-Ended Questions and Closed-Ended Questions.....	32
Table 3.3: Likert Scale.....	32
Table 3.4: Interviewees Participating in the Research	34
Table 4.1: The Co-operative Concept and its Essential Elements	40
Table 4.2: The Relevance of Values to the Co-operative Concept.....	41
Table 4.3: The Promotion of the Co-operative Concept by five major Stakeholder Groups	44
Table 4.4: The Co-operative Concept as understood by Various Stakeholders	47
Table 4.5: Compliance with Aspects of the Seven Co-operative Principles	50
Table 5.1: Compliance with Aspects of the Seven Co-operative Principles	78
Table A2.1: Findings by Mizzi (2015), p.41.....	A2.1-1
Table A4.1: List of Registered, Dissolved and Struck Off LLCs during the past 20 years	A4.1-4
Table A4.2: The Co-operative Concept and its Essential Elements	A4.3-2
Table A4.3: The Relevance of Values to the Co-operative Concept	A4.3-3
Table A4.4: The Promotion of the Co-operative Concept by five major Stakeholder Groups	A4.3-3
Table A4.5: Compliance with Aspects of the Seven Co-operative Principles	A4.3-4
Table A4.6: The Co-operative Concept as clarified by the CSA (2001).....	A4.4-1
Table A4.7: The Co-operative Concept as perceived by the Public	A4.4-1
Table A4.8: The Formation of Co-operatives as restricted by the Regulatory Framework	A4.4-2
Table A4.9: Internal Financing for Co-operatives.....	A4.4-2
Table A4.10: External Financing for Co-operatives.....	A4.4-2
Table A4.11: Financial Participation as provided by Co-operatives	A4.4-3
Table A4.12: Managerial Participation as provided by Co-operatives	A4.4-3
Table A4.13: The Co-operative Structure as being more Adaptable to Socially Oriented Entities	A4.4-4
Table A4.14: The Relatively Low Number of Active Co-operatives as being a Disincentive	A4.4-4

List of Abbreviations

AGM	Annual General Meeting
CA	Companies Act (1995), Chapter 386 of the Laws of Malta
CB	Co-operatives Board
CCF	Central Co-operative Fund
COM	Committee of Management
Coopinstitreps	Co-operative institutional bodies representatives
Coopreps	Co-operative representatives
CSA	Co-operative Societies Act (2001), Chapter 442 of the Laws of Malta
ICA	International Co-operative Alliance
ILO	International Labour Organisation
KM	Koperattivi Malta
LLC	Limited Liability Company
MBR	Malta Business Registry
MCC	Mondragon Co-operative Corporation
MCF	Malta Co-operative Federation
OMOV	One Member – One Vote
OVOS	One Vote – One Share

Chapter 1

Introduction

1.1 Introduction

This chapter presents the basis for this study. The introduction will be presented according to the chapter outline in Figure 1.1.

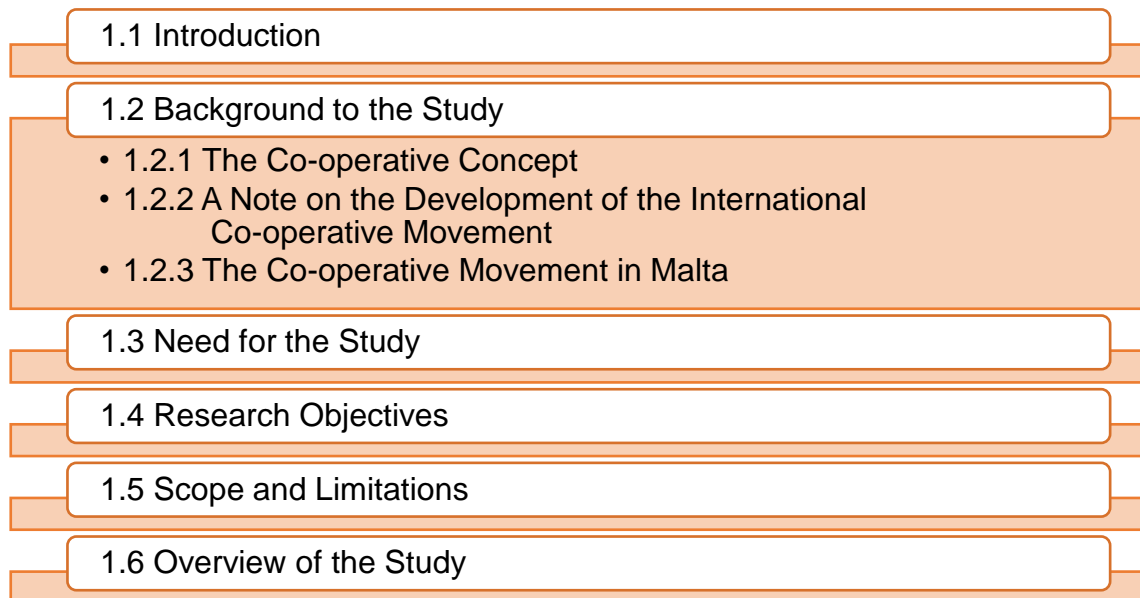


Figure 1.1: Chapter 1 Outline

1.2 Background to the Study

1.2.1 The Co-operative Concept

Major Elements in the Co-operative Concept

The co-operative concept may be partly derived from the following definition of a co-operative: “*an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise*” (International Co-operative Alliance [ICA] 1995).

As may be seen, this widely accepted definition refers to (i) joint member ownership and democratic control, (ii) meeting common economic, social and cultural needs, (iii) voluntary membership and (iv) entity autonomy. These are, therefore, major elements within the co-operative concept.

The Values and Principles Relating to the Co-operative Concept

Further insights into the co-operative concept may be gained by looking into the co-operative values and principles. In fact, co-operatives may be differentiated from other corporate structures through their adherence to seven co-operative principles (Mintoff 2015). These principles, based mainly on the co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity (ICA 1995), are the following:

1. **Voluntary and Open Membership:** Co-operatives are open to all individuals who are willing to use their services and accept the responsibilities of membership without any discrimination based on race, gender, religion, or social status (Kurimoto 2015). Members join voluntarily, and they have the freedom to leave the co-operative at any time (Kurimoto 2015).
2. **Democratic Member Control:** Co-operatives are democratically controlled organisations, with each member having one vote regardless of their level of

investment or involvement in the co-operative (Draperi 2015). Members actively participate in setting policies and making decisions through democratic processes (Draperi 2015).

3. **Member Economic Participation:** The capital contributed by members is not mainly intended for generating a return on investment, but more as a pooled capital that is utilised to provide necessary goods, services, or employment opportunities to members at a reasonable cost (Bancel 2015). The surplus is allocated towards the development of the co-operative, compensation to members or to other activities approved by members. Each member's contribution should be fair and reasonable according to the circumstances of the co-operative and the capacity of its members, as determined by an impartial observer (Bancel 2015). It does not imply that all members must contribute an equal amount, nor does it require incoming members to make the same capital contribution regardless of the age of the co-operative or its accumulated wealth (Bancel 2015).
4. **Autonomy and Independence:** This is the idea of the self-help and self-responsibility values (Novkovic 2015). When co-operatives enter into agreements with governments, with organisations or to raise capital from third parties, they ascertain that there is co-operative autonomy (Novkovic 2015).
5. **Education, Training, and Information:** Co-operatives offer education and training to their co-operative members, Committee of Management (COM) members, co-operative managers and co-operative employees, as well as inform the general public about the nature and benefits of co-operation (Wilson and Shaw 2015).
6. **Co-operation Among Co-operatives:** This is the idea of the solidarity value (Cheney et al. 2015). Working together locally, nationally and internationally serves co-operative members and strengthens the co-operative movement. Successful co-operative enterprises require open, transparent, accountable, and democratic decision-making processes that foster collaboration for mutual benefit (Cheney et al. 2015).

7. **Concern for Community:** Co-operatives work for the sustainable development of their communities through policies that address economic, social, and environmental issues (Cracogna 2015). They contribute to the community's overall well-being by creating jobs, providing goods and services at good prices, and supporting community development initiatives (Cracogna 2015).

For almost two centuries, the connection between the values, principles, and practices of co-operation has been established through an ongoing process of iteration. This involves values serving as the foundation for principles, which are then tested through various practices. As co-operatives are operated and run, the experience gained is used to reinforce certain principles and to strengthen the underlying values, creating a feedback loop (Birchall 2003).

Singsee and Suttawet (2021) suggest that the success of a co-operative is determined by whether it is complying with such co-operative principles. For example, LaSalle (2012) argues that FC Barcelona, a highly successful European football club which is also a fan-run co-operative, adheres to such principles and it is this same adherence that makes it distinguishable from other clubs.

Co-operatives recognise the benefits of adhering to the principles and values in their entirety, especially in light of the achievements of those co-operatives that have done so, and the global attention given to corporate social responsibility and ethical business practices (Novkovic 2008).

Errasti et al. (2003) explain how Mondragon Co-operative Corporation (MCC) serves as a successful model for other co-operative businesses to emulate, surpassing the historical limitations that co-operativism has faced with respect to financing, size and productivity. However, despite its success, MCC still finds it necessary to continue to seek new ways to effectively incorporate the co-operative principles and values with the ever-changing global reality of the international economic environment. Such distinctive co-operative experiences provide an opportunity to continue to establish renewed guidelines for improving the co-operative concept (Errasti et al. 2003).

1.2.2 A Note on the Development of the International Co-operative Movement

With more than one billion members and supporting 100 million jobs, co-operatives have, to date, proven to be resilient enterprises that play a crucial role not only in the economy but also in society and the environment (Hertig 2012). The modern co-operative movement may be traced back in Britain to 1844, when a group of workers in Rochdale established a shop (Smith 2004). This was a successful co-operative based on a set of principles known as the 'Rochdale' principles, which were eventually updated and modernised (Smith 2004). Furthermore, in 1848, a group of villages in Northern Germany led by F.W. Raiffeisen witnessed the creation of a co-operative aimed at alleviating the suffering of its members (Zeuli and Cropp 2004). Initially, the co-operative provided basic necessities, such as potatoes and bread, to those in need. Raiffeisen soon realised that the provision of charity alone would not address the challenges faced by poor farmers, who needed to become self-sufficient and earn more income. To address this, Raiffeisen began organising loan societies that incorporated various co-operative features. Although Raiffeisen continued to advocate for self-help, his early societies focused primarily on transferring funds from the wealthy to the poor (Zeuli and Cropp 2004).

Meanwhile, Schulze established various co-operative set-ups, including urban co-operative banks which quickly spread to other countries (Smith 2004). Thus, originally, co-operatives were set up as a practical way for working people to meet their everyday needs and to build a better society (Smith 2004). Their objective was not only retailing or credit, but also how they could use self-help to enhance their working and living conditions, as well as their communities (Smith 2004).

In 1937, the ICA developed a set of co-operative principles, which included four principles (ICA 2023). These were extended in 1966 to six principles. Before 1995, the focus on communities was incorporated in Principle 6, as in the 1966 clarification of the Principles by the Alliance, it was stated that co-operatives should collaborate with each other, both domestically and internationally, to

effectively serve their members and communities (Cracogna 2015). In 1995, a seventh principle, that of concern for community, was added. Co-operative principles have remained consistent since then and they are now widely recognised and used globally (ICA 2023).

Now, the co-operative concept increasingly emphasises the dual relationship of co-operative members with their organisation, where such members are both owners and users, serving as consumers, producers, or employees (Gijssels 2009).

1.2.3 The Co-operative Movement in Malta

Brief History

The Maltese co-operative movement began in 1947 with the founding of the first co-operative after the Co-operative Societies Ordinance was established, governing co-operatives in Malta (Galea 2012). Initially, co-operatives were promoted in the agricultural sector owing to the food scarcity following World War II and the low returns received by farmers for their produce. The Ministry of Agriculture was responsible for co-operatives at the time, and ten agricultural co-operatives were established, with two registered in Gozo. The first consumer co-operative was founded in 1948. However, political instability and the lack of promotion of Maltese co-operatives caused a slowdown in the movement's development in the late 1940s and early 1950s (Mintoff 2015).

A report commissioned in the late 1950s identified a lack of professional bookkeeping, low levels of education among COM members, as well as insufficient promotion as being the main issues facing the co-operative movement at the time. The report also highlighted the need for a credit union to facilitate co-operative financing (Galea 2012). Despite efforts to increase the interest in Maltese co-operatives, including some marketing campaigns and the introduction of tax exemptions in 1965, the number of registered co-operatives did not significantly increase (Galea 2012). In fact, by the end of the 1960s, only 18 of

the 39 registered co-operatives were operational, mostly in the agricultural sector. In the 1970s, amendments were made to the Co-operative Societies Ordinance resulting in the introduction of the Supervisory Board, the Co-operatives Board, APEX, and the Central Co-operatives Fund. In the late 1980s and early 1990s, some co-operatives expanded into new sectors such as transport, catering, and worker co-operatives. By the end of the 20th century, co-operatives expanded also into pharmaceuticals, computing services, software development, business consultancy, and the media (Mintoff 2015).

The Maltese Co-operative Institutional Bodies

At present, there are four institutional bodies for co-operatives in Malta, known as Koperattivi Malta (KM), the Malta Co-operative Federation (MCF), the Co-operatives Board (CB) and the Central Co-operative Fund (CCF).

KM and the MCF are two representative bodies for co-operatives in Malta. Their main objective is to promote the co-operative model. They aid the newly formed co-operatives and encourage ideas from their members in order to improve the co-operative concept (KM 2023, MCF 2023).

The CB is responsible for registering, monitoring and supervising co-operatives . It provides information on the co-operative principles, practices and management and ensures that co-operatives comply with the Co-operative Societies Act (CSA) 2001, Chapter 442 of the Laws of Malta (MCF 2023).

The CCF is a public fund made up of contributions by co-operative societies (MCF 2023). These funds are utilised to further develop co-operatives and invest in more education, research and training (Naudi 2020). Co-operatives contribute 5% of their surpluses to this fund (Fabri et al. 2006).

As may be noted and has also been confirmed in earlier literature (Baldacchino and Bugeja 2012, Baldacchino 2017), some of the responsibilities of the various co-operative institutional bodies in Malta may be overlapping.

1.3 Need for the Study

While, to date, several dissertations have been carried out on Maltese co-operatives, to the knowledge of the author, none have, as yet, dealt specifically with any stakeholder perspectives on the co-operative concept and its application in Malta. Therefore, this study aims to fulfil this gap in the Maltese co-operative literature. In arriving at assessing the extent of application of such concept, there is also the need to provide an update on the extent of compliance by Maltese co-operatives to the co-operative principles, an exercise which had been dealt with earlier by Mizzi (2015). In addition, related to the application of the co-operative concept is the issue of the extent of development of Maltese co-operatives to date. In this regard, aspects of earlier studies by Burlo' (2013) and Gatt (2017) relating to the relatively minor development of co-operatives in Malta and the subsequent reasons also need to be updated.

1.4 Research Objectives

Therefore, this study aims to fulfil the following objectives:

- i. to determine the co-operative concept and values as perceived by three major Maltese co-operative stakeholders.
- ii. to assess the extent to which such concept and values have been applied, to date, through compliance with the co-operative principles.
- iii. to establish the major reasons for the relatively minor development of Maltese co-operatives.

1.5 Scope and Limitations

The focus of this study is to examine the co-operative concept in Malta. In view of time constraints, the study limits itself to those perceptions held by three major co-operative stakeholders, consisting of co-operative members, the co-operative institutional bodies and their related experts. Therefore, any references to the perceptions of other stakeholders, including the public, government, co-operative employees, bankers and accountants are limited to the opinions held on them by these three major stakeholders. Furthermore, this study has included pertinent national and international information until the cut-off date of the 31st of March 2023.

1.6 Overview of the Study

The study's structure is illustrated in Figure 1.2.



Figure 1.2: Structure of the Study

Chapter 1 defines the research topic by providing background information on the key elements. It also establishes the reasons for conducting the study, outlines the research objectives, and highlights the scope and limitations.

Chapter 2 delves into national and international literature related to the co-operative concept.

Chapter 3 describes the research methodology used to achieve the study's research objectives.

Chapter 4 presents the research findings resulting from the semi-structured interviews.

Chapter 5 thoroughly examines and evaluates the research findings presented in Chapter 4, in the context of the literature reviewed in Chapter 2.

Chapter 6 concludes the study by summarising the key findings, presenting various recommendations and suggesting areas for further research.

Chapter 2

Literature Review

2.1 Introduction

This chapter reviews the relevant literature on the co-operative concept and its application in Malta. This review will be presented according to the chapter outline in Figure 2.1.

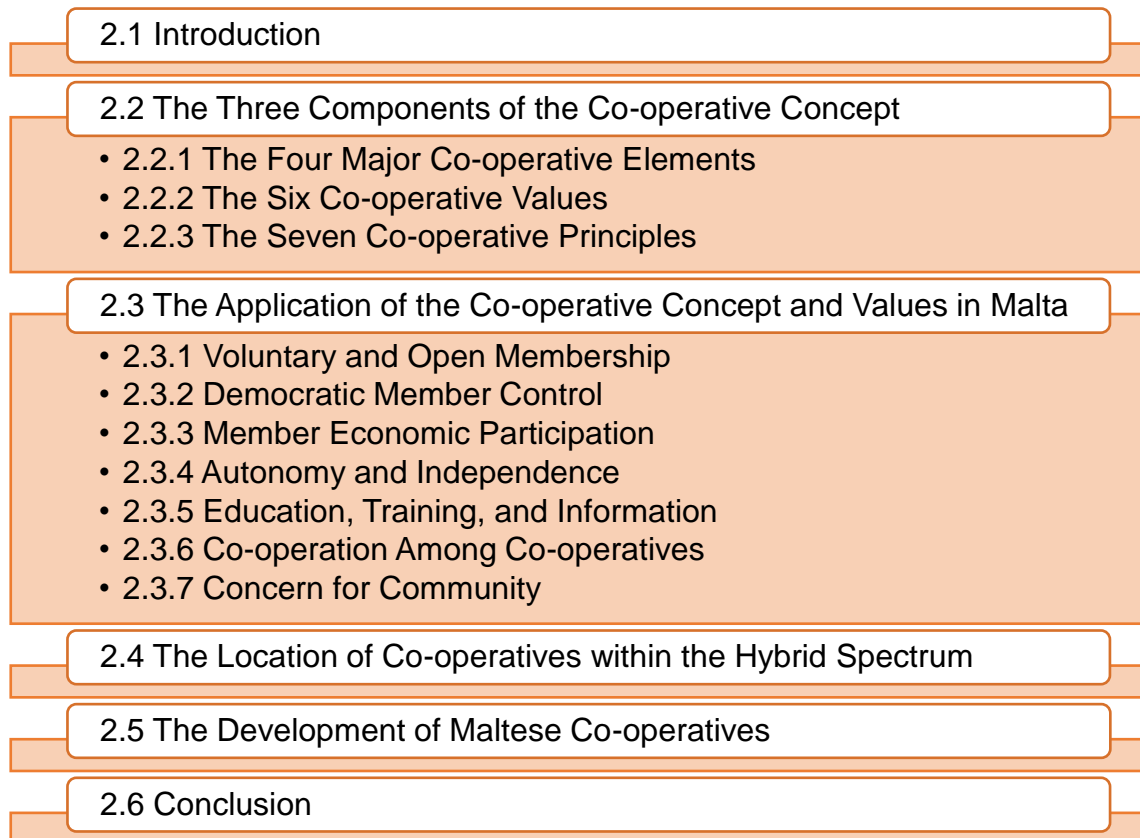


Figure 2.1: Chapter 2 Outline

2.2 The Three Components of the Co-operative Concept

As may be seen in Figure 2.2 below and as also briefly referred to in Chapter 1¹, the components of the co-operative concept involve the major co-operative elements, the co-operative values and the co-operative principles. Each component will now be dealt with in more detail.

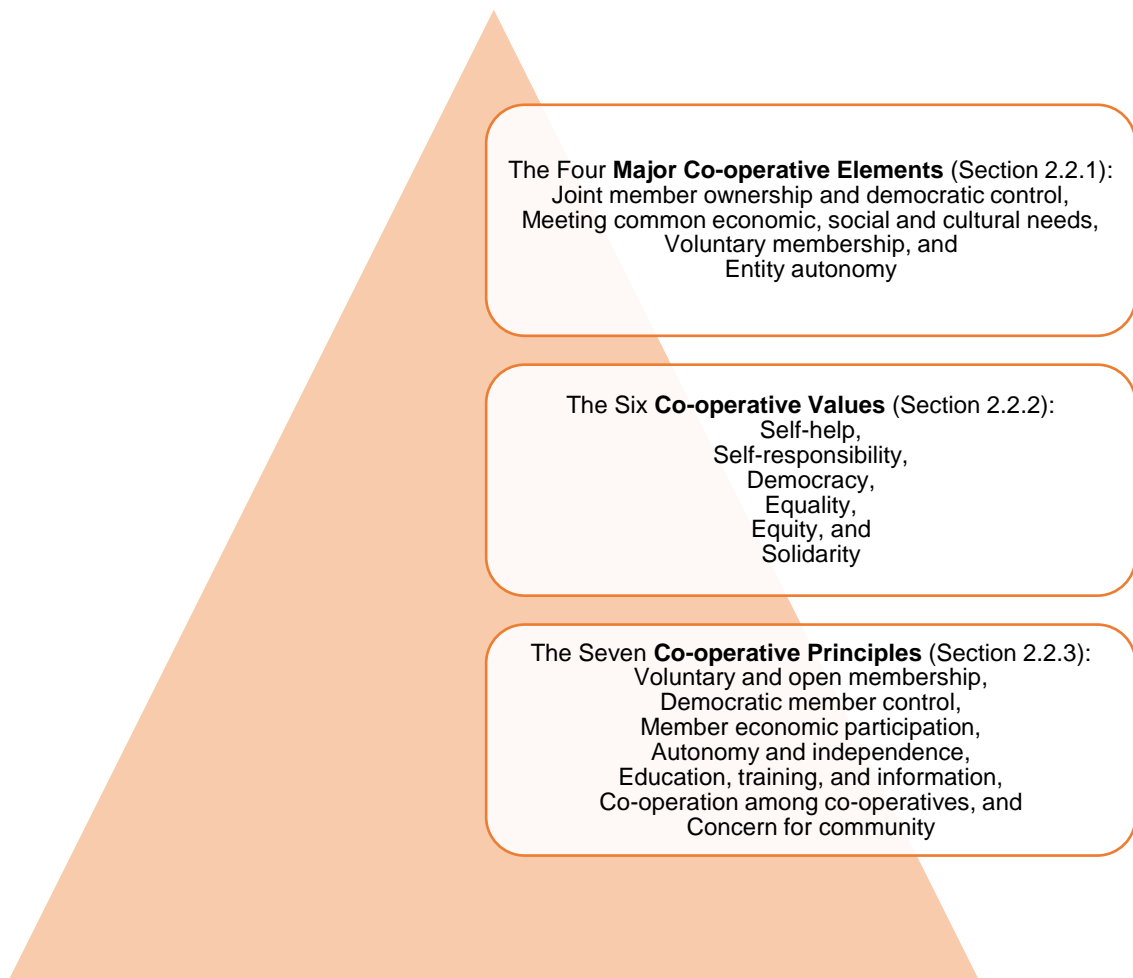


Figure 2.2: The Major Co-operative Elements, Values and Principles (Section 2.2)

¹ Vide Section 1.2.1

2.2.1 The Four Major Co-operative Elements

The major co-operative elements, which have earlier been extracted from the ICA co-operative definition², are joint member ownership and democratic control, meeting common economic, social and cultural needs, voluntary membership, and entity autonomy. These will now be explained in detail in line with literature sources.

Joint Member Ownership and Democratic Control

A co-operative is both owned and controlled by its member-owners and, unlike the situation in limited liability companies (LLCs), it typically exercises more democracy by operating a one-member, one-vote (OMOV) rule and exercising a capping to the share capital that each of its members may hold (Mintoff 2015). As discussed by Reynolds (2000), the OMOV rule has been adopted by co-operatives since their early days, and it is crucial for democratic representation in decision-making, which is important so as to comply with the democratic member control principle. Furthermore, Mintoff (2015) has earlier contended that there was a mistaken belief in Malta that each member had to hold only a single share, thus further restricting the OMOV rule to a one-vote, one-share (OVOS) rule. However, both foreign literature, such as Bancel (2015)³ and the CSA (2001) itself, do not stipulate any such OVOS restriction. Furthermore, the Mizzi (2015) study concluded that there should not be an OVOS rule beyond the OMOV one, as such further restriction would be a hindrance to member capital injections. Co-operatives need to ensure that it is easy for members to provide such internal funding, and thus, do not force themselves to go for external funding (Mizzi 2015). In this regard, it is important to educate members on the significance of their membership contributions, as this will ultimately help to increase member engagement inasmuch as they could afford in support of the co-operative (Grauvilardell 2013).

² Vide Section 1.2.1

³ Vide Section 1.2.1

Meeting Common Economic, Social and Cultural Needs

The current economic systems are primarily driven by capitalist markets, which prioritise profit-making over the provision of goods and services for human societies (Mellor 2012). Unlike commercially-minded LLCs, which too often focus on registering short-term economic gains, a co-operative is mainly formed to satisfy some specific long-term need/s, beyond mere profit-making (International Labour Organisation [ILO] 2022). Such needs may include those of solving market failures and/or of building long-term value and sustainability (ILO 2022).

Voluntary Membership

A co-operative is expected to promote inclusivity and democratic participation (Kurimoto 2015). According to Hoyt (1996), co-operatives may only have reasonably limited restrictions on membership, these being based on the members' ability to use the co-operative effectively or on the co-operative's capacity to serve a limited number of members. However, the key principle remains that co-operatives should remain open to membership and not exhibit any prejudices against potential members owing to their innate qualities, such as their social status, race, political affiliation, religion or gender (Hoyt 1996). For example, in the latter case, they need to play a role in ensuring women's equal access to economic opportunities and resources (Wanyama 2014).

Entity Autonomy

This stands to signify an element of independence from other entities, such as government (Birchall 2003). As stated by Cracogna et al. (2002), help from governments, international organisations, and others may occasionally be detrimental to co-operatives since it weakens, rather than strengthens, their autonomy and independence.

2.2.2 The Six Co-operative Values

As stated in Chapter 1⁴, the co-operative values include self-help, self-responsibility, democracy, equality, equity and solidarity (ICA 1995). These will be explained in more detail.

Self-Help

The term 'co-operation' has its roots in the Latin word '*cooperari*', in which 'co' signifies '*together*', and '*operari*' denotes '*to work*' (Dastane and Thakkar 2015). This value means that individuals work together to help one another, which ultimately benefits all of them individually (Fairbairn 1994). This value emphasises that joint action is more powerful than individual effort (Hoyt 1996). The idea of co-operatives has consistently been that of individuals achieving their goals through collective effort and mutual support (Fairbairn 1994). As will be clarified later, this value is closely related to that of solidarity.

Self-Responsibility

Self-responsibility signifies that each individual member remains personally accountable for their contributions within the group. Members are expected to undertake such a responsibility for their actions and fulfil their duties without external inducements or rewards (National Co-operative Business Association CLUSA International n.d.).

Democracy

Democracy emphasises the significance of democratic decision-making exercised by the member-owners within their co-operative. This value, in particular, helps to set co-operatives apart from capitalist businesses (Fairbairn 1994). It entails the right of members to participate, be informed, be heard, and be equally involved in decision-making (Hoyt 1996). As explained by Fairbairn

⁴ Vide Section 1.2.1

(1994), the democratic structure of a co-operative must reflect the collective will of its members, and this is not merely the sum of their individual desires, but rather their shared goal of achieving the common good as co-operative members. Thus, members are to be actively involved in the co-operative's affairs rather than remain passive participants.

Equality

According to Kurimoto (2015), this value emphasises the importance of treating all members equally, regardless of their gender, sexual orientation, race, religion, or any other characteristic. All members are entitled to the same rights, privileges, and opportunities within the co-operative (Hoyt 1996). Redistribution and equality are frequently and unsurprisingly related (Spicker 1992). The term '*redistribution*' refers to situations in which the resources of some are given to others or utilised for their advantage (Spicker 1992).

Equity

Equity is a moral value that pertains to the fair distribution of resources and opportunities based on labour, not ownership of capital (Hoyt 1996). It is concerned with ensuring fairness and impartiality in the treatment of different groups and individuals within the co-operative (Fairbairn 1994). This value, therefore, recognises that individuals have different needs and abilities, and that these differences should be taken into account when making decisions within the co-operative, so that members are treated fairly and justly, based on their contributions to the co-operative and their needs and abilities.

Solidarity

Solidarity is a value that assumes strength in mutual self-help and collective responsibility for the well-being of members (Hoyt 1996). The idea of responsibility is closely tied to how individuals perceive their relationships with others within society (Spicker 1992). When individuals are viewed primarily as autonomous actors who interact with each other based on self-interest, the notion

of mutual responsibility can be understood in terms of the pursuit of shared goals through co-operation. In the context of social welfare, co-operation may enhance individuals' capacity to act and achieve their goals by the pooling of resources and the sharing of risks (Spicker 1992).

2.2.3 The Seven Co-operative Principles

These principles have already been described in Chapter 1⁵. More than half of the principles (1-4) are intertwined with the four elements specified by the ICA definition already explained above. Such intertwinement is illustrated in Figure 2.3.

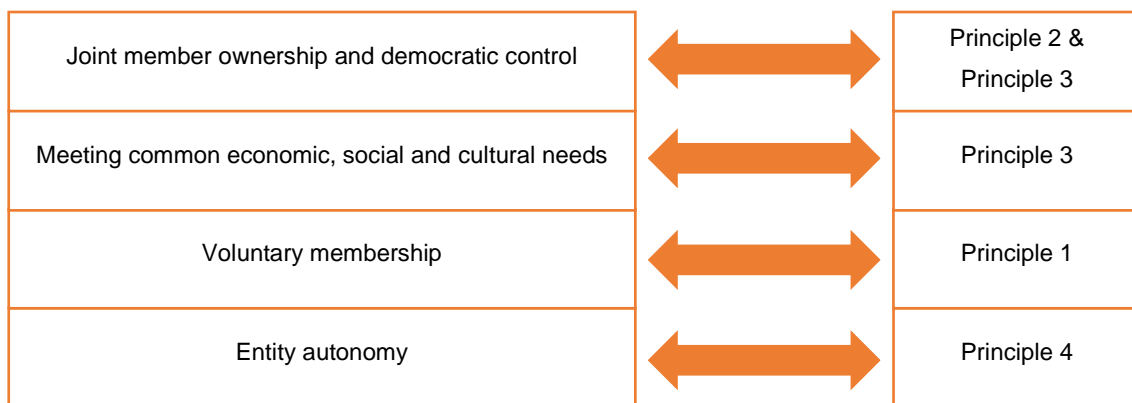


Figure 2.3: Principles 1-4 intertwined with the Four Elements specified by the ICA Definition

Nonetheless, three other principles – education, training, and information (Principle 5), co-operation among co-operatives (Principle 6) and concern for community (Principle 7) – require separate consideration.

According to Bello (2005), education, training, and information (Principle 5) are considered crucial for the success of co-operatives. If those in charge of co-operatives lack proper information and knowledge, there is a risk that co-operatives may resemble profit-driven capitalist businesses (Bello 2005). Members who receive education and training are better equipped to understand

⁵ Vide Section 1.2.1

the management policies and have more frequent communication with the management compared to those who are less educated (Xiang and Sumelius 2010). Therefore, it is important to view member training as a long-term strategy for the co-operative (Xiang and Sumelius 2010).

Principle 6, which is about inter-co-operative co-operation, is crucial, both nationally and globally, for the growth of the co-operative movement (Cheney et al. 2015). However, achieving effective inter-co-operation may be challenging as it may require sacrifices from individual co-operatives for the greater good. According to Cheney et al. (2015), the co-operative movement abroad has historically achieved successful co-operation among co-operatives through inter-co-operative openness, accountability, equitable representation, flexibility, and reciprocity. With respect to the latter three characteristics, the first one (representation) refers to ensuring that decision-making in joint ventures involving multiple co-operatives is fair and considers the interests of each co-operative's members and community. With respect to flexibility, this involves commitment to compromise, innovate and bring about better results, thus enabling co-operators to collaborate, without allowing any single person or group to dominate the process. As for reciprocity, co-operatives need to recognise that they will require support at times and be capable of providing it at other times (Cheney et al. 2015).

Principle 7, which is about concern for community, is an ethically based principle calling for social responsibility and care for others. According to this principle, co-operatives are expected to care for the needs of others in a more effective way than other existing corporate structures (Hoyt 1996). This principle has now become more important internationally in view of increased concern about environmental protection and sustainable development (Hoyt 1996).

2.3 The Application of the Co-operative Concept and Values in Malta

Research carried out in Malta by Burlo' (2013) has indicated that the seven co-operative principles referred to in the CSA (2001) have to some extent been applied by Maltese co-operatives. On her part, Mizzi (2015)⁶ found that some of the co-operative principles were being strongly adhered to while others were not. She referred to an inappropriate application of some of the principles. Therefore, the indications were that many co-operatives still needed guidance for them to fully understand what some of the co-operative principles really meant, and how to apply them in practice. The application according to the literature of each of the principles in Malta will follow.

2.3.1 Voluntary and Open Membership

According to the Mizzi (2015) study, this principle was only being partially applied. This was because respondents in her interviews were divided as to the extent of fairness in applying such a principle, with some maintaining that this principle could unfairly disadvantage existing members. Some respondents argued that their voluntary and open membership was to be conditioned to an admission fee varying with the date of admission to membership, while others maintained that full voluntary and open membership signified no changes in admission fees over the years as this principle was the price for accepting the co-operative concept.

⁶ Vide Table A2.1 in Appendix 2.1

2.3.2 Democratic Member Control

According to Mizzi (2015), this principle was being complied with by Maltese co-operatives. However, respondents were finding difficulty in reconciling such compliance with that of the other principle of member economic participation. According to the same study, some misconceptions about this democratic member control principle were commonly leading to unnecessary delays and management paralysis in decision-making.

2.3.3 Member Economic Participation

This principle was one of the most complied with in the Mizzi (2015) study. However, in line with what was at the time also being concluded in the Mintoff (2015) study, the study found also that such compliance was being hindered by the misapplication of the principle of democratic member control extending the OMOV rule to the OVOS one⁷. Such misapplication was preventing the full unleashing of the financial potential of members, and thus, was not helping towards the reduction of reliance on external financing. It was clearly discouraging contributions from those who were willing and able to contribute more (Mizzi 2015).

2.3.4 Autonomy and Independence

According to the Mizzi (2015) study, although this principle was the one most strongly adhered to by co-operatives, some of them still erroneously held that such principle did not mean that no financial assistance was to be normally expected from the Government. Such views were still held at the time despite the recent difficulties arising with respect to such aid in view of Malta's accession to the EU.

⁷ Vide Section 2.2.1

2.3.5 Education, Training, and Information

Both studies discovered that the principle least complied with was education, training, and information. Mizzi (2015) indicated that a lack of emphasis on education and training of both COMs and co-operative members was hindering progress in the application of most principles, and even more those which were considered beyond the immediate interests of members.

2.3.6 Co-operation Among Co-operatives

Mizzi (2015) found that this principle was only partially being complied with by Maltese co-operatives. On its part, the Mintoff (2015) study at the time also concluded that Maltese co-operatives were to be criticised for their deficiency in complying with this principle. She stated that inter-co-operative co-operation was at the time limited to the purchasing of commodities from other co-operatives offering competitive prices, but no other type of co-operation was otherwise known to be in existence.

2.3.7 Concern for Community

The Mizzi (2015) study also concluded that the principle of concern for community was also one of the least complied with. This was because many co-operatives did not focus on social concerns. Mintoff (2015) also found that, when concern for community was being given some level of importance, such as through donations, this was considered more as a way of promoting themselves than in the interest of the community as such. She specified that no concern relating to sustainable development was being shown. Therefore, it was evident that co-operatives were not prioritising this part of their social responsibilities over individualism (Mintoff 2015).

2.4 The Location of Co-operatives within the Hybrid Spectrum

As stated by Alter (2007), there are forms of hybrid organisations between purely philanthropic and purely commercial entities. The author explained that hybrid organisations strive to achieve a balance between goodwill and self-interest by combining their mission with market-oriented strategies to create both social and economic values. They either reinvest their surpluses in mission-related activities and/or towards their business growth and development or redistribute them back to their members (Alter 2007). Co-operatives are hybrid organisations embedded within the social enterprise concept (Alter 2007). The location of co-operatives within the hybrid spectrum is shown in Figure 2.4.

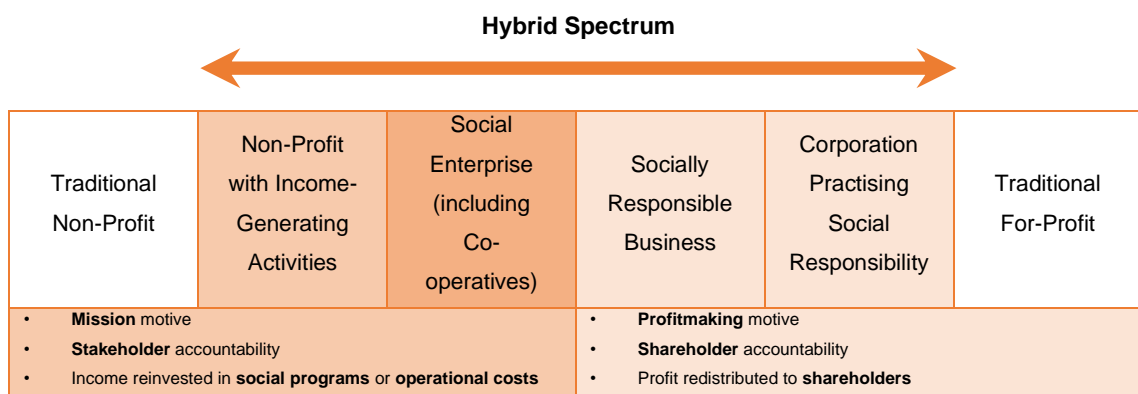


Figure 2.4: The Location of Co-operatives Within the Hybrid Spectrum, Amended from Alter (2007), p. 14

This signifies that for co-operatives, the connection between the business activities and the social endeavours is intertwined and inseparable, as both financial and social benefits are to be attained concurrently (Alter 2007).

2.5 The Development of Maltese Co-operatives

Even though the co-operative model had many benefits, once people were not sufficiently knowledgeable about it, the co-operative concept could not be successful (Gatt 2017). According to Mintoff (2015), co-operatives at the time were “*perceived as not being sufficiently promoted*”. Furthermore, Gatt (2017) stated that the co-operative model was not part of the educational syllabi and therefore, unlike other corporate structures, co-operatives were no longer being promoted at an early stage as previously had been the case. In this connection, Mintoff (2015) had stated earlier that such promotion had been halted after ten years because there had been insufficient participation by educators. Additionally, Mizzi (2015) pointed out that the principle of education, training, and information in Malta was weak at the time and that such weakness might halt co-operative progress.

In this context, Burlo’ (2013) compared the development of co-operatives at the time with that of LLCs. She concluded that LLCs were more popular and prominent than co-operatives. She stated that this could be due mainly to the LLC regulator performing its duties more at arm’s length, but also to a good LLC-related corporate governance code, with priority being given to economic values over social ones. She also referred to relatively more practicable LLC start-up provisions.

In Malta, co-operatives are regulated under the CSA (2001), while LLCs are regulated under the Companies Act (CA) 1995, Chapter 386 of the Laws of Malta. In her study, Burlo’ (2013) found that half of her respondents considered the CSA (2001) as being more basic and less complicated, while the other half considered the CSA (2001) as ambiguous and therefore, not easily understandable. Furthermore, when comparing the CB with the Registrar of Companies, she concluded that the Registrar was much less interfering than the CB, as the latter tended not to communicate well enough, and to become involved usually intervened in not-so-relevant matters.

In their study, Falzon (2016) and Baldacchino et al. (2017) suggested that the minor development of Maltese co-operatives could be partially due to the minimum requirement in the CSA (2001) of number of members being five instead of one as in the case of LLCs. Falzon (2016) recommended a lower minimum.

According to Baldacchino et al. (2018), a revision to this Act was already overdue by the time of their study. This was because co-operative circumstances had changed substantially since Malta's accession to the EU and the 2008 financial crisis (Baldacchino et al. 2018).

Another barrier was that the registration of co-operatives was "*lengthy and bureaucratic*" (Baldacchino et al. 2018, p. 77). Tabone (2013) recommended that, because the registration process was "*quite laborious*", registration requirements should be amended so that they would focus mostly on the objectives of each proposed co-operative and the plans of potential members.

Mintoff (2015) found out that "*lack of access to financing*" was considered as the "*main economic disadvantage*" of co-operatives. Gatt (2017) spoke about how banks are not helpful towards co-operatives. This could be either because of discriminatory practices on the part of banks, which on their part could be due to insufficient co-operative expertise, or because co-operatives did not present sufficiently sound business plans. Tabone (2013) argued that if properly trained, bank personnel may assist co-operatives in improving their business plans. However, despite initial constraints on finance, such as limitations on interest paid and restrictions on the nature and role of capital investments, financial structures have not prevented the growth of co-operatives in other countries (Mellor 2012). Camilleri (2012) recommended this issue to be solved through the CCF acting "*as a bank itself by providing loans or overdrafts on a larger scale at lower interest rates*".

Furthermore, Burlo' (2013) found that her respondents considered co-operatives as offering more opportunities for financial participation than LLCs. Her respondents also showed a higher level of agreement regarding more managerial

participation opportunities being within co-operatives, mainly in view of the fact that all co-operative members had more opportunity to participate actively in the Annual General Meeting (AGM).

Moreover, while it is known that all entities are motivated by tax incentives, some believed that such incentives should not be in themselves a reason to form a co-operative (Burlo' 2013). Portelli (2018) suggested that, in any case, the current tax exemption rules alone were not sufficient to encourage new co-operative start-ups or to address the challenges faced by individual co-operatives as to whether to reinvest or distribute surpluses resulting from successful financial performances. She concluded that it is important for co-operatives not to give importance to tax incentives but rather to strive for more sustainability, as this was crucial for their continued success in the competitive business environment. Any fiscal support that might be provided should also be aimed at helping co-operatives achieve such sustainability (Portelli 2018).

According to Costa Pinto (2011), all co-operative movements need to rely at some point on State support, as this can play a crucial role in their development. Such support could involve adequate legislative improvements, promotion of co-operatives, including their aims at fostering democracy and cultivating responsible citizenship. In extending such support, governments should take into account their relative performance and effectiveness in comparison with other businesses (Cracogna et al. 2002).

2.6 Conclusion

This chapter has presented the literature review. The next chapter will describe the research methodology adopted.

Chapter 3

Research Methodology

3.1 Introduction

This chapter outlines the research methodology used in the study to acquire the data to achieve the objectives of the study. Such research methodology will be presented according to the chapter outline in Figure 3.1.

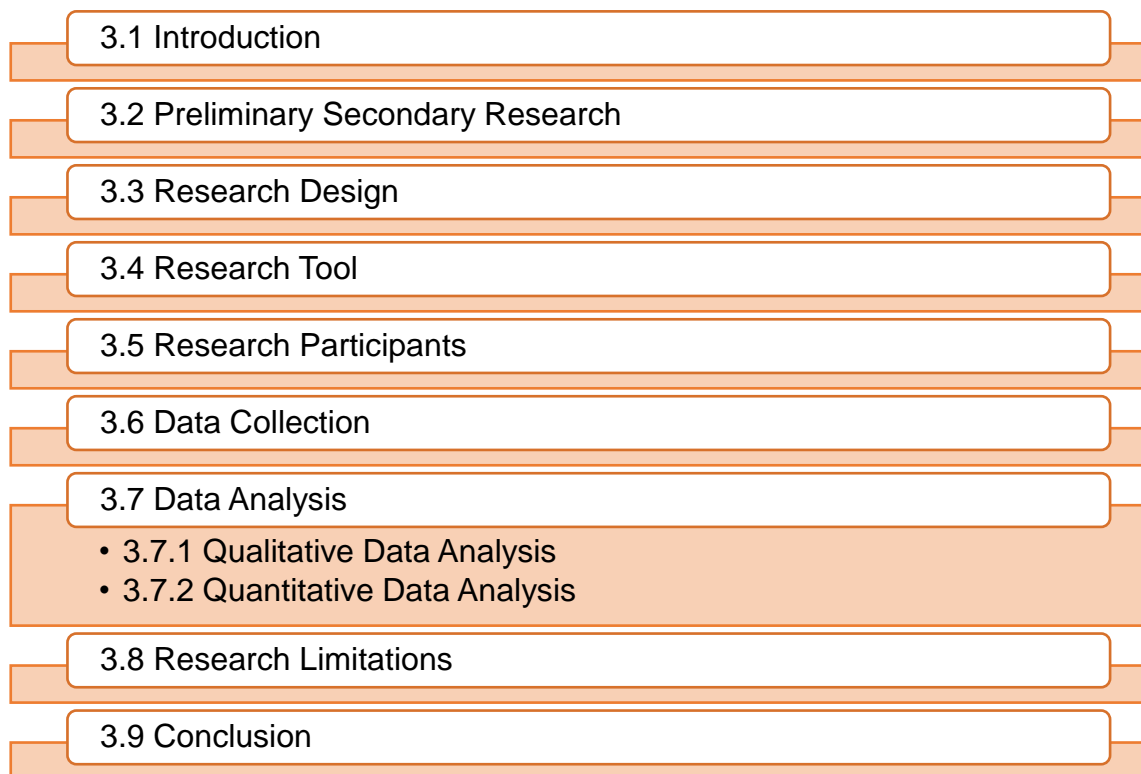


Figure 3.1: Chapter 3 Outline

3.2 Preliminary Secondary Research

In order to obtain knowledge on the research area, the study began with an analysis of various forms of existing literature, mostly journal articles, particularly on Maltese co-operatives as well as books, academic papers, and reports. The CSA (2001) was also examined, in order to gain a better understanding of the regulatory framework. Moreover, public information from websites of KM and MCF were investigated to supplement the research.

3.3 Research Design

A number of factors influenced the choice of research design, such factors including the research project, the researcher's own experiences, and the intended audience of the research (J.W. Creswell and J.D. Creswell 2018). There are three types of research design methods: quantitative, qualitative, and mixed-methods. Quantitative research attempts to examine relationships by analysing numerical data, using statistics and graphical techniques (Saunders et al. 2019). On the other hand, qualitative research attempts to understand the perspectives of individuals and groups through non-numerical data (J.W. Creswell and J.D. Creswell 2018). Using quantitative or qualitative research methods exclusively may result in a deficiency of their respective objectives (Yilmaz 2013).

The research design selected for this study was the mixed-methods approach. This is because such an approach helps researchers to consciously include or combine quantitative and qualitative data to enhance their strengths and reduce their shortcomings (Klassen et al. 2012).

3.4 Research Tool

The most appropriate tool to gather primary data to achieve this study's objectives was semi-structured interviewing. Semi-structured interviews offer a flexible approach in which respondents may answer questions as they please, while also allowing the researcher to follow up with additional inquiries. This approach facilitates a thorough understanding of the respondents' reasoning and perspectives. All respondents are asked identical questions in a consistent sequence, allowing for comparison and conversion into numerical values (McIntosh and Morse 2015). To ensure that all relevant questions and topics are addressed, an interview schedule is prepared as a guide, together with a set of prompts to encourage further discussion (Saunders et al. 2019).

For the purpose of this study, an interview schedule⁸ was aimed towards co-operative representatives (coopreps), co-operative institutional bodies representatives (coopinstitreps) and their related experts. The questions were split into three sections with each section addressing each objective sequentially. Table 3.1 illustrates the three sections of the interview schedule.

Section Heading	Question Numbers
Section 1: The Co-operative Concept and Values	1 - 7
Section 2: The Application of the Co-operative Concept and Values	8 - 9
Section 3: The Relatively Minor Development of Maltese Co-operatives and the Subsequent Reasons	10 - 17

Table 3.1: Interview Schedule Structure

The same questions were asked to all groups of respondents, allowing for a comparison of their responses and opinions. An additional question, Question 15, was presented to the coopreps.

⁸ Vide Appendix 3.1

The interview schedule comprised of both open-ended and closed-ended questions, as illustrated in Table 3.2. For the closed-ended questions, either a five-point Likert scale setting (*Questions 1, 2a, 3, 8a-g*) or a multiple response dichotomous setting (*Question 6*) was used.

Question Type	Section	Question Number
Open-Ended	1	2b-c, 4, 5, 7
	2	9
	3	10, 11, 12, 13, 14, 15, 16, 17
Closed-Ended	1	1, 2a, 3, 6
	2	8a-g

Table 3.2: Combination of Open-Ended Questions and Closed-Ended Questions

Table 3.3 illustrates the five-point Likert Scale used for most of the closed-ended questions. The respondents were provided with the option to choose “I don’t know” to ensure more precise and truthful responses.

Responses	Scale
Highly essential, highly relevant, highly promoted, highly easy, highly democratic, highly involved, highly autonomous and independent, highly educating and training, highly co-operating, highly concerned	4
Essential, relevant, promoted, easy, democratic, involved, autonomous and independent, educating and training, co-operating, concerned	3
Neutral / Undecided	2
Not essential, not relevant, not promoted, not easy, not democratic, not involved, not autonomous and independent, not educating and training, not co-operating, not concerned	1
Not essential at all, not relevant at all, not promoted at all, not easy at all, not democratic at all, not involved at all, not autonomous and independent at all, not educating and training at all, not co-operating at all, not concerned at all	0

Table 3.3: Likert Scale

3.5 Research Participants

In order to conduct the study, a list of co-operatives was acquired from the CB website, which provided some contact information. Additionally, KM and MCF were approached to obtain contact information for various coopreps, and they were very helpful. All the coopreps whose contact details were obtained were contacted. All the co-operative institutional bodies were also asked about any experts which they had available, and five names with their contact details were provided. Coopinstitreps were contacted via the information on their websites. Participants were contacted via email and were invited to participate in the study through an interview. Attached was a letter of introduction signed by the supervisor to enhance the study's credibility. A follow-up email was sent to those who did not respond within three weeks, and those who still did not respond were contacted by phone. Some participants did not respond to the emails or phone calls, but many of them were receptive. Subsequently, appointments were scheduled with coopreps, coopinstitreps and experts.

As shown in Table 3.4, a total of 22 interviews were carried out. In the case of coopreps, 13 interviews were held either with one of their managers or one of their COM members. In the case of coopinstitreps, four interviews were held with representatives from the CCF, CB, KM and MCF. In the case of experts, five interviews were held with individuals who possessed comprehensive knowledge and expertise in the co-operative sector.

Interviewee Category	Number of Participants	Representing
Co-operative representatives	4	Worker co-operative
	4	Producer co-operative
	3	Service co-operative
	1	Secondary co-operative
	1	Social co-operative
Co-operative institutional bodies representatives	1	CCF
	1	CB
	1	KM
	1	MCF
Experts	5	N/A

Table 3.4: Interviewees Participating in the Research

3.6 Data Collection

The selection of the data collection technique depends on the research question/s and objectives (Bell et al. 2011). Effective collection of primary data is crucial in research projects. Employing appropriate techniques ensures that qualitative data is gathered in a systematic and reliable manner. By enhancing data collection techniques, the accuracy, validity, and reliability of research findings may be improved, which helps in conducting high-quality research with trustworthy outcomes (Harrell and Bradley 2009).

The study conducted involved collecting secondary data from various sources and analysing it in Chapter 2 of this dissertation. This data was then used to prepare an interview schedule, which underwent a pilot test to identify and resolve potential issues before the actual data collection.

Subsequently, the interviews were conducted between the 1st of November 2022 and the 27th of February 2023, at a suitable time and location for the research participants. While most of the interviews were undertaken physically, some were conducted virtually. To aid in data analysis, explicit consent was obtained from the participants to record the interviews. When participants felt uneasy about being recorded, appropriate notes of their views were taken during the interview.

Furthermore, primary data was acquired by corresponding with the Malta Business Registry (MBR) to obtain additional information on the number of LLCs registered, dissolved and struck off in the past 20 years, to compare them to the low number of co-operatives.

3.7 Data Analysis

When possible, the interviews were recorded and transcribed. These transcriptions, along with interview notes, were used to analyse and interpret the data.

3.7.1 Qualitative Data Analysis

Qualitative data was collected from the response of open-ended questions and by participants being asked to give any comments additional to their closed-ended questions. A summary of the transcriptions of these responses was carried out, and important factors were noted to evaluate the qualitative data.

3.7.2 Quantitative Data Analysis

Quantitative data was collected through one multiple response dichotomous question and Likert scale questions found in the interview schedule. Such quantitative data was then analysed using IBM SPSS Statistics.

The Friedman test was used to compare mean rating scores (Likert scale) among a number of related statements. These mean rating scores ranged from 0 to 4, where 0 corresponded to 'not essential at all', 'not relevant at all', 'not promoted at all', 'not easy at all', 'not democratic at all', 'not involved at all', 'not autonomous and independent at all', 'not educating and training at all', 'not co-operating at all', and 'not concerned at all' and 4 corresponded to 'highly essential', 'highly relevant', 'highly promoted', 'highly easy', 'highly democratic', 'highly involved', 'highly autonomous and independent', 'highly educating and training', 'highly co-operating', and 'highly concerned'. The null hypothesis specified that the mean

rating scores provided to the statements were similar and was accepted if the p-value was larger than the 0.05 level of significance. The alternative hypothesis specified that the mean rating scores provided to the statements differed significantly and was accepted if the p-value was less than the 0.05 criterion.

The Kruskal Wallis test was used to compare mean rating scores provided to a statement between clustered groups of participants (coopreps, coopinstitreps and experts). Moreover, these mean rating scores ranged from 0 to 4. The null hypothesis specified that the mean rating scores provided to the statement varied marginally between the groups and was accepted if the p-value exceeded the 0.05 level of significance. The alternative hypothesis specified that the mean rating scores provided to the statement varied significantly between the groups and was accepted if the p-value was less than the 0.05 criterion.

The Chi squared test was used to investigate the association between two categorical variables. One variable described the group of participant perceptions, while the other variable described an aspect relating to the study. The null hypothesis specified that there was no association between two categorical variables (marginal variation in row percentages) and was accepted if the p-value exceeded the 0.05 level of significance. The alternative hypothesis specified that there was a significant association between the categorical variables (significant variation in row percentages) and was accepted if the p-value was less than the 0.05 criterion.

3.8 Research Limitations

Despite contacting all co-operatives whose contact details were available online or provided by KM and MCF, some of the respondents repeatedly failed to respond to the researcher's attempts to establish contact by means of emails or phone calls. Moreover, some challenges arose when participants did not provide answers to some of the questions asked. Additionally, subjectivity was inevitably present in the participant responses and some inconsistencies were observed between the qualitative and quantitative parts of the open-ended and Likert scale

interview questions. Finally, owing to time and word limit constraints, the study focused on the major specific aspects of the co-operative concept and therefore, other possible aspects may have been excluded.

3.9 Conclusion

This chapter has explained the research methodology that was used in this study. The next chapter will present the research findings that were collected through the conducted interviews.

Chapter 4

Research Findings

4.1 Introduction

This chapter presents the responses of the 22 interview participants with respect to several aspects of the co-operative concept. The research findings will be presented according to the chapter outline in Figure 4.1.

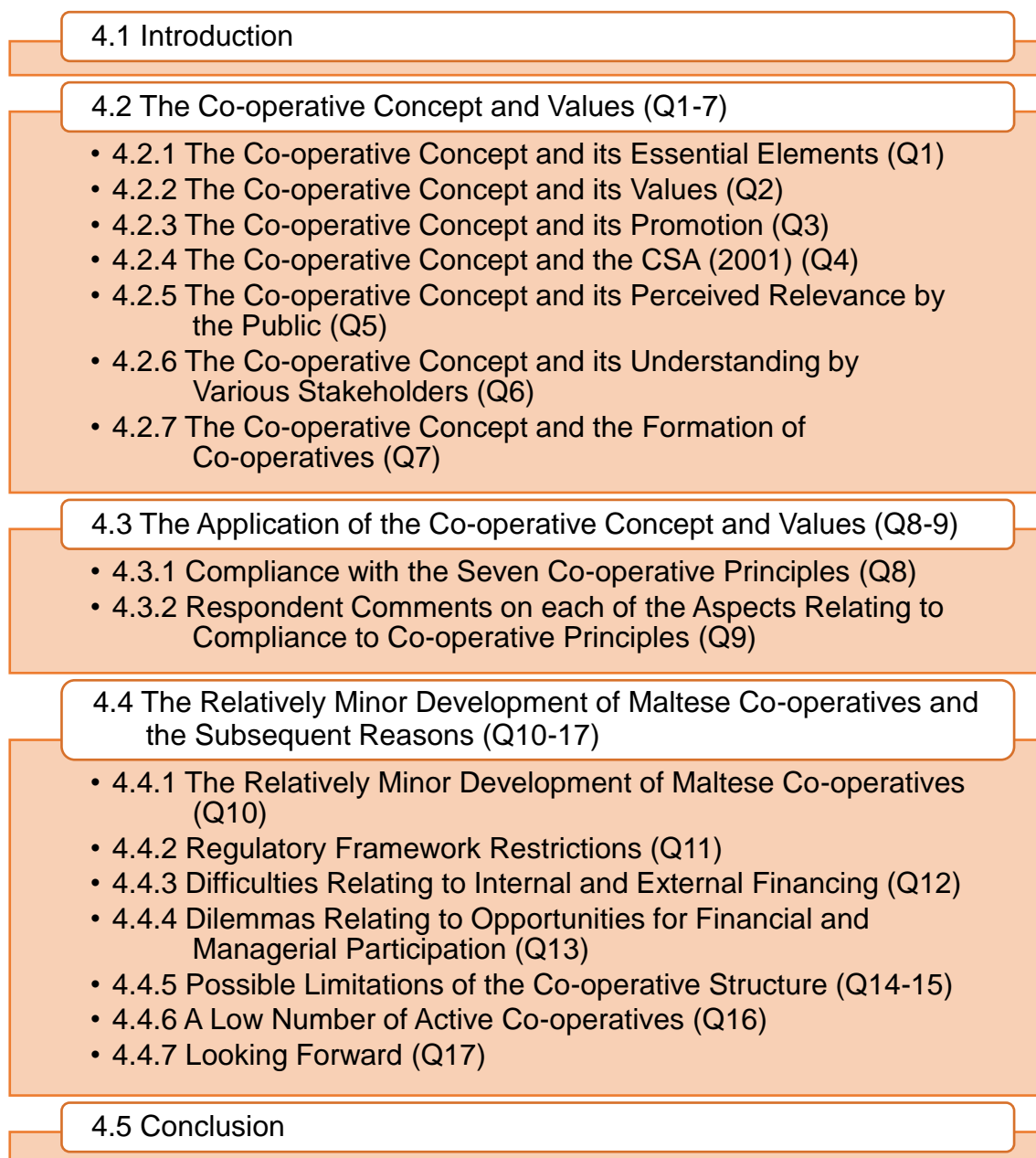


Figure 4.1: Chapter 4 Outline

4.2 The Co-operative Concept and Values

4.2.1 The Co-operative Concept and its Essential Elements

The first question⁹ asked respondents to what extent they considered each of ten listed elements to be essential to the co-operative concept. Table 4.1 shows the responses, in descending rating order, which were noted to be significantly different ($p < 0.001$).

The extent to which the following elements are essential to the co-operative concept is as follows:	Mean	Std. Dev.
(i) Ensuring entity autonomy	3.82	0.501
(ii) Having joint member ownership involving democratic control	3.64	0.658
(iii) Meeting common member needs	3.27	0.631
(iv) Maximising financial surpluses to the benefit of co-operative members	3.18	1.006
(v) Providing education and training to members	2.86	1.167
(vi) Retaining voluntary and open membership	2.82	1.259
(vii) Co-operating with other co-operatives	2.59	1.008
(viii) Having the largest share of clients in the market	1.91	1.342
(ix) Relying on government financial or technical assistance	1.68	1.323
(x) Giving priority to the public interest as against that of members	1.36	1.217
X2(9) = 79.508, p < 0.001		0 = not essential at all; 4 = highly essential

Table 4.1: The Co-operative Concept and its Essential Elements

It may be noted that the two elements of (i) ($\bar{x}=3.82$) and (ii) ($\bar{x}=3.64$) were considered by respondents as being highly essential within the concept. A further five elements, (iii) ($\bar{x}=3.27$), (iv) ($\bar{x}=3.18$), (v) ($\bar{x}=2.86$), (vi) ($\bar{x}=2.82$) and (vii) ($\bar{x}=2.59$) were also found to be essential. With respect to (iii) meeting common member needs, it was noted¹⁰ that there was a significant difference amongst respondents, wherein coopreps rated it as highly essential while the other respondents rated it as

⁹ Vide Appendix 3.1 Q.1 p. A3.1-1 and Figure A4.1 in Appendix 4.2

¹⁰ Vide Table A4.2 in Appendix 4.3

essential. Respondents were neutral with regards to (viii) ($\bar{x}=1.91$) and (ix) ($\bar{x}=1.68$). Clearly, (x) ($\bar{x}=1.36$) was not considered as essential.

4.2.2 The Co-operative Concept and its Values

The next question¹¹ asked respondents how relevant they found each of six listed values to the co-operative concept. Table 4.2 shows the responses, in descending rating order, which were noted to be significantly different ($p = 0.006$).

The relevance of values to the co-operative concept are as follows:	Mean	Std. Dev.
(i) Democracy	3.73	0.550
(ii) Equality	3.73	0.456
(iii) Equity	3.64	0.581
(iv) Self-responsibility	3.50	0.859
(v) Solidarity	3.36	1.002
(vi) Self-help	3.09	1.109
$X^2(5) = 16.206, p = 0.006$		$0 = \text{not relevant at all}; 4 = \text{highly relevant}$

Table 4.2: The Relevance of Values to the Co-operative Concept

As may be seen, all co-operative values were rated as either highly relevant, (i) ($\bar{x}=3.73$), (ii) ($\bar{x}=3.73$), (iii) ($\bar{x}=3.64$) and (iv) ($\bar{x}=3.50$) or relevant, (v) ($\bar{x}=3.36$) and (vi) ($\bar{x}=3.09$), with values (i) democracy and (ii) equality being rated most relevant.

¹¹ Vide Appendix 3.1 Q.2a p. A3.1-2 and Figure A4.2 in Appendix 4.2

The next question¹² asked respondents what they understood by each of the co-operative values.

Democracy

With regards to democracy, one respondent^(1/22) refrained from answering this question. Some of the others^(12/21) stated that for them, it meant that all members had the right to voice their opinion and thus, participate directly in the governance of the co-operative, with a few^(3/12) adding that this was subject to respect being maintained for the opinion of the majority. A few others^(8/21) emphasised that democracy meant each member having only one vote, while another^(1/21) equated democracy with the application of the co-operative principles.

Equality

With regards to equality, one respondent^(1/22) refrained from answering this question. Most of the others^(12/21) stated that this meant “*no member preferences*”^(6/12), “*no discrimination, whether due to ethnicity, colour of skin or gender*”^(4/12), with each being given “*the same opportunities*”^(2/12). This is in line with Kurimoto (2015)¹³. A few others^(7/21) clarified that equality referred to one of the co-operative principles, that of the OMOV rule^(6/7) or membership being voluntary and open^(1/7). Others^(2/21) referred to equality as “*a lack of domination*”^(1/2) and the promotion of “*a fairer society*”^(1/2).

Equity

With regards to equity, one respondent^(1/22) refrained from answering this question. Most other respondents^(16/21) stated that this signified fairness and justice, with some adding that it meant “*taking in proportion to what one gives*”^(3/16). Contrastingly, two other respondents^(2/21) referred to equity as “*giving to each member what one needs and not what one has worked for*”^(1/2), and

¹² Vide Appendix 3.1 Q.2b p. A3.1-2

¹³ Vide Section 2.2.2

therefore, also “*allowing for diversity*” (1/2). Two other respondents (2/21) defined equity as being the main value behind the OMOV rule, while a final respondent (1/21) referred to it as “*impartiality*”.

Self-Responsibility

With regards to self-responsibility, half the respondents (11/22) found difficulty in clarifying its meaning. The other half either associated it with “*accountability*” (8/11), with “*going beyond one’s legal duties*” (2/11) or with “*self-control*” (1/11).

Solidarity

With regards to solidarity, respondents referred to it as “*helping*” (6/22), “*supporting*” (2/22), “*trusting*” (2/22), “*respecting*” (2/22), or “*caring for*” (2/22) each other, while for two others, it meant “*common good*” (1/22) or “*philanthropy*” (1/22). To a further respondent (1/22), this value meant “*all for one and one for all*”, while to another (1/22), it was “*you today, me tomorrow*”. For a few others (3/22), solidarity meant “*inter-co-operative collaboration*”, while for another respondent (1/22), solidarity signified “*not expecting anything in return*”.

Self-Help

With regards to self-help, five respondents (5/22) refrained from answering this question. A number of respondents referred to it as “*relying mostly on one’s own resources*” (10/17), “*working independently*” (3/17) or “*operating with autonomy*” (3/17). One respondent (1/17) emphasised that self-help was related to “*members joining together with their own different abilities to achieve a common goal, otherwise unachievable*”.

The next question¹⁴ asked respondents whether they thought there are further values which are relevant to Maltese co-operatives. Most respondents^(19/22) refrained from answering this question.

One respondent^(1/3) mentioned surplus-maximising. Contrastingly, another respondent^(1/3) mentioned surplus-achieving. Another respondent^(1/3) mentioned transparency, where the funds are not of the member, but of the co-operative.

4.2.3 The Co-operative Concept and its Promotion

The next question¹⁵ asked respondents about the extent to which the co-operative concept had been promoted, to date, by each of five major stakeholder groups. Table 4.3 shows the responses, in descending rating order, which were noted to be significantly different ($p = 0.017$).

The co-operative concept has, to date, been promoted by:	Mean	Std. Dev.
(i) Koperattivi Malta (KM)	2.21	1.273
(ii) Malta Co-operative Federation (MCF)	2.16	1.385
(iii) Co-operatives Board (CB)	1.68	1.204
(iv) Central Co-operative Fund (CCF)	1.68	1.108
(v) Government	1.37	1.461
$X^2(4) = 12.116, p = 0.017$ $0 = \text{not promoted at all}; 4 = \text{promoted highly}$		

Table 4.3: The Promotion of the Co-operative Concept by five major Stakeholder Groups

As may be seen, respondents were neutral with regards to the extent of promotion by groups (i)($\bar{x}=2.21$), (ii)($\bar{x}=2.16$), (iii)($\bar{x}=1.68$) and (iv)($\bar{x}=1.68$). It was only group (v)($\bar{x}=1.37$), i.e. Government, which was considered as not promoting the co-operative concept.

A few^(4/22) added that the responsibility for promotion lay mostly with KM and MCF rather than the CB or CCF. In their opinion, they were not doing enough.

¹⁴ Vide Appendix 3.1 Q.2c p. A3.1-2

¹⁵ Vide Appendix 3.1 Q.3 p. A3.1-2 and Figure A4.3 in Appendix 4.2

4.2.4 The Co-operative Concept and the CSA (2001)

The next question¹⁶ asked respondents whether they thought that the current provisions of the CSA (2001) were enough to clarify the co-operative concept. Three respondents^(3/22) refrained from answering this question.

Most respondents^(11/19) stated that the provisions in the CSA (2001) were not enough. Two such respondents^(2/11) mentioned that the necessary distinctions among the types of co-operatives were missing in the CSA (2001) and that such a default was not helpful towards clarifying the concept and its application.

The remaining respondents^(8/19) pointed out that the current provisions in the CSA (2001) were enough for concept clarification because the CSA (2001) was not the right venue for clarifying in detail such a concept.

When further analysing the responses among the three groups of respondents – coopreps, coopinstitreps and experts – it was found that they differed only marginally¹⁷ in their response, with two of the coopinstitreps^(2/3) stating, contrarily to the others, that the CSA (2001) provisions were enough to clarify the concept.

¹⁶ Vide Appendix 3.1 Q.4 p. A3.1-3 and Table A4.6 in Appendix 4.4

¹⁷ Vide Table A4.6 in Appendix 4.4

4.2.5 The Co-operative Concept and its Perceived Relevance by the Public

The next question¹⁸ asked respondents whether they thought that the co-operative concept was usually perceived by the public as being only relevant to specific sector/s and, if so, to which sector/s such relevance was perceived and the reason/s for this. Three respondents^(3/22) refrained from answering this question.

Most respondents^(14/19) stated that the co-operative concept in Malta was perceived as being relevant only to specific sector/s, with a number^(10/14) adding that the sector most commonly perceived as being relevant was the primary one. A few of these^(3/14) added that such relevance was perceived to be both to the primary and transport sectors. Contrastingly, one such respondent^(1/14) stated that the co-operative concept was generally confused as being the same as that applicable to NGOs, such as charity or voluntary organisations. It was further amplified that a major reason for this was insufficient promotion of the concept.

However, the few remaining respondents^(5/19) argued against the co-operative concept being usually perceived as relevant only to specific sector/s. In their view, the public was already sufficiently aware that the concept may be applied to any sector.

¹⁸ Vide Appendix 3.1 Q.5 p. A3.1-3 and Table A4.7 in Appendix 4.4

4.2.6 The Co-operative Concept and its Understanding by Various Stakeholders

The next question¹⁹ asked respondents which, if any, out of a list of 14 possible stakeholder groups, did not, as yet, understand appropriately the co-operative concept. Table 4.4 indicates the responses, in descending number order.

The co-operative concept is, as yet, inappropriately understood by:	Total (N = 22)
Most Maltese bankers	20
Most Maltese accountants and auditors	19
Most lawyers	19
Most co-operative customers	19
Most suppliers to co-operatives	17
Most government entities	16
Most co-operative employees	13
Most co-operative members	9
Most co-operative managers	6
Most members of the co-operative COMs	4
The Central Co-operative Fund (CCF)	3
The Co-operatives Board (CB)	3
The Malta Co-operative Federation (MCF)	2
Koperattivi Malta (KM)	-

Table 4.4: The Co-operative Concept as understood by Various Stakeholders

As may be seen, Maltese banks was the stakeholder group perceived by most respondents^(20/22) to be not, as yet, understanding appropriately the co-operative concept. Some such respondents^(7/20) emphasised that one of the perceived misunderstandings about co-operatives on the part of banks was that they hardly viewed them as limited entities inasmuch as LLCs. Furthermore, other such respondents^(3/20) pointed out that some banks tended even to confuse co-operatives with clubs or NGOs. Another point^(1/20) raised in this connection was that, when dealing with co-operatives, a number of banks never seemed to take into account the extent to which such co-operatives applied their co-operative

¹⁹ Vide Appendix 3.1 Q.6 p. A3.1-3

principles. It was as if the application of such principles had no bearing on the success of such co-operatives.

With respect to accountants, auditors and other professionals, most respondents^(19/22) also considered them as misapprehending the concept. Some such respondents^(3/19) added that the professional education of these groups seemed to be “*fundamentally lacking*” with respect to co-operatives.

Most respondents also found co-operative customers^(19/22), co-operative suppliers^(17/22), government entities^(16/22) and even many co-operative employees themselves^(13/22), as misunderstanding the co-operative concept. In their view, these groups also seemed to make little or no distinction between co-operatives and LLCs.

Table 4.4 also indicates that other stakeholders listed in the question were not indicated by most respondents as misunderstanding the concept. Notably, these groups were limited to co-operative institutional bodies (CCF, CB, MCF, KM) and to co-operative members and managers themselves.

4.2.7 The Co-operative Concept and the Formation of Co-operatives

The next question²⁰ asked respondents about the circumstances in which they considered one should form a co-operative rather than another corporate structure.

Most respondents^(10/22) stated that they considered that co-operatives should be formed only if one believes in the values already referred to earlier and also in the co-operative principles, as stated in the CSA (2001). In particular, the decision to form a co-operative hinged on the extent of sense of fairness, justice and democracy^(4/22). Co-operatives were also the selected option when one did not want to participate solely as a shareholder but also as a supplier, customer or employee, as long as one believed in the co-operative values^(3/22). Another respondent^(1/22) added that one should opt for co-operatives if one's aim was to ensure that each member is given due attention as part-owner. This was particularly relevant if individual members had only limited financial means. Contrastingly, other respondents^(4/22) stated that one should opt for co-operatives in view of their fiscal advantages.

²⁰ Vide Appendix 3.1 Q.7 p. A3.1-3

4.3 The Application of the Co-operative Concept and Values

4.3.1 Compliance with the Seven Co-operative Principles

The next question²¹ asked respondents about the extent to which important aspects of each of the seven co-operative principles were being applied by Maltese co-operatives. Table 4.5 shows the responses, which were noted to be significantly different ($p < 0.001$).

Compliance with Aspects of the Seven Co-operative Principles	Mean	Std. Dev.
(i) Re Member Economic Participation: In your view, how far are co-operative members involved in decisions relating to the annual distribution of surplus registered by Maltese co-operatives?	3.20	1.005
(ii) Re Autonomy and Independence: In your view, how far are Maltese co-operatives generally autonomous and independent of any other organisations/institutions?	3.15	0.933
(iii) Re Democratic Member Control: In your view, how far do co-operative members exercise democratic control?	3.05	0.887
(iv) Re Voluntary and Open Membership: In your view, how far is it easy to become a member in Maltese co-operatives?	2.65	0.988
(v) Re Concern for Community: In your view, how far are Maltese co-operatives concerned about their proximate community?	2.60	1.314
(vi) Re Education, Training, and Information: In your view, how far are Maltese co-operatives currently educating and training their members?	2.05	1.146
(vii) Re Co-operation among Co-operatives: In your view, how far are Maltese co-operatives co-operating among each other?	1.70	1.174

$X^2(8) = 51.546, p < 0.001$ $0 = \text{not at all}; 4 = \text{highly}$

Table 4.5: Compliance with Aspects of the Seven Co-operative Principles

²¹ Vide Appendix 3.1 Q.8 p. A3.1-4 and Figure A4.4 in Appendix 4.2

As may be seen, those aspects relating to five of the co-operative principles received a positive reply as to their compliance. These involved, in descending order of compliance, those aspects relating to (i) member economic participation ($\bar{x}=3.20$), (ii) autonomy and independence ($\bar{x}=3.15$), (iii) democratic member control ($\bar{x}=3.05$), (iv) voluntary and open membership ($\bar{x}=2.65$), and (v) concern for community ($\bar{x}=2.60$). However, a neutral reply was received with respect to the aspects relating to the two remaining co-operative principles, (vi) education, training, and information ($\bar{x}=2.05$) and (vii) co-operation among co-operatives ($\bar{x}=1.70$). It was noted that no negative reply was received with respect to the presented aspects relating to any co-operative principle.

With respect to (i) member economic participation, it was noted²² that a significant difference emerged amongst respondents as to compliance by co-operatives with respect to the specified aspect of participation. While coopinstitreps rated it as neutral, other respondents agreed to such compliance, thus rendering the situation unclear. With respect to (v) concern for community, it was also noted²³ that there was a significant difference amongst respondents. While coopreps themselves agreed as to their concern about their proximate community, the other more detached respondents were undecided about it, thereby indicating the probability of there not being so much concern for the community as co-operatives themselves thought.

As has been noted earlier, an earlier test relating to the extent of compliance by co-operatives in Malta with the co-operative principles was made by Mizzi (2015)²⁴. While a direct comparison of the 2015 findings with the ones indicated above, has its limitations owing to the set parameters not being identical, the indications are that, some progress, albeit little, has been achieved over the years as regards such compliance since that last test, wherein co-operatives had been perceived to be compliant only with respect to the three principles (i), (ii) and (iii), and neutral with respect to the remaining four principles (iv), (v), (vi) and (vii).

²² Vide Table A4.5 in Appendix 4.3

²³ Vide Table A4.5 in Appendix 4.3

²⁴ Vide Section 2.3 and Table A2.1 in Appendix 2.1

Notably, compliance with the three principles found positive in Mizzi (2015) was still found positive in this study. In addition to these three, progress was made with respect to two further principles, i.e. that relating to (iv) voluntary and open membership and that relating to (v) concern for community. These were found to have progressed since that study, from neutral to positive compliance. Appendix 2.1²⁵ shows the results from the previous study by Mizzi (2015).

4.3.2 Respondent Comments on each of the Aspects Relating to Compliance to Co-operative Principles

Respondents were then asked²⁶ to forward their comments about their ratings relating to the compliance to each of the aspects of the principles, as well as any other comments relating to the principles themselves.

Member Economic Participation²⁷

Both the current and the Mizzi (2015) studies indicate that this principle of member economic participation has been complied with by Maltese co-operatives over the years. However, while in this study, this was the principle most complied with of the seven principles, this was the second one complied with in the previous study. This indicates almost consistency of compliance in recent years.

However, a number of respondents^(4/22) commented that member economic participation was still often subject to unreasonable limitations. This was because the extent of shareholding by members was commonly restricted by provisions in their co-operatives' own statutes that stipulated that each member was to have only one share ("OVOS"). These respondents added that such restrictions originated from the common yet erroneous belief that OVOS was a CSA (2001) requirement while, in fact, no such legal requirement was in existence. The

²⁵ Vide Appendix 2.1

²⁶ Vide Appendix 3.1 Q.9 p. A3.1-5

²⁷ Principle 'i' in Table 4.5

imposition of such a rule by a number of Maltese co-operatives also went against the suggestions of Bancel (2015)²⁸ towards enhancing member economic participation. In any case, even where members were permitted by such statutes to subscribe to more than one share, the CSA (2001) still restricted members to having only the right to one vote, irrespective of the number of shares held (“OMOV”). Two such respondents^(2/4) clarified that, while both the OMOV and OVOS restrictions were commonly considered essential in the application of the co-operative concept, both restrictions often resulted as disincentives towards members increasing their investment in their co-operative, and thus, in practice, limited their economic participation. These respondents also emphasised that, in order to encourage more investment in co-operatives, particularly any investment involving shares rather than loans, it was not enough to retain OMOV and to eliminate OVOS, but it was also important to ensure that, insofar as is possible, an adequate return was given regularly on each share. One^(1/2) added that it was because of the lack of assurance of having such an adequate return that co-operative members sometimes opted to open subsidiaries or private ventures on the basis that these may give them a reasonable return, not subject to such restrictions.

Some other respondents^(2/22) emphasised that it was not necessary at all for either OMOV or OVOS to be eliminated from the regulations of any co-operative. This was because investment in co-operatives may be effected well enough via other means than normal shareholding, this including, in addition to normal member loans, the financing sources stipulated in the CSA (2001), such as bonus certificates and bonus shares.

²⁸ Vide Section 1.2.1

Autonomy and Independence²⁹

Both the current and the Mizzi (2015) studies indicate that this principle of autonomy and independence has been complied with by Maltese co-operatives over the years. However, while in this study, out of the seven principles this was the principle second most complied with, this was the first one complied with in the previous study. This indicates almost consistency of compliance in recent years.

A number of respondents^(10/22) commented that such compliance was particularly evident because the general overdependence of co-operatives on government assistance has been practically eliminated over the years. One such respondent^(1/10) added that even co-operatives formed within the public sector have become increasingly autonomous and independent.

Democratic Member Control³⁰

Both the current and the Mizzi (2015) studies indicate that this principle of democratic member control has been complied with by Maltese co-operatives over the years. In both studies, out of the seven principles, this was the principle third complied with. This indicates consistency of compliance in recent years.

However, some respondents^(9/22) pointed out that some barriers to compliance with this principle still lingered over the years. This included “*the COM often exerting too much control*”^(4/9), “*management being more professional and therefore knowledgeable than members*”^(3/9), “*members being absent from the AGM*”^(1/9) and “*member consultation being avoided by the COMs so as to prevent delays or ensure secrecy*”^(1/9). Contrastingly, some respondents^(2/22) added that their co-operatives were ready to undergo decision delays so as to give priority to this principle of democratic member control.

²⁹ Principle ‘ii’ in Table 4.5

³⁰ Principle ‘iii’ in Table 4.5

Voluntary and Open Membership³¹

This co-operative principle of voluntary and open membership was found by respondents to be complied with in this study, while in the Mizzi (2015) study, respondents were undecided about its compliance. Furthermore, this principle ranked as the fourth one complied with in both studies. Overall, the indications were that some progress in the compliance to this principle was achieved by co-operatives over the years.

With respect to this principle, some respondents^(5/22) pointed out a number of barriers to compliance. These included “*tough criteria for member eligibility*”^(2/5), “*membership in practice not being voluntary but due to the member not being in a position to compete with the co-operative*”^(1/5), “*new potential member considered as not being in a position to contribute enough*”^(1/5) and “*difficulties in accepting new members because existing members consider that they would not be compensated for bearing the original financial and operational risks*”^(1/5).

Concern for Community³²

This co-operative principle of concern for community was found by respondents to be complied with in this study, while in the Mizzi (2015) study, respondents were undecided about its compliance. Furthermore, this principle ranked as being the fifth complied with in this study while ranking the sixth one in the previous study. Overall, the indications are that some progress in the compliance to this principle was achieved by co-operatives over the years.

Many respondents^(12/22) emphasised that the application of the principle of concern for community was an essential part of the co-operative concept. A few such respondents^(4/12) added that, while the application of this principle has never been overemphasised in Malta, it has been given increasing importance over the years. This is particularly so because of the recent increased emphasis on

³¹ Principle ‘iv’ in Table 4.5

³² Principle ‘v’ in Table 4.5

environmental, social and governance issues (ESG) in Europe, even on the part of LLCs. One respondent^(1/22) added that the traditional “*bad Mediterranean mentality*” of having to ignore the community in order to retain one’s co-operative competitive was slowly dying over the years.

Education, Training, and Information³³

Both the current and the Mizzi (2015) studies indicate that respondents were undecided about this principle of education, training, and information being complied with by Maltese co-operatives over the years. However, while in this study, out of the seven principles, this was the principle ranking sixth in compliance, this was the principle ranking last in compliance in the previous study. This indicates that co-operatives have consistently remained ambivalent about applying this principle over the years.

Many respondents^(13/22) commented that they believed that more importance needed to be given both by the co-operative institutional bodies and the co-operatives themselves towards the application of this principle. A few such respondents^(5/13) added that such increased emphasis should be embedded in the whole educational system, from primary to tertiary levels. One such respondent^(1/13) added that the CCF had to accept taking over more responsibility for the funding of more training to the major co-operative stakeholders.

Co-operation Among Co-operatives³⁴

Both the current and the Mizzi (2015) studies indicate that respondents were undecided about this principle of co-operation among co-operatives being complied with by Maltese co-operatives over the years. However, while in this study, out of the seven principles, this was the principle ranking last in compliance, this was the principle ranking fifth in compliance in the previous

³³ Principle ‘vi’ in Table 4.5

³⁴ Principle ‘vii’ in Table 4.5

study. This indicates that co-operatives have consistently remained undecided about applying this principle over the years.

A number of respondents^(6/22) commented that such co-operation would improve materially if the managers and members of the co-operatives acquired more knowledge about communicating with co-operation in mind. A few^(4/22) argued that more compliance with this principle would improve the overall image of co-operatives in the eyes of the public and Government. However, one^(1/22) added that the split of the co-operative movement between KM and MCF was no help in improving such inter-co-operative co-operation. Such inter-co-operative co-operation could be particularly useful in ensuring support for adequate financing of co-operatives in difficulty.

Final Comments by Respondents on the Compliance with the Co-operative Principles

A number of respondents^(12/22) concluded their comments about the compliance of co-operatives to the principles by stating that, in their overall view, more needs to be done by the co-operative movement to ensure more compliance to such principles.

4.4 The Relatively Minor Development of Maltese Co-operatives and the Subsequent Reasons

With respect to the relative significance of co-operatives in comparison with LLCs, one can establish that co-operatives developed much less than LLCs³⁵, as illustrated in pp. A4-1-1 – A4-1-4.

4.4.1 The Relatively Minor Development of Maltese Co-operatives

In their answer to the following two questions, respondents were asked to exclude from their response any references to regulatory, financing, participation, fiscal and structural issues and co-operatives being inactive, as they were going to be asked specifically on these issues in subsequent questions.

Fewer Co-operatives than LLCs Formed in Malta

The next question³⁶ asked respondents why much fewer co-operatives than LLCs have been formed in the last two decades.

Respondents stated that, in addition to reasons relating to the exceptions made by the question, such a low number of co-operatives being formed had been due to “*lack of education/knowledge about co-operatives*”^(15/22), “*the bad historical image of some Maltese co-operatives going bankrupt*”^(5/22) and “*insufficient training to legal and accounting professionals*”^(2/22). With respect to lack of education/knowledge about co-operatives, one respondent^(1/15) added that the whole Maltese educational system, including the tertiary one, did not foster enough collaboration, teamwork, and participation. In contrast, the system placed more emphasis on competition than co-operation, thus not giving enough significance to group responsibility and accountability. A few^(2/15) added that,

³⁵ Vide Appendix 4.1

³⁶ Vide Appendix 3.1 Q.10a p. A3.1-5

partly as a result, the Maltese mentality is that of preferring individual competition to group co-operation and teamwork, thus permeating the whole Maltese culture. One such respondent^(1/2) also pointed out that normal employment was at times preferred over worker co-operative membership.

Fewer Co-operatives in Malta than in other European Countries

The next question³⁷ asked respondents for the main factors that may have given rise to the fact that co-operatives are, as yet, not as popular in Malta as in many other European countries.

Most respondents^(15/22) stated that the major reasons were similar to those forwarded in response to the previous question on why so few co-operatives have relatively been formed in recent years.

A few other respondents^(3/22) added that, in most European countries, much more marketing of the co-operative concept usually took place and as further amplified by one respondent^(1/3), these campaigns were to such an extent that “*the term ‘co-operative’ is an advert in itself*”.

Other respondents^(2/22) attributed the relatively lack of popularity of co-operatives in Malta to the absence of co-operative banks. They argued that, among other advantages, the presence of a co-operative bank would make it easier for external financing. One such respondent^(1/2) also pointed out that for such a bank to operate in Malta, the Banking Act (1994), Chapter 371 of the Laws of Malta would need to be amended.

Another respondent^(1/22) stated that the lack of popularity was due to government policy. Successive governments rarely, if ever, gave enough importance towards developing the co-operative concept, particularly with little, or even no mention, in the Annual Budgets.

³⁷ Vide Appendix 3.1 Q.10b p. A3.1-5

Another respondent^(1/22) argued that the split between the two co-operative representative bodies, KM and MCF, was another barrier against popularity. A long-drawn dispute relating to co-operative funding and the role therein of these representative bodies, were not encouraging entities to become co-operatives.

4.4.2 Regulatory Framework Restrictions

The next question³⁸ asked respondents whether they considered the formation of new co-operatives as being too restricted by the regulatory framework.

Half the respondents^(11/22) stated that the regulatory framework was restricting the formation of new co-operatives. A few of the respondents^(4/11) added that it was very bureaucratic to set up a co-operative, especially when compared to the registration of LLCs, and such bureaucracy was aggravated by the inefficiency of the CB. This is in line with Baldacchino et al. (2018)³⁹ and Tabone (2013)⁴⁰. One such respondent argued that one source of such bureaucracy was the unnecessary delay in setting the date of first registration of a co-operative. Until all issues were resolved, the co-operative remains off the register. Such and similar date delays were not an issue in the case of the registration of LLCs with the MBR. Another respondent^(1/11) further added that in some situations, the CB decided to adjust the minimum share capital investment of the members who are willing to set up a co-operative. The respondent added that the criteria were unclear, and that the CB might make decisions on a case-by-case basis based on their assessment of the trustworthiness of the prospective members. Other such respondents^(3/11) added that they disagreed with the minimum membership requirement of five members. One of the latter respondents^(1/3) added that it was difficult for a LLC to employ five people at start-up stage, and so unrealistic for a co-operative to start with five members. One such respondent^(1/11) argued that if one wanted to set up a co-operative which had a LLC as one of its members, one

³⁸ Vide Appendix 3.1 Q.11 p. A3.1-5 and Table A4.8 in Appendix 4.4

³⁹ Vide Section 2.5

⁴⁰ Vide Section 2.5

had to ensure that the LLC itself carried out an identical activity to that of the main co-operative being set up. This was a disincentive towards forming new co-operatives as LLCs were thus finding it more difficult to partly own co-operatives.

Contrastingly, the other respondents^(11/22) emphasised that the regulatory framework itself was not the problem. One such respondent^(1/11) explained that it was rather the attitude of the co-operative promoters themselves who very often did not “*believe in what they are doing, become defensive and offer too small a sum for initial capital.*”

4.4.3 Difficulties Relating to Internal and External Financing

The next question⁴¹ asked respondents whether they thought that (i) internal and (ii) external financing is more difficult for co-operatives rather than for other corporate structures.

Difficulties Relating to Internal Financing

As regards internal financing⁴², most respondents^(14/22) argued that it was more difficult for co-operatives to obtain internal financing than for other corporate structures. In particular, one such respondent added^(1/14) that the OMOV rule acted as a disincentive towards members investing in the co-operative in the form of shares.

Contrastingly, other respondents^(8/22) argued that it was not more difficult for co-operatives to obtain internal financing. One such respondent^(1/8) stated that scarce use has been made over the years with respect to bonus certificates and bonus shares.

⁴¹ Vide Appendix 3.1 Q.12 p. A3.1-5

⁴² Vide Table A4.9 in Appendix 4.4

Difficulties Relating to External Financing

As regards external financing⁴³, most respondents^(17/22) argued that it was more difficult for co-operatives to obtain external financing, rather than other corporate structures. This agrees with Mintoff (2015)⁴⁴ and Gatt (2017)⁴⁵. Some such respondents^(3/17) added that institutions found it more difficult to lend to co-operatives because of the more frequent changes in the COMs in comparison with those in the board of directors in LLCs. More difficulties were also faced by financial institutions securing collateral in order to grant loans to co-operatives as unlike in LLCs, not all members might have or be willing to offer personal property as security.

Contrastingly, the other respondents^(5/22) argued that it was not more difficult for co-operatives to obtain external financing.

4.4.4 Dilemmas Relating to Opportunities for Financial and Managerial Participation

The next question⁴⁶ asked respondents whether co-operatives provided more opportunities for (i) financial (ii) managerial participation, in comparison to other corporate structures.

Dilemmas Relating to Financial Participation

As regards to financial participation⁴⁷, half the respondents^(11/22) explained that co-operatives did not provide more opportunities for such participation. Some such respondents^(5/11) added that, in fact, co-operatives offered the same opportunities as LLCs.

⁴³ Vide Table A4.10 in Appendix 4.4

⁴⁴ Vide Section 2.5

⁴⁵ Vide Section 2.5

⁴⁶ Vide Appendix 3.1 Q.13 p. A3.1-6

⁴⁷ Vide Table A4.11 in Appendix 4.4

Contrastingly, some respondents^(7/22) argued that co-operatives provided more opportunities, in comparison to other corporate structures.

Some respondents^(4/22) explained that they could offer more opportunities, but such opportunities were rarely interesting enough for them to be taken up by members. As added by one respondent^(1/4), members with more capital available were often enticed more to invest in LLCs.

Dilemmas Relating to Managerial Participation

As regards to managerial participation⁴⁸, the response was divided. A number of respondents^(10/22) explained that co-operatives did not provide more opportunities. One such respondent^(1/10) explained that the views of outside experts were often sought over the viewpoints of members.

Contrastingly, a number of respondents^(9/22) stated that co-operatives did provide more opportunities for such participation. One member^(1/9) added that most opportunities for member participation were available only if one was elected to the COM.

A further three participants^(3/22) were undecided about whether or not such opportunities were better or not in a co-operative. As one^(1/3) explained, in practice, only a few members found the opportunities in their co-operative good enough to be taken up.

⁴⁸ Vide Table A4.12 in Appendix 4.4

4.4.5 Possible Limitations of the Co-operative Structure

Socially Oriented vs Commercial Entities

The next question⁴⁹ asked respondents whether they considered the co-operative structure to be more adaptable to socially oriented entities, rather than to commercial ones.

Most respondents^(13/22) did not think that the co-operative structure was more adaptable but, on the contrary, was more adaptable to the commercial entities. In the view of one respondent^(1/13), co-operatives had the profit motive as a main objective on the same basis as commercial LLCs. This is not in line with Alter (2007)⁵⁰.

In contrast, a few respondents^(5/22) stated that the co-operative structure was indeed more adaptable to socially oriented entities. One such respondent^(1/5) argued that the co-operative principles were at the core of the existence of co-operatives. One example given was that one needs to dedicate more time to decision-making in a co-operative than in commercial LLCs in order to promote the co-operative value of democracy. Furthermore, in the view of another respondent^(1/5), co-operatives were meant to act not only in the interest of their members, but also in that of their employees, which was not so much the case in commercially oriented LLCs.

Some respondents^(4/22) argued that the co-operative structure was applicable irrespective of any social orientation of the entity. This is because in any entity, both social and financial needs were to be balanced.

⁴⁹ Vide Appendix 3.1 Q.14 p. A3.1-6 and Table A4.13 in Appendix 4.4

⁵⁰ Vide Section 2.4

Advantages vs Disadvantages in an Entity being a Co-operative

The next question⁵¹ asked coopreps_(13/22) whether they found more advantages than disadvantages in their entity being a co-operative rather than another corporate structure.

Most respondents_(8/13) stated that there were more advantages than disadvantages in their entity being a co-operative. Some_(5/8) added that the advantages related to the opportunity to implement co-operative values and principles. Another few_(3/8) added that the advantages related solely to the fiscal advantage of tax postponement.

Contrastingly, a few respondents_(5/13) did not find more advantages in their entity being a co-operative, giving two main reasons for this, such as “*no or insufficient return on the capital invested*”_(3/5) and “*more bureaucracy leading to delayed decision-making*”_(2/5). One co-operative member_(1/5) emphasised that, in fact, in order to eliminate the disadvantages of the co-operative structure, some co-operatives have set up a LLC as their subsidiary. Another respondent_(1/5) argued that a solid fiscal advantage would have been that of reducing the taxation burden rather than postponing it, as postponement only incentivises the retention of surpluses, and it makes it more difficult, if not impossible, to claim tax credits, particularly those offered by Malta Enterprise, and in gaining any inter-group taxation savings in the case of co-operatives owning subsidiary LLCs.

⁵¹ Vide Appendix 3.1 Q.15 p. A3.1-6

4.4.6 A Low Number of Active Co-operatives

The next question⁵² asked respondents whether they found the relatively low number of active co-operatives to be in itself a disincentive for new entities to adopt the co-operative model.

Most respondents^(12/22) agreed that this was indeed a disincentive against adopting the co-operative model. Two such respondents^(2/12) amplified that, there not being enough co-operatives to look up to, one could scarcely be attracted to the co-operative model. In this connection, one such respondent^(1/12) added that the general tendency was to follow the crowd, and therefore to opt for the LLC model. A final respondent^(1/12) pointed out that, added to the relatively low number of co-operatives, there was the disincentive arising from the non-viability of a number of existing co-operatives as clearly indicated by their financial statements.

The remaining respondents^(10/22) stated that they did not think that the low number of active co-operatives in itself was a disincentive. Three such respondents^(3/10) clarified that it was more the lack of co-operative friendly banks and professionals which was rendering matters more difficult in adopting the co-operative model. Both banks and professionals too often bypassed the co-operative model alternative in advising new promoters of business.

⁵² Vide Appendix 3.1 Q.16 p. A3.1-6 and Table A4.14 in Appendix 4.4

4.4.7 Looking Forward

The final question⁵³ asked respondents about the future they saw for Maltese co-operatives in comparison with that of competing corporate structures.

Some respondents_(8/22) mentioned that the relative importance of co-operatives would grow in the future, but only if the Government, KM, MCF and also the co-operatives themselves allocated enough time, resources and energy to collaborate together and make themselves known and visible, such as with the use of social media. Five respondents_(5/22) explained that, with some increased education and awareness, co-operatives would have a bright future. Other respondents_(2/22) believed that teaching prospective businessowners and professionals about co-operatives, would make future businessowners go for the co-operative model when it suits the circumstances, instead of avoiding it in view of their lack of awareness. Another respondent_(1/22) explained that if, for example, organisations like Malta Enterprise or banks started paying more attention to co-operatives, such as by the introduction of specific schemes for co-operatives, the co-operative future would look better. Another respondent_(1/22) saw a solid future for co-operatives if the authorities would make the CSA (2001) as robust as the CA (1995). Another respondent_(1/22) explained that, if the CSA (2001) would be changed so that the minimum member number requirement would be reduced, it would make it easier for people to opt for the co-operative model.

On the other hand, one respondent_(1/22) argued that, in the future, LLCs would still be dominating the world, and that this would be because the various corporate scandals committed, not by co-operatives but by, among others, international banks and multinationals, “*tended to be quickly forgotten*”. One respondent_(1/22) did not see a bright future for co-operatives in Malta, and this was because they were not on the same level playing field to compete and strive with most LLCs. Another respondent_(1/22) emphasised that the co-operative concept, particularly its emphasis on solidarity and equity, would still remain misunderstood in Malta

⁵³ Vide Appendix 3.1 Q.17 p. A3.1-6

as long as there remained two separate organisations rather than one acting as an Apex organisation, thus leading more to destructive competition than co-operation. A final respondent^(1/22) added that the CCF could act much more in the interest of co-operatives, thus including funding many more new initiatives and research.

4.5 Conclusion

This chapter has presented the findings from the interviews conducted. The next chapter will present a discussion of these findings.

Chapter 5

Discussion

5.1 Introduction

This chapter presents the discussion on the findings of the preceding Chapter 4 in view of the literature review in Chapter 2. Such discussion will be presented according to the chapter outline in Figure 5.1.

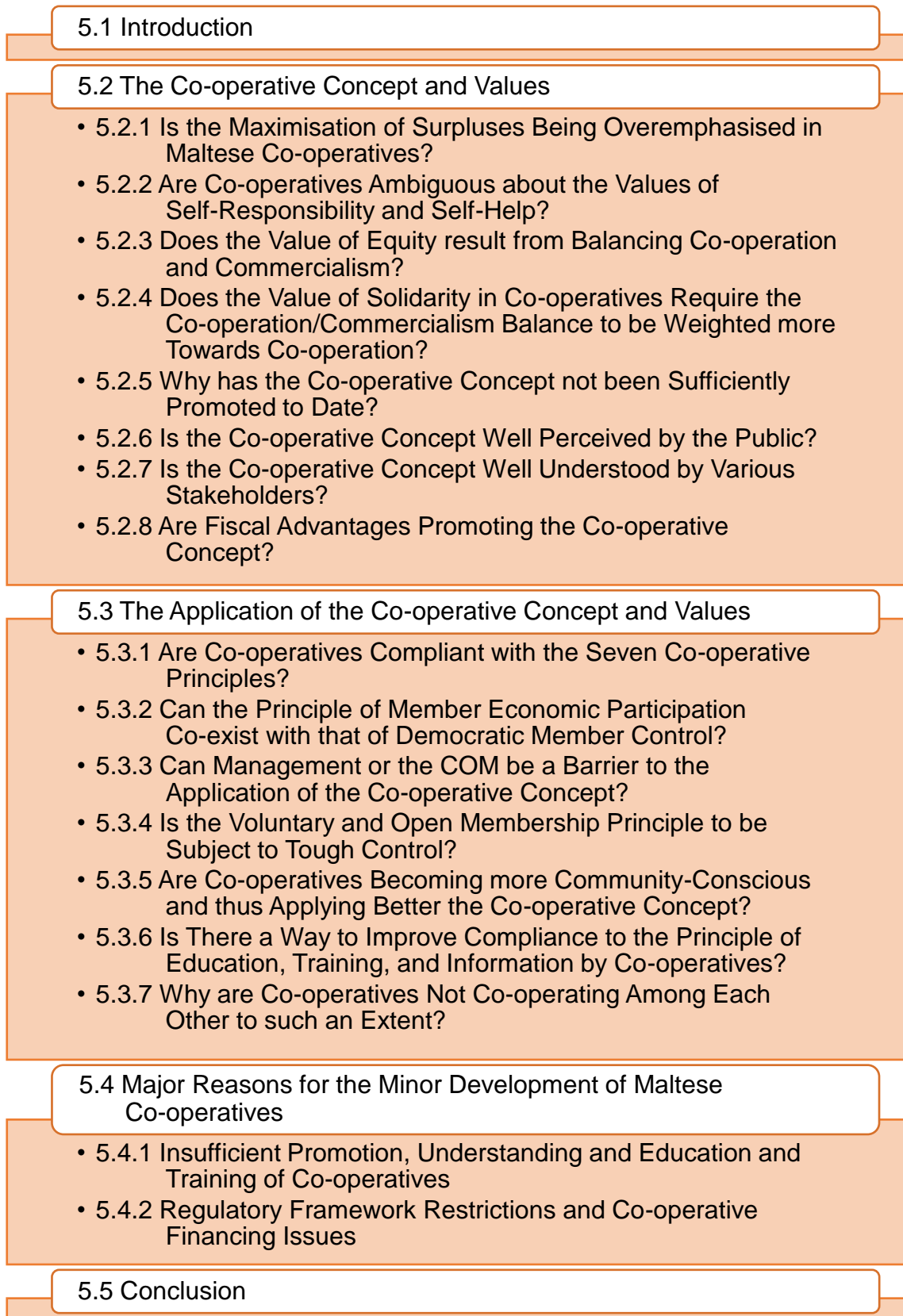


Figure 5.1: Chapter 5 Outline

5.2 The Co-operative Concept and Values

5.2.1 Is the Maximisation of Surpluses Being Overemphasised in Maltese Co-operatives?

The findings⁵⁴ indicate that the maximisation of financial surpluses is given priority by co-operatives over other elements which are much more socially important and which go beyond the co-operatives' existing confines, such as the elements of inter-co-operative co-operation, voluntary and open membership, and education. Furthermore, while the interests of co-operative members indeed remain important for each co-operative to care for, the public interest seems to be given unduly less relative importance. Therefore, the implications are that, with their overemphasis on surplus-making in the interest of members, co-operatives seem, as yet, not to be sufficiently differentiating their purpose from that of commercial LLCs: they do not seem to be attaching enough significance to the social and more inclusive elements which co-operatives are meant to champion. This indicates that, in this respect, the Maltese co-operative situation has not changed much since the findings of Mintoff (2015)⁵⁵.

It is also notable that while autonomy, together with democracy, were stated by respondents to be given very high priority within co-operatives, yet, at the same time, respondent uncertainty seemed to surface about the extent to which co-operatives are meant to be independent of government financial or technical assistance. Such responses were therefore somewhat contradictory, seemingly implying that Maltese co-operatives are not really that prepared to be autonomous. It is notable that such a contradiction had already surfaced in Mizzi (2015)⁵⁶. A more detailed study in this regard may throw further light on this contradiction.

⁵⁴ Vide Section 4.2.1

⁵⁵ Vide Section 2.3.7

⁵⁶ Vide Section 2.3.4

5.2.2 Are Co-operatives Ambiguous about the Values of Self-Responsibility and Self-Help?

The findings⁵⁷ also indicate that, while co-operatives and their institutional bodies do seem to understand well the major values of democracy, equality, equity and solidarity, there seems to be some ambiguity with regards to self-responsibility, self-help and, again, autonomy. This is because, with regards to self-responsibility, many respondents found its meaning difficult to define. Furthermore, with regards to self-help, a minority of respondents even refrained from answering the question as they were unsure as to what to say. Indeed, both self-responsibility and self-help may be seen as pre-requisites for achieving autonomy and the lack of clarity of respondents in this respect further strengthens the impression given earlier in the previous section⁵⁸ that co-operatives may not, as yet, be serious enough about autonomy.

5.2.3 Does the Value of Equity result from Balancing Co-operation and Commercialism?

With respect to the value of equity, which, as already stated⁵⁹, was found to be highly relevant, respondent definitions differed from that of taking back according to one's needs to that of taking back according to one's efforts. Yet, such two definitions are not to be considered opposites or mutually exclusive. This is because equity involves reaching an appropriate balance between the two sides, with the former involving co-operation, including collaboration and mutual benefit, while the latter involving commercialism, including competition and individual gain. Both definitions have therefore to be taken into account, with each co-operative having to strive to achieve the right balance between them.

⁵⁷ Vide Section 4.2.2

⁵⁸ Vide Section 5.2.1

⁵⁹ Vide Section 4.2.2

5.2.4 Does the Value of Solidarity in Co-operatives Require the Co-operation/Commercialism Balance to be Weighted more Towards Co-operation?

While, as already stated⁶⁰, both co-operation and commercialism are necessary elements for the success of any co-operative, the need to include the value of solidarity in the concept package probably tilts the balance more towards co-operation. Thus, if one member becomes unable to work as hard as the other members – perhaps owing to sickness or to some other cause – the aspect of co-operation should clearly take priority over commercialism so that such member is given the needed solidarity. In these and similar circumstances, co-operative members may need to be extra generous on the basis of “*you today, me tomorrow*”⁶¹ and let commercialism take backstage.

As seen in the findings⁶², some respondents linked solidarity either with the religious notion of the ‘common good’ or with ‘philanthropy’. The common good does not imply commercialism but, a collective understanding of the importance of working collectively to ensure compassion, empathy and social justice. In the same manner, philanthropy does not imply commercialism but refers to individuals or entities with enough resources giving donations for the sake of making a positive impact on society. In this light, when tilting the balance towards co-operation and away from commercialism, co-operatives may be seen to be acting either for the common good or philanthropically. In this connection, more study as to what actually motivates co-operatives to carry out such tilting may be helpful. However, the findings⁶³ indicate that such tilting is not always being carried out.

⁶⁰ Vide Section 5.2.3

⁶¹ Vide Section 4.2.2

⁶² Vide Section 4.2.2

⁶³ Vide Section 4.2.1

5.2.5 Why has the Co-operative Concept not been Sufficiently Promoted to Date?

The findings⁶⁴ indicate that, to date, there has not been sufficient promotion of the co-operative concept by the major stakeholder groups. This may be a major reason why there have been only minor developments⁶⁵ in the co-operative movement over the years. It seems that none of the major stakeholders – KM, MCF, CB, CCF and Government – has taken overall responsibility for the promotion of the concept. It is probable that each stakeholder expects such promotion to be undertaken much more by the others. Consequently, the public perception of co-operatives seems either missing or not formed sufficiently well. In this context, the CCF in particular, could provide funding for new promotion initiatives to support the co-operative movement. Such initiatives could include not only the use of traditional media such as television, radio and daily newspapers but also, more importantly, the social media. Promotion could be aimed in particular at students, especially those in the tertiary level, such as by participation of major co-operatives in the Freshers' Week at the University of Malta.

⁶⁴ Vide Section 4.2.3

⁶⁵ Vide Appendix 4.1

5.2.6 Is the Co-operative Concept Well Perceived by the Public?

As mentioned earlier⁶⁶, a specific study on the public perceptions of the co-operative concept goes beyond the terms of reference of this study, and therefore, this issue requires an updated detailed study. However, in this context, respondents also opined about such perceptions and, from their views, it is evident that misunderstandings by the Maltese public are thought to be common, particularly with respect to the limited application of the concept to different sectors. Unfortunately, as yet, most of the public seems to link the relevance of co-operatives only to specific sectors such as those in the primary and in transport. This again illustrates the point that intensive marketing of the concept is essential if such public perceptions are to be improved.

5.2.7 Is the Co-operative Concept Well Understood by Various Stakeholders?

The findings⁶⁷ indicate that it is essential that more co-operative-related information is provided to various stakeholders, particularly to bankers, accountants, auditors and lawyers, so as to render them in a better position to improve their understanding and appreciation of the co-operative concept. This was also noted by Gatt (2017)⁶⁸ with respect to the understanding on the part of bankers. Although many such professionals tend to prioritise services to LLCs over co-operatives in view of the higher prevalence of the former entities, they still need to understand the co-operative concept better, including the different co-operative types and structures. However, charity needs to start at home and many co-operative employees themselves also need to be trained about the

⁶⁶ Vide Section 1.5

⁶⁷ Vide Section 4.2.6

⁶⁸ Vide Section 2.5

differences in working in co-operatives. As for the Government, knowledge about co-operatives probably needs to spread much more than within the CB.

5.2.8 Are Fiscal Advantages Promoting the Co-operative Concept?

The findings⁶⁹ also indicate that some respondents believe that the existing fiscal advantages promote the formation of new co-operatives. Similar opinions were also found by Burlo' (2013)⁷⁰. However, as also indicated by that study, such advantages are not really substantial and any new co-operatives being formed for the purpose of obtaining such advantages may easily find themselves deluded. Clearly, the minimisation or exemption from taxation cannot be at the core of the co-operative concept, as some such co-operative respondents still seem to believe.

⁶⁹ Vide Section 4.2.7

⁷⁰ Vide Section 2.5

5.3 The Application of the Co-operative Concept and Values

5.3.1 Are Co-operatives Compliant with the Seven Co-operative Principles?

The findings⁷¹ indicate further⁷² consistency on the part of co-operatives in their relative prioritisation of the principles of autonomy and independence and democratic member control. Table 5.1 compares the findings of this study with the earlier findings by Mizzi (2015).

Compliance with Aspects of the Seven Co-operative Principles	Ranking	
	This study	Mizzi (2015) study
(i) Member Economic Participation	1 st (P)	2 nd (P)
(ii) Autonomy and Independence	2 nd (P)	1 st (P)
(iii) Democratic Member Control	3 rd (P)	3 rd (P)
(iv) Voluntary and Open Membership	4th (P)	4th (N)
(v) Concern for Community	5th (P)	6th (N)
(vi) Education, Training, and Information	6 th (N)	7 th (N)
(vii) Co-operation among Co-operatives	7 th (N)	5 th (N)

P = Positive Compliance; N = Neutral Compliance

Table 5.1: Compliance with Aspects of the Seven Co-operative Principles

As shown earlier, this study has indicated positive compliance (P) with respect to principles (i) to (v) and neutral compliance (N) with respect to principles (vi) and (vii). In comparison, the Mizzi (2015) study was similar as to positive compliance only with respect to principles (i), (ii) and (iii) and as to neutral compliance with respect to principles (vi) and (vii). However, changes towards positive compliance was found in this study with respect to principles (iv) 'voluntary and open membership' and (v) 'concern for community' which were both found to have, as

⁷¹ Vide Section 4.3.1

⁷² Vide Section 5.2.1

yet, neutral and not positive compliance in the Mizzi (2015) study. This indicates that, although, as reasonably expected from the previous response⁷³, the principle of (i) 'member economic participation' still ranked higher than these two latter more socially important principles, some compliance progress has been achieved in their respect. Furthermore, compliance has still not been confirmed with respect to the principle of (vi) education, training, and information and of (vii) co-operation among co-operatives.

5.3.2 Can the Principle of Member Economic Participation Co-exist with that of Democratic Member Control?

As contended by Reynolds (2000)⁷⁴, the OMOV rule is the backbone of the co-operative concept. It attempts to ensure both member economic participation and democratic member control, wherein all members have an equal say in the democratic process, regardless of the size of their shareholding in the co-operative. On the other hand, the OVOS rule ensures democratic member control but clearly limits member economic participation, as funding in terms of more than one share is excluded by such a principle. This is in accordance with Mintoff (2015)⁷⁵. Although the member economic participation principle does not specifically require members to purchase additional shares, and the decision to do so would be based on the individual member's financial situation and personal choice, by having the facility to purchase more than one share, members may be able to provide any needed additional financial support to the co-operative in terms of shares. Therefore, the retention of OMOV together with the exclusion of OVOS is probably a reasonable compromise between the two principles of member economic participation and democratic member control.

⁷³ Vide Section 5.2.1

⁷⁴ Vide Section 2.2.1

⁷⁵ Vide Section 2.3.3

One may ask whether such a compromise would go against the value of equity. This is because having more shares but not more votes may be considered as not being fair to those subscribing for such shares. One may also ask whether having more shares in itself may be against the value of equality as those subscribing for such shares have a bigger share in the dividend distribution. Taking the two arguments together, it is clear that having more shares has both its advantages and disadvantages. Nonetheless, the compromise eliminating OVOS and thus accepting unequal shareholdings is probably more advantageous for the survival and prosperity of co-operatives.

Furthermore, there may also be mechanisms in place to ensure that members who invest more in the co-operative are regularly and correspondingly rewarded by an adequate dividend. Other mechanisms may also be in place to ensure that no one member has too many shares, as co-operatives would otherwise be too financially dependent on such a member. A more detailed study could follow as to the capping to be exercised with respect to such multiple shareholdings.

5.3.2 Can Management or the COM be a Barrier to the Application of the Co-operative Concept?

The findings⁷⁶ indicate that management, or even the COM itself, may act as a barrier to the application of the co-operative concept by exercising too much control over the co-operative's affairs at the expense of the democratic principles that underpin co-operatives, particularly those relating to important decisions that affect all members. Such overinfluence may give rise to managerialism, wherein the dominating person or committee may pursue their own interests rather than those of the co-operative. This may be particularly so in the Maltese context, wherein top managers or even COM members have previous experiences within LLCs which tend to neglect their democratic process. The exercise of such overcontrol may also erode the sense of ownership by members despite the

⁷⁶ Vide Section 4.3.2

existence of OMOV. In order to prevent such undesirable situations, consideration may be given to measures such as the periodic change of the co-operative CEOs and to the capping of COM membership tenures so as not to exceed a reasonable period, for instance, that of 12 years. Furthermore, measures may also be taken to promote active AGM attendance by members, thus including specific benefits to them. The COM may also make periodic meetings with members beyond the regulatory ones such as the AGM.

5.3.4 Is the Voluntary and Open Membership Principle to be Subject to Tough Control?

The findings⁷⁷ indicate that the original or earlier members of a co-operative may resist voluntary and open membership. They may exert pressures to maintain their existing joint ownership of their co-operative. One main reason for this is that such earlier members commonly contend that the past financial success of their co-operative is not in any way related to the efforts of new members and that, therefore, for the sake of equity, such members should be subject to stricter controls and only admitted to membership on a much higher admission fee and tougher eligibility criteria than they themselves had originally borne. However, such impositions, particularly the raising of such admission fees, may in practice be too much of a barrier to open membership as the new members may find their potential admission to be too expensive. Furthermore, the imposition of such high fees or other tough criteria on new membership infringes the other values of equality and solidarity with those starting in the business. Hoyt (1996)⁷⁸ stated that co-operatives may only have reasonably limited restrictions on membership, in order to find the right balance.

In practice, such resistance may also limit the co-operative's ability to grow and thrive. After all, new members tend to bring with them fresh ideas, perspectives

⁷⁷ Vide Section 4.3.2

⁷⁸ Vide Section 2.2.1

and resources to the co-operative, thus helping to strengthen it and to ensure its long-term success. In addition, claims for equity by such members may create unnecessary tensions within the co-operative, as newer members may feel that they are being unduly resisted. This may undermine the co-operative's democratic structure and erode member trust and participation. In order to address these issues, co-operatives may take steps to promote and uphold the principle of voluntary and open membership, to include, for instance, developing clear but reasonable policies and procedures for admitting new members.

5.3.5 Are Co-operatives Becoming more Community-Conscious and thus Applying Better the Co-operative Concept?

The findings⁷⁹ indicate that there has been some compliance progress with regards to this principle over the years. The tendency is for co-operatives to become increasingly rooted in community values over the years, and such values are themselves most similar to the co-operative values referred to in the literature⁸⁰. Overall, the slow apparent shift towards community consciousness may be helping co-operatives to become more effective in their application of the co-operative concept. By engaging with their communities in a meaningful way, co-operatives may clearly help in the building of a more sustainable and equitable economy. However, as has been seen earlier, such progress relating to community consciousness is, as yet, somewhat too slow and may need to be accelerated by positive incentives on the part of the public authorities.

⁷⁹ Vide Section 4.3.1

⁸⁰ Vide Section 2.2.2

5.3.6 Is There a Way to Improve Compliance to the Principle of Education, Training, and Information by Co-operatives?

The findings⁸¹ also make it clear that this principle is one of those least complied with. Measures as to how to improve such compliance have already been laid out in the findings and include more importance to be given to this principle, both by the co-operative themselves and their respective institutional bodies.

5.3.7 Why are Co-operatives Not Co-operating Among Each Other to such an Extent?

The findings⁸² indicate that the principle of co-operation among co-operatives is among the least complied with. A major reason for this could be that the two co-operative representative bodies (KM and MCF) protecting the interests of co-operatives are themselves divided⁸³. Probably, if steps are taken to unite co-operatives in a single local co-operative movement, the tendency for co-operatives to co-operate with each other would increase. Such co-operation could include joint ventures, shared purchasing and other forms of collaboration that may benefit both parties. By working together, co-operatives may amalgamate mutual resources and expertise and, thus, better achieve shared goals. Such co-operation may contribute to a large extent in the success and growth of a more united co-operative movement.

⁸¹ Vide Section 4.3.1 and Section 4.4.1

⁸² Vide Section 4.3.1

⁸³ Vide Section 4.3.2

5.4 Major Reasons for the Minor Development of Maltese Co-operatives

5.4.1 Insufficient Promotion, Understanding and Education and Training of Co-operatives

This chapter has already analysed three major reasons for the minor development of Maltese co-operatives, being the following:

- insufficient promotion of the co-operative concept⁸⁴,
- insufficient understanding of the concept by stakeholders⁸⁵, and
- low emphasis on education and training⁸⁶.

5.4.2 Regulatory Framework Restrictions and Co-operative Financing Issues

However, two further reasons were also indicated by the findings, these being regulatory framework restrictions and co-operative financing issues.

Regulatory Framework Restrictions and a Related Misperception

The Minimum Number of Members Requirement. Restrictions within the present regulatory framework include the minimum requirement of five members for a co-operative to be formed (CSA 2001, Art. 22). The findings⁸⁷ indicate that such a requirement often proves to be a disincentive to the promoters of new entities, and this is particularly so in the light that LLCs can be formed with just one member (CA 1995). This substantiates the arguments of Falzon (2016) and

⁸⁴ Vide Section 5.2.5

⁸⁵ Vide Section 5.2.7

⁸⁶ Vide Section 5.3.6

⁸⁷ Vide Section 4.4.2

Baldacchino et al. (2017)⁸⁸. In this connection, a minimum requirement of three members could possibly be enough as it still involves a collective number of members, while at the same time, not requiring what may be perceived as too many members.

A Related Misperception. The findings⁸⁹ indicate that one misperception related to the regulatory framework is that it is commonly believed that the CSA (2001) requires not only OMOV but also OVOS. In view of the fact that many members would not like any restrictions on the number of shares, promoters of new entities may not opt for the co-operative structure owing to such misperception.

Co-operative Financing Issues

Difficulties Relating to Internal Financing. Although the CSA (2001, Art. 94) includes provisions for the co-operatives to utilise specialised sources of finance such as bonus certificates and bonus shares, it is clear from the findings⁹⁰ that not enough advantage is taken of these alternative and specialised sources of finance. This probably is related to the fact that the consultant professionals are not aware or knowledgeable enough of such sources.

Difficulties Relating to External Financing. This study⁹¹, in line with the Mintoff (2015) findings⁹², has highlighted common external financing issues, particularly those arising from the frequent turnover of COM members. Such turnover often discourages external providers of finance from approving many requested loans to co-operatives. It also gives way to increased challenges being faced by co-operatives in providing member collaterals for any loan approval. Further related difficulties include delayed financial decision-making and unnecessary bureaucracy.

⁸⁸ Vide Section 2.5

⁸⁹ Vide Section 4.3.2

⁹⁰ Vide Section 4.4.3

⁹¹ Vide Section 4.4.3

⁹² Vide Section 2.5

5.5 Conclusion

This chapter has covered the key debatable issues and queries that emerged from the research results. The next chapter will conclude the dissertation.

Chapter 6

Summary, Conclusions and Recommendations

6.1 Introduction

This chapter concludes the dissertation. The summary, conclusions and recommendations will be presented according to the chapter outline in Figure 6.1.



Figure 6.1: Chapter 6 Outline

6.2 Summary

The objectives of this study were threefold. The first objective was to determine the co-operative concept and values as perceived by three major Maltese co-operative stakeholders. The second objective was to assess the extent to which such concept and values have been applied, to date, through compliance with the co-operative principles. Finally, the third objective was to establish the major reasons for the relatively minor development of Maltese co-operatives.

To achieve these objectives, a mixed-methods research approach was adopted. Semi-structured interviews were conducted with thirteen coopreps, four coopinstitreps and five experts, thus making up a total of 22 participants.

It was found that co-operative surplus maximisation was considered as more important than socially relevant goals. Furthermore, most respondents consistently attributed the significance of democracy and democratic control within co-operatives. They also maintained that the other five co-operative values of equality, equity, self-responsibility, solidarity and self-help are embedded within the co-operative concept. However, most respondents could not clarify their understanding of the values of self-responsibility and self-help. Moreover, while they considered co-operative autonomy as a most essential element within such concept, yet they still considered this to be limited by the need for government financial and technical assistance. The findings also indicated insufficient promotion by co-operative institutional bodies and the Government. The CSA (2001) was also found not to be helpful enough in the clarification of the co-operative concept. Additionally, most of the public was still perceived by respondents as considering the co-operative concept to be mostly relevant within the primary and transport sectors. Moreover, Maltese professionals including bankers, accountants, auditors and lawyers as well as most co-operative customers, suppliers to co-operatives, government entities and co-operative employees were perceived by respondents also to be deficient in their understanding of the co-operative concept. Furthermore, the indications are that co-operatives were not being formed consistently on account of promoter beliefs

in the co-operative concept but, at times, also as a way of avoiding or delaying tax.

The findings also indicated slight improvements within the last decade with respect to compliance relating to the seven co-operative principles, especially concerning the two principles of voluntary and open membership and concern for community. Nonetheless, a number of barriers to compliance to each of the principles seem to have persisted over the years. These included the application of too tight restrictions relating to member economic participation, these being particularly evident by co-operative restrictions of share participation going beyond the one-member, one-vote rule to the needlessly excessive one-vote, one-share one. Furthermore, the two principles of education, training, and information and co-operation among co-operatives were found, as yet, to be only marginally applied by Maltese co-operatives.

Respondents also forwarded a number of reasons why co-operatives in Malta have developed relatively less than LLCs and also than co-operatives in other European countries. These included insufficient promotion, understanding and education/training of the co-operative concept, regulatory framework restrictions, co-operative financing issues, as well as misconceptions about the particular adaptability of the co-operative structure to socially oriented entities.

6.3 Conclusions

This study concludes that Maltese co-operatives and their related third parties lack a clear understanding of the co-operative concept. The significance of socially relevant elements which are meant to be entrenched within the concept needs to be given more priority over the mere registration of surpluses. The acceptance of co-operatives of the autonomy principle cannot remain constrained, as at present, by their insistence on government aid. In this context, their ambiguity towards full autonomy seems to emanate from their dilemmas relating to self-responsibility and self-help. Furthermore, the study concludes that the inclusion of equity and solidarity within the concept depends on the

achievement of an appropriate balance between co-operation and commercialism, with co-operation being given the major say. The concept clearly needs to be promoted further than at present and the major stakeholders cannot continue to shy away from this. Such promotion may do away with common misunderstandings such as that of co-operatives being formed with the main objective of gaining fiscal advantages.

The study also concludes that the concept and values have, as yet, not been applied sufficiently through full compliance with the co-operative principles. In this regard, while in recent years, some progress has been achieved, the fact that two mainly social principles of education, training, and information as well as co-operation among co-operatives remain among those least complied with, is a clear indication that the core of the co-operative concept has, as yet, not been applied enough. There is still some way to go to achieve the appropriate application of all seven principles in such a way that they reasonably co-exist with each other.

Finally, the study concludes that the reasons why co-operatives in Malta have developed less relatively well than LLCs and co-operatives in other European countries are serious and diverse. They involve marketing, educational, legal and financial deficiencies that, while not becoming even more accentuated over the years, they still remained consistent barriers for the success of the Maltese co-operative movement. Clearly, too little effort has been exerted by the major stakeholders for such deficiencies to be minimised or possibly eliminated. Consequently, both the conceptual rationale of co-operatives and its application remain beyond the full reach of those who might otherwise be much more interested.

6.4 Recommendations

This study recommends that:

- A. more emphasis be placed on the education of co-operative members, possibly by more specific schemes of the CCF (Sections 5.2.1 to 5.2.4, 5.3.6 and 5.4.1).**

Without co-operative members themselves becoming more knowledgeable about what is at the core of the co-operative concept and to understand properly the co-operative values and principles, one can scarcely look forward to future developments within the foreseeable future. Among other issues, this includes ensuring that co-operative members adopt the appropriate perspectives towards balancing co-operation and commercialism in their entities and the safeguarding of the public interest in addition to their own interests. In this regard, the CCF may embark on more schemes to enhance member education and training.

- B. more seminars be held by the co-operative institutional bodies to dialogue with professionals in order to clear up any present misunderstandings. Furthermore, more co-operative education is introduced in professional course curricula (Sections 5.2.7, 5.2.8, 5.3.6 and 5.4.1).**

Business people typically seek continuous advice from professionals, and without such consultants being sufficiently knowledgeable about the co-operative model, the former may never even consider its adoption. Therefore, more seminars could be organised for existing professionals, particularly Continued Professional Education (CPE) ones as these could help in the short-term to enhance the skills of such professionals.

Furthermore, efforts may be made by tertiary institutions to include parallel knowledge about the co-operative model wherever knowledge about LLCs is included in the present curricula. Such changes would also have their long-term effects.

C. co-operative institutional bodies make more efforts to co-operate and work together so as to pave the way for co-operatives also to collaborate with each other (*Section 5.3.7*).

It makes more sense for co-operative institutional bodies, particularly KM and MCF, to become more united in a single local co-operative movement so as to work better towards a common goal. Such future unity could easily be an exemplary prelude to more co-operatives co-operating among themselves.

D. potential co-operative members be subject to reasonable criteria relating to eligibility for admission (*Section 5.3.4*).

For the values of solidarity and equality to be upheld and for the principle of voluntary and open membership to be better complied with, potential co-operative members need to be able to be sure that they may join freely and without any higher admission fees or other tough criteria.

E. the responsibility for promoting the co-operative model be allocated to a specific co-operative institution (*Sections 5.2.5, 5.2.6 and 5.4.1*).

The promotion of the co-operative model also requires more efforts to be exercised than at present. In this regard, institutional bodies such as the CCF, could contribute by launching and subsidising promotional schemes. Such promotion may need to include the engagement of additional experts, including co-operative-specific, industry-specific and marketing ones. In this connection, social media can play a highly relevant part.

F. co-operatives eliminate the OVOS rule where it exists in their internal regulations and economic restrictions will relate only to the OMOV rule (*Section 5.3.2*).

As has been seen in this study, the OVOS rule about share ownership is unduly restrictive and goes against the principle of member economic participation. Its elimination, possibly by specific changes to the CSA (2001) provisions will, therefore, spur such member economic participation further.

G. there be mechanisms so that co-operative members who invest more in the co-operative are regularly and correspondingly rewarded an adequate dividend (Section 5.3.2).

In addition to recommendation F, more measures need to be taken by individual co-operatives to encourage their members to invest more in their entity. This includes the implementation of a professional and fair dividend policy wherever this is, as yet, not so, so that members are regularly and correspondingly rewarded.

H. the CEOs of co-operatives be periodically and regularly changed and that COM membership tenures be capped at a maximum of 12 years (Section 5.3.3).

Regular CEO changes and capping to COM membership would ensure the continuous flow of fresh ideas and the prevention of unfettered powers of discretion on the part of top management. Such measures may also induce a stronger sense of ownership among members.

I. measures be taken to promote active AGM attendance by members and periodic member meetings be held (Section 5.3.3).

Active member attendance at the AGM and other periodic meetings throughout the year could promote the principle of democratic member control much more and also further strengthen the sense of ownership by members.

J. the minimum requirement of five members for the formation of new co-operatives be lowered to three (Section 5.4.2).

While it may be understandable that more than one person is needed to form a co-operative in view of its collectivity implications, it may still be challenging for a promoter to find five persons interested in forming a new co-operative if the minimum requirement remains at five members. Lowering the minimum requirement to three members would reasonably address such a dilemma.

6.5 Areas for Further Research

The study identified the following areas as requiring further research:

A. The Major Motivator of Solidarity in Maltese Co-operatives: Philanthropy or the Common Good? (*Section 5.2.4*)

In this study, both philanthropy and the common good were stated by different respondents as being possible motivators of solidarity. A more detailed analysis on this value and a comparison of both motivators could also explore how such value may be strengthened.

B. The Public Perceptions of the Co-operative Concept (*Section 5.2.6*)

An in-depth analysis of public perceptions towards the co-operative concept could be conducted with the Maltese public to support or otherwise the perceptions claimed on their behalf by the respondents of this study.

C. Multiple Shareholdings and their Capping: A Study (*Section 5.3.2*)

While this study has recommended the promotion of multiple shareholdings in co-operatives, a more detailed study would delve further into their pros and cons, and analyse the appropriate capping measures, if any, which may be implemented in their respect.

D. The Application of the Autonomy and Independence Principle (*Section 5.2.1*)

In the current and in the Mizzi (2015) studies, respondents attributed contradictory statements about the application of the autonomy and independence principle within Maltese co-operatives. A more detailed study could be carried out to clarify the extent to which such autonomy and independence principle has been applied, to date, and its potential application in the future.

6.6 Concluding Remark

This study has amply shown that the co-operative concept is, as yet, relatively young and scarcely developed. Looking towards the future, one may project that, in the first instance, this concept needs to be further understood by all those involved. Only when the prerequisites of proper understanding and awareness of the concept are fulfilled, will the possibility arise for it to be applied much more meaningfully and fruitfully in Malta, and this may take its time. Nonetheless, as stated by one respondent, "*what at the moment may be seen as unachievable will become easily possible in the future given enough will power by those involved.*"

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Appendices

Appendix 2.1: Findings by Mizzi (2015)

Below are the findings by Mizzi (2015), showing the extent to which the seven co-operative principles were being applied by Maltese co-operatives.

	<i>Total</i>	<i>me</i> <i>(n = 6)</i>	<i>Ranking</i>	<i>mc</i> <i>(n = 18)</i>	<i>Ranking</i>	<i>p-value *</i>
Autonomy & Independence	4.14	4.00	1 st	4.28	1 st	0.233
Member Economic Participation	3.89	3.50	2 nd	4.28	1 st	0.022
Democratic Member Control	3.56	3.00	3 rd	4.11	2 nd	0.010
Voluntary & Open Membership	2.86	2.67	4 th	3.06	5 th	0.522
Co-operation among Co-operatives	2.83	2.50	5 th	3.17	4 th	0.176
Concern for Community	2.83	2.17	6 th	3.50	3 rd	0.008
Education, Training & Information	2.75	2.00	7 th	3.50	3 rd	0.017

1 = Strongly Disagree; 5 = Strongly Agree
** When p<0.05 it is significant*

Table A2.1: Findings by Mizzi (2015), p. 41

Appendix 3.1: Interview Schedule

The following is the interview schedule that was utilised during the semi-structured interviews carried out for this dissertation. The schedule additionally denotes the quantity of responses for each Likert scale question, in *italics* and **bold**.

The dissertation is meant to cover the following objectives:

- *to determine the co-operative concept and values as perceived by three major Maltese co-operative stakeholders;*
- *to assess the extent to which such concept and values have been applied, to date, through compliance with the co-operative principles;*
- *to establish the major reasons for the relatively minor development of Maltese co-operatives.*

Section A

The Co-operative Concept and Values

Question 1

State, in your view, to what extent each of the following are essential elements to the co-operative concept (*Please rate 0 to 4, 0 = not essential at all, 4 = highly essential*):

	0	1	2	3	4
Maximising financial surpluses to the benefit of co-operative members	1	0	3	8	10
Having joint member ownership involving democratic control	0	0	2	4	16
Meeting common member needs	0	0	2	12	8
Having the largest share of clients in the market	4	5	5	5	3
Retaining open and voluntary membership	1	2	7	2	10
Ensuring entity autonomy	0	0	1	2	19
Providing education and training to members	0	4	4	5	9
Relying on government financial or technical assistance	4	8	4	3	3
Co-operating with other co-operatives	0	4	5	9	4
Giving priority to the public interest as against that of members	7	5	6	3	1

Question 2

- a) How relevant to the co-operative concept do you find each of the following values? *(Please rate 0 to 4, 0 = not relevant at all, 4 = highly relevant)*

	0	1	2	3	4
Self-help	0	3	3	5	11
Self-responsibility	0	1	2	4	15
Democracy	0	0	1	4	17
Equality	0	0	0	6	16
Equity / fairness	0	0	1	6	15
Solidarity	1	0	2	6	13

- b) What do you understand by each of the following co-operative values:
Self-help, Self-responsibility, Democracy, Equality, Equity (Fairness),
Solidarity
- c) Apart from the above values, do you think there are further values which are relevant to Maltese co-operatives?

Question 3

In your view, to what extent has the co-operative concept been promoted, to date, by the following stakeholders? *(Please rate 0 to 4, 0 = not promoted at all, 4 = highly promoted. Please state your reason/s as to why or why not.)*

	0	1	2	3	4
The Central Co-operative Fund (CCF)	3	6	7	4	2
The Co-operatives Board (CB)	3	8	6	2	3
Koperattivi Malta (KM)	1	6	4	5	5
The Malta Co-operative Federation (MCF)	3	4	2	7	4
Government	8	5	3	4	2

Question 4

Do you think that the current provisions of the Co-operative Societies Act (2001) are enough to clarify the co-operative concept? Why or why not?

Question 5

Do you think that the co-operative concept is usually perceived as being only relevant to specific sectors? If so, the relevance is to which sector/s, and why?

Question 6

In your view, which of the following possible stakeholder groups, if any, do not, as yet, understand appropriately the co-operative concept? You may wish to comment.

The Central Co-operative Fund (CCF)	
The Co-operatives Board (CB)	
Koperattivi Malta (KM)	
The Malta Co-operative Federation (MCF)	
Most government entities	
Most co-operative managers	
Most members of the co-operative COMs	
Most co-operative members	
Most co-operative employees	
Most suppliers to co-operatives	
Most co-operative customers	
Most Maltese bankers	
Most Maltese accountants and auditors	
Most lawyers	

Question 7

In your view, in which circumstances should someone form a co-operative rather than another corporate structure?

Section B

The Application of the Co-operative Concept and Values

Question 8

	0	1	2	3	4
a) In your view, how far is it easy to become a member in Maltese co-operatives? <i>(Please rate 0 to 4, 0 = not easy at all, 4 = highly easy)</i>	0	3	5	9	4
b) In your view, how far do co-operative members exercise democratic control? <i>(Please rate 0 to 4, 0 = not democratic at all, 4 = highly democratic)</i>	0	0	7	7	8
c) In your view, how far are co-operative members involved in decisions relating to the annual distribution of surplus registered by Maltese co-operatives? <i>(Please rate 0 to 4, 0 = not involved at all, 4 = highly involved)</i>	1	1	6	3	11
d) In your view, how far are Maltese co-operatives generally autonomous and independent of any other organisations/institutions? <i>(Please rate 0 to 4, 0 = not autonomous and independent at all, 4 = highly autonomous and independent)</i>	0	1	5	7	9
e) In your view, how far are Maltese co-operatives currently educating and training their members? <i>(Please rate 0 to 4, 0 = not educating and training at all, 4 = highly educating and training)</i>	1	8	7	1	4
f) In your view, how far are Maltese co-operatives co-operating among each other? <i>(Please rate 0 to 4, 0 = not co-operating at all, 4 = highly co-operating)</i>	3	6	9	2	2
g) In your view, how far are Maltese co-operatives concerned about their proximate community? <i>(Please rate 0 to 4, 0 = not concerned at all, 4 = highly concerned)</i>	2	5	4	4	7

Question 9

Please provide any additional comments about your ratings relating to the compliance to each of the aspects of the principles, as well as any other comments relating to the principles themselves.

Section C
The Relatively Minor Development of Maltese
Co-operatives and the Subsequent Reasons

Question 10

In responding to this question, you are asked to exclude from your answer references to regulatory, financing, participation, fiscal and structural issues, and co-operatives being inactive, as you are going to be asked specifically on these issues in subsequent questions.

- a) Why have there been much fewer co-operatives formed than LLCs in the last two decades?
- b) What main factors may have given rise to the fact that co-operatives are, as yet, not as popular in Malta as in many other European countries?

Question 11

Do you consider the formation of new co-operatives as being too restricted by the regulatory framework? Why or why not?

Question 12

Do you think that (i) internal and (ii) external financing is more difficult for co-operatives rather than for other corporate structures? Why or why not?

Question 13

Do co-operatives provide more opportunities for (i) financial (ii) managerial participation, in comparison with other corporate structures? Why or why not?

Question 14

Do you consider the co-operative structure to be more adaptable to socially oriented entities, rather than to commercial ones? Why or why not?

Question 15

(If relevant to respondent) Do you find more advantages than disadvantages in your entity being a co-operative rather than another corporate structure?

Question 16

Do you find the relatively low number of active co-operatives to be in itself a disincentive for new entities to adopt the co-operative model? Why or why not?

Question 17

What future do you see for Maltese co-operatives in comparison with that of competing corporate structures?

Appendix 4.1: Comparison between the Number of Co-operatives and LLCs in Malta

Below is a list of co-operatives obtained from the Co-operatives Board website as at 29th March 2023:

1. Zabbar Farmers' Co-operative Society Limited
2. St. Paul's Bay Farmers' Co-operative Society Limited
3. Siggiewi Farmers' Co-operative Society Limited
4. Rabat Farmers' Co-operative Society Limited
5. Farmers' Central Co-operative Society Limited
6. Had-Dingli Farmers' Co-operative Society Limited
7. Qormi Farmers' Co-operative Society Limited
8. Mgarr Farmers' Co-operative Society Limited
9. Koperattiva Produtturi Tal-Ħalib Group Ltd. (KPH Group)
10. Gozitano Agri Coop Ltd.
11. Għaqda Koperattiva Tas-Sajd Limitata
12. Agricultural Co-operative Limited – (Agricoop)
13. Koperattiva Ta' Min Irabbi L-Majjal Limited
14. Co-operative (Minibuses) Services Limited
15. Koperattiva Nazzjonali tas-Sajd Limited
16. Motor Towing Co-operative Ltd.
17. Koperattiva Għawdxija ta' l-Indafa Pubblika Limitata
18. Outlook Management & Communications Co-operative Society Ltd.
19. Koperattiva Kulturali Universitarja Soċjeta Limitata
20. Koperattiva Għawdxija tal-Bizzilla u Artigjanat Limitata
21. Koperattiva tat-Tabelli u Sinjali tat-Traffiku Soċjeta' Limitata
22. Koptaco Coaches Co-operative Limited
23. Koperattiva Għas-Servizzi Farmaċewtici Limitata
24. Mediacoop Limited
25. Koperattiva Linen Service Soċjeta' Limitata
26. ASC - Archaeology Services Co-operative Limited

27. Malta Maritime Pilots Co-operative Society Limited
28. Crossroad Co-operative Society Ltd.
29. Vista Cooperative Society Ltd.
30. Recoop – The Restoration and Conservation Co-operative Ltd
31. Transport Services for Disabled Persons Co-operative Ltd.
32. Hex Cleaning Services Co-operative Society Ltd.
33. Koperattiva Rurali Manikata Ltd (KRM Ltd.)
34. Farm Advisory Services Co-op Limited
35. Knowledge Matters Co-op Ltd.
36. Ports Foremen Co-operative Limited
37. Koperattiva Produtturi Tat-Tadam Ta' Malta Ltd.
38. Euromed Connect Coop Limited
39. Greenpak Co-op Society Ltd.
40. Malta Mooring Masters Cooperative Ltd.
41. Koperattiva Tal-Coaches Għawdex Limitata
42. Focalpoint Transport Co-op Ltd.
43. Trend Ventures Coop Ltd.
44. Żum Cooperative Ltd.
45. Empower Co-operative Ltd.
46. Mediterranean Maritime Research and Training Centre (MMRTC) Society
Co-operative Ltd.
47. Me2 Co-op Limited
48. Malta Boatmen & Mooring Services Co-op Ltd.
49. Darsia Co-operative Ltd. (DCL)
50. Malta Potato Exports Cooperative Ltd. (MALPO Coop Ltd.)
51. Omnicare Cooperative Ltd.
52. Consultancy Co-operative Ltd.
53. Comino Ferries Co-op Limited
54. Urban Lab Cooperative Ltd.
55. Cooperative of Physiotherapists Ltd.
56. Koperattiva Youtheme Ltd.
57. Lync Co-op Ltd.

58. OutNet Cooperative Ltd.
59. Blue Lagoon Ferry Co-op Limited
60. Energija Pożittiva Co-op Limited
61. Koperattiva tat-Tadam għall-Ipprocessar Ltd.
62. Gozo-Comino Ferries Co-operative Limited
63. Koperattiva Malta Bus Ltd.
64. Sportslink Coop Ltd.
65. Kixott Cooperative Ltd.
66. Reach Co-op Ltd.
67. Koperattiva Produtturi tal-Bhejjem Limitata
68. Koperattiva This Is Co-op Ltd.
69. Med Gozo Coop Ltd.
70. National Transport Coop Ltd.
71. HSC Coop Ltd.
72. Koperattiva Produtturi taż-Żebbuġ Limited

Below is the number of registered, dissolved and struck off LLCs in Malta during the past 20 years. This information was given by MBR on the 29th of March 2023.

Year	Registered	Dissolved	Struck Off
2003	2,112	452	33
2004	2,386	454	68
2005	2,330	843	152
2006	2,831	742	96
2007	2,663	589	19
2008	2,740	641	31
2009	2,582	832	58
2010	3,005	965	194
2011	3,325	896	245
2012	3,934	1,016	209
2013	4,476	1,173	331
2014	5,015	1,140	292
2015	5,371	1,366	161
2016	5,120	1,527	147
2017	5,276	1,650	1,142
2018	5,723	1,638	1,383
2019	4,246	1,921	2,991
2020	3,210	2,260	13,155
2021	3,347	2,086	7,537
2022	2,916	1,721	2,553
2023	686	584	532
TOTAL	73,294	24,496	31,329

Table A4.1: List of Registered, Dissolved and Struck Off LLCs during the past 20 years

Clearly, co-operatives developed much less than LLCs in Malta.

Appendix 4.2: Statistical Data Analysis using the Friedman Test

This Appendix includes bar graphs that supplement the statistical tables presented in Chapter 4 by visually displaying the variations among the mean rating scores of each Likert scale question and providing a clear representation of the results obtained from the Friedman test.

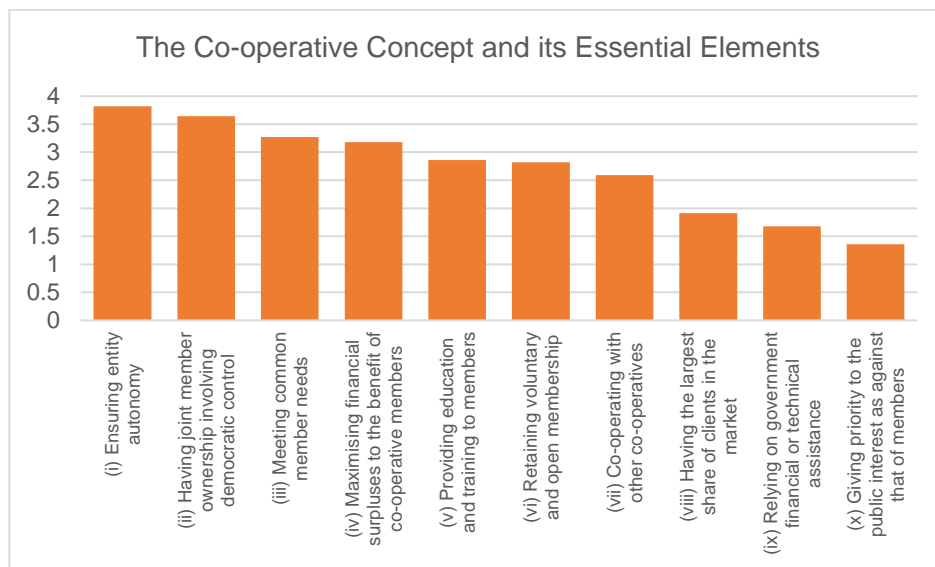


Figure A4.1: The Co-operative Concept and its Essential Elements

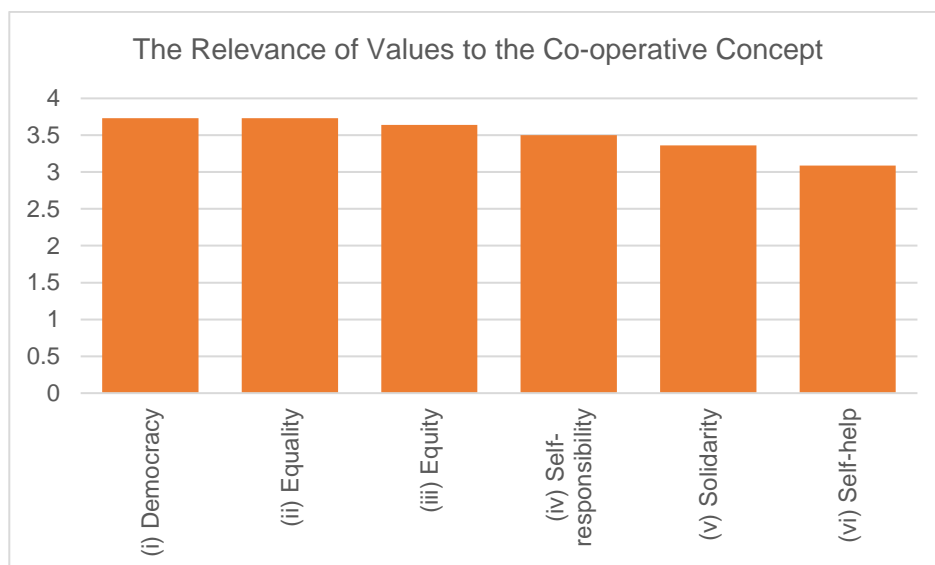


Figure A4.2: The Relevance of Values to the Co-operative Concept

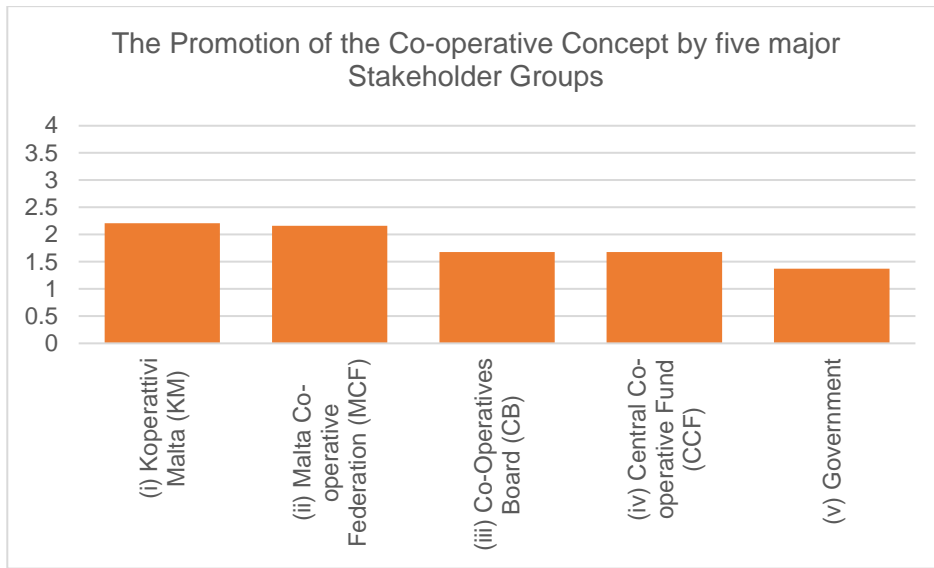


Figure A4.3: The Promotion of the Co-operative Concept by five major Stakeholder Groups

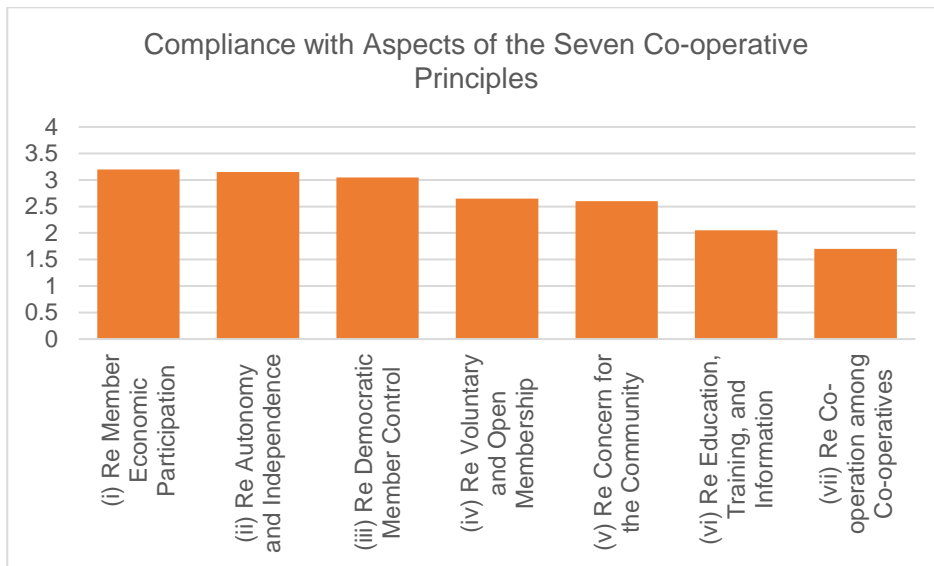


Figure A4.4: Compliance with Aspects of the Seven Co-operative Principles

Appendix 4.3: Statistical Data Analysis using the Kruskal Wallis Test

This Appendix displays tables indicating whether the mean rating scores to each Likert scale question differ significantly or not among the relevant groups of respondents.

Section A: The Co-operative Concept and Values

The extent to which the following elements are essential to the co-operative concept is as follows:	Group	Sample Size	Mean	Std. Dev.	P-value
Maximising financial surpluses to the benefit of co-operative members	Experts	5	3.00	0.707	0.353
	Coopinstitreps	4	3.00	0.816	
	Coopreps	13	3.31	1.182	
Having joint member ownership involving democratic control	Experts	5	3.60	0.894	0.365
	Coopinstitreps	4	4.00	0.000	
	Coopreps	13	3.54	0.660	
Meeting common member needs	Experts	5	2.60	0.548	0.026
	Coopinstitreps	4	3.25	0.500	
	Coopreps	13	3.54	0.519	
Having the largest share of clients in the market	Experts	5	1.40	1.673	0.526
	Coopinstitreps	4	1.75	0.957	
	Coopreps	13	2.15	1.345	
Retaining open and voluntary membership	Experts	5	3.40	0.894	0.521
	Coopinstitreps	4	2.75	1.500	
	Coopreps	13	2.62	1.325	
Ensuring entity autonomy	Experts	5	3.60	0.548	0.190
	Coopinstitreps	4	4.00	0.000	
	Coopreps	13	3.85	0.555	
Providing education and training to members	Experts	5	2.60	1.140	0.776
	Coopinstitreps	4	3.00	1.414	
	Coopreps	13	2.92	1.188	
Relying on government financial or technical assistance	Experts	5	1.40	1.140	0.903
	Coopinstitreps	4	1.75	1.500	
	Coopreps	13	1.77	1.423	
Co-operating with other co-operatives	Experts	5	2.20	0.837	0.543
	Coopinstitreps	4	2.50	1.732	
	Coopreps	13	2.77	0.832	
Giving priority to the public interest as against that of members	Experts	5	1.40	1.140	0.680
	Coopinstitreps	4	1.75	1.258	
	Coopreps	13	1.23	1.301	

Table A4.2: The Co-operative Concept and its Essential Elements

The relevance of values to the co-operative concept are as follows:	Group	Sample Size	Mean	Std. Dev.	P-value
Self-help	Experts	5	3.00	1.414	0.110
	Coopinstitreps	4	4.00	0.000	
	Coopreps	13	2.85	1.068	
Self-responsibility	Experts	5	3.60	0.894	0.239
	Coopinstitreps	4	4.00	0.000	
	Coopreps	13	3.31	0.947	
Democracy	Experts	5	3.40	0.894	0.335
	Coopinstitreps	4	4.00	0.000	
	Coopreps	13	3.77	0.439	
Equality	Experts	5	3.60	0.548	0.387
	Coopinstitreps	4	4.00	0.000	
	Coopreps	13	3.69	0.480	
Equity / fairness	Experts	5	3.40	0.894	0.327
	Coopinstitreps	4	4.00	0.000	
	Coopreps	13	3.62	0.506	
Solidarity	Experts	5	3.40	0.894	0.703
	Coopinstitreps	4	3.75	0.500	
	Coopreps	13	3.23	1.166	

Table A4.3: The Relevance of Values to the Co-operative Concept

The co-operative concept has, to date, been promoted by:	Group	Sample Size	Mean	Std. Dev.	P-value
The Central Co-operative Fund (CCF)	Experts	5	1.60	1.140	0.846
	Coopinstitreps	4	2.00	0.000	
	Coopreps	13	1.85	1.405	
The Co-operatives Board (CB)	Experts	5	1.60	1.140	0.706
	Coopinstitreps	4	1.25	0.500	
	Coopreps	13	1.92	1.441	
Koperattivi Malta (KM)	Experts	5	2.60	1.140	0.877
	Coopinstitreps	4	2.25	1.500	
	Coopreps	12	2.25	1.357	
The Malta Co-operative Federation (MCF)	Experts	5	2.00	1.581	0.718
	Coopinstitreps	4	2.75	1.258	
	Coopreps	11	2.18	1.471	
Government	Experts	5	0.80	0.837	0.503
	Coopinstitreps	4	2.00	1.414	
	Coopreps	13	1.46	1.561	

Table A4.4: The Promotion of the Co-operative Concept by five major Stakeholder Groups

Section B: The Application of the Co-operative Concept and Values

Compliance with Aspects of the Seven Co-operative Principles	Group	Sample Size	Mean	Std. Dev.	P-value
Re Voluntary and Open Membership: In your view, how far is it easy to become a member in Maltese co-operatives?	Experts	5	2.80	0.447	0.965
	Coopinstitreps	3	2.67	0.577	
	Coopreps	13	2.62	1.193	
Re Democratic Member Control: In your view, how far do co-operative members exercise democratic control?	Experts	5	2.40	0.548	0.120
	Coopinstitreps	4	3.00	0.816	
	Coopreps	13	3.31	0.855	
Re Member Economic Participation: In your view, how far are co-operative members involved in decisions relating to the annual distribution of surplus registered by Maltese co-operatives?	Experts	5	3.20	0.837	0.028
	Coopinstitreps	4	1.50	1.000	
	Coopreps	13	3.38	1.044	
Re Autonomy and Independence: In your view, how far are Maltese co-operatives generally autonomous and independent of any other organisations/institutions?	Experts	5	3.20	0.447	0.653
	Coopinstitreps	4	2.75	0.957	
	Coopreps	13	3.15	1.068	
Re Education, Training, and Information: In your view, how far are Maltese co-operatives currently educating and training their members?	Experts	5	1.80	0.447	0.358
	Coopinstitreps	3	1.00	1.000	
	Coopreps	13	2.23	1.363	
Re Co-operation among Co-operatives: In your view, how far are Maltese co-operatives co-operating among each other?	Experts	5	1.80	1.304	0.379
	Coopinstitreps	4	2.25	0.500	
	Coopreps	13	1.54	1.198	
Re Concern for Community: In your view, how far are Maltese co-operatives concerned about their proximate community?	Experts	5	1.40	1.140	0.025
	Coopinstitreps	4	1.50	1.291	
	Coopreps	13	3.08	1.188	

Table A4.5: Compliance with Aspects of the Seven Co-operative Principles

Appendix 4.4: Statistical Data Analysis using the Chi Squared Test

This Appendix displays tables indicating whether there is any association between the group of participant perceptions and the variable describing an aspect relating to the study. These were found to be insignificant.

CSA (2001) current provisions are enough to clarify the co-operative concept:	Yes	No	Total
Experts	2	3	5
Percentage	40.0%	60.0%	100.00%
Coopinstitreps	2	1	3
Percentage	66.7%	33.3%	100.00%
Coopreps	4	7	11
Percentage	36.4%	63.6%	100.00%
Total Respondents	8	11	19
Percentage	42.1%	57.9%	100.00%

$X^2(2) = 0.900, p = 0.638$

Table A4.6: The Co-operative Concept as clarified by the CSA (2001)

The co-operative concept is perceived by the public as being only relevant to specific sector/s:	Yes	No	Total
Experts	2	2	4
Percentage	50.0%	50.0%	100.00%
Coopinstitreps	2	1	3
Percentage	66.7%	33.3%	100.00%
Coopreps	10	2	12
Percentage	83.3%	16.7%	100.00%
Total Respondents	14	5	19
Percentage	73.7%	26.3%	100.00%

$X^2(2) = 1.810, p = 0.405$

Table A4.7: The Co-operative Concept as perceived by the Public

The formation of new co-operatives is too restricted by the regulatory framework:	Yes	No	Total
Experts	2	3	5
Percentage	40.0%	60.0%	100.00%
Coopinstitreps	2	2	4
Percentage	50.0%	50.0%	100.00%
Coopreps	7	6	13
Percentage	53.8%	46.2%	100.00%
Total Respondents	11	11	22
Percentage	50.0%	50.0%	100.00%

$X^2(2) = 0.277, p = 0.871$

Table A4.8: The Formation of Co-operatives as restricted by the Regulatory Framework

Internal financing is more difficult for co-operatives rather than for other corporate structures:	Yes	No	Total
Experts	5	0	5
Percentage	100.0%	0.0%	100.00%
Coopinstitreps	3	1	4
Percentage	75.0%	25.0%	100.00%
Coopreps	6	7	13
Percentage	46.2%	53.8%	100.00%
Total Respondents	14	8	22
Percentage	63.6%	36.4%	100.00%

$X^2(2) = 4.797, p = 0.091$

Table A4.9: Internal Financing for Co-operatives

External financing is more difficult for co-operatives rather than for other corporate structures:	Yes	No	Total
Experts	5	0	5
Percentage	100.0%	0.0%	100.00%
Coopinstitreps	4	0	4
Percentage	100.0%	0.0%	100.00%
Coopreps	8	5	13
Percentage	61.5%	38.5%	100.00%
Total Respondents	17	5	22
Percentage	77.3%	22.7%	100.00%

$X^2(2) = 4.480, p = 0.106$

Table A4.10: External Financing for Co-operatives

Co-operatives provided more opportunities for financial participation, in comparison with other corporate structures:	Yes	No	Not Sure	Total
Experts	1	3	1	5
Percentage	20.0%	60.0%	20.0%	100.00%
Coopinstitreps	2	1	1	4
Percentage	50.0%	25.0%	25.0%	100.00%
Coopreps	4	7	2	13
Percentage	30.8%	53.8%	15.4%	100.00%
Total Respondents	7	11	4	22
Percentage	31.8%	50.0%	18.2%	100.00%
$X^2(4) = 1.445, p = 0.836$				

Table A4.11: Financial Participation as provided by Co-operatives

Co-operatives provided more opportunities for managerial participation, in comparison with other corporate structures:	Yes	No	Not Sure	Total
Experts	1	3	1	5
Percentage	20.0%	60.0%	20.0%	100.00%
Coopinstitreps	3	1	0	4
Percentage	75.0%	25.0%	0.0%	100.00%
Coopreps	5	6	2	13
Percentage	38.5%	46.2%	15.4%	100.00%
Total Respondents	9	10	3	22
Percentage	40.9%	45.5%	13.6%	100.00%
$X^2(4) = 3.015, p = 0.555$				

Table A4.12: Managerial Participation as provided by Co-operatives

The co-operative structure is more adaptable to socially oriented entities, rather than commercial ones:	Yes	No	Not Sure	Total
Experts	1	3	1	5
Percentage	20.0%	60.0%	20.0%	100.00%
Coopinstitreps	0	4	0	4
Percentage	0.0%	100.0%	0.0%	100.00%
Coopreps	4	6	3	13
Percentage	30.8%	46.2%	23.1%	100.00%
Total Respondents	5	13	4	22
Percentage	22.7%	59.1%	18.2%	100.00%
$X^2(4) = 3.705, p = 0.447$				

Table A4.13: The Co-operative Structure as being more Adaptable to Socially Oriented Entities

The relatively low number of active co-operatives is in itself a disincentive for new entities to adopt the co-operative model:	Yes	No	Total
Experts	4	1	5
Percentage	80.0%	20.0%	100.00%
Coopinstitreps	1	3	4
Percentage	25.0%	75.0%	100.00%
Coopreps	7	6	13
Percentage	53.8%	46.2%	100.00%
Total Respondents	12	10	22
Percentage	54.5%	45.5%	100.00%
$X^2(2) = 2.718, p = 0.257$			

Table A4.14: The Relatively Low Number of Active Co-operatives as being a Disincentive

Word Limit Extension - The Application of the Co-operative Concept in Malta

2 messages

Melania Apap <melania.apap.18@um.edu.mt>

1 May 2023 at 20:04

To: Peter J Baldacchino <peter.j.baldacchino@um.edu.mt>

Dear Prof. Baldacchino,

I am writing this to kindly request a word limit extension, from 15,000 to 20,000 words, for my dissertation 'The Application of the Co-operative Concept in Malta', in view of the detail my analysis had to go into.

Thanks and regards,

Melania Apap

Peter J Baldacchino <peter.j.baldacchino@um.edu.mt>

1 May 2023 at 22:56

To: Melania Apap <melania.apap.18@um.edu.mt>

Dear Melania,

Extension of your dissertation word limit from 15,000 to 20,000 words is hereby approved

.Kind regards,
Prof Peter J Baldacchino
Dissertation Supervisor

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1 message

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To: Melania Apap <melania.apap.18@um.edu.mt>

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Dear Melania,

I write to confirm that I have gone into the Turnitin Report of your dissertation and noted no issues relating to plagiarism. So you may proceed with your submission.

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--

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