



THE CO-OPERATIVE UNIVERSITY OF KENYA

Proceedings
of The Eighth Co-operative
University of Kenya (CUK)
Annual Scientific Conference &
The Third Co-operative Movement
stakeholders' Conference,

"THE JOINT CO-OPERATIVE CONFERENCE 2025"

ON

Co-operatives Build a
Better World: Re-energizing
the Collective Power of
Co-operatives in Africa

July 22nd-24th, 2025

Isaac K. Nyamongo - Editor

COMMERCIAL BANKING INSIDE A COOPERATIVE SHELL: IDENTITY SNAGS

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ABSTRACT: Cooperative banks, in their original nature, are cooperative enterprises that are supposed to be governed by cooperative principles, values and practices. Banks, in the modern era, have opted and maintained the use of cooperative identity even when their formation, operation and governing principles are not in line with the International Cooperative Alliance (ICA) Statement on Cooperative Identity. Banking businesses owned by cooperative majority shareholders and which are not registered as cooperative enterprises have also confusingly been branded as cooperative banks for marketing and related reasons. The cooperative identity has in both cases become symbolic. The present study is an examination of cooperative identity in banking business. The authors critically analyse cooperative identity for select cooperative banks in common law Africa, Europe, America and Asia. Data was obtained by structured literature review (SLR), documentary review and analysed qualitatively using content analysis techniques. The study mainly found out that cooperative identity is based on cooperative values, principles and their application. For an entity to be recognised and referred to as a cooperative society, it must have been incorporated under cooperative societies legislation. The study found out existence of banks that are registered under companies' laws and which are referred to as cooperative banks. Their identity, for branding is shelled by cooperatives but legitimacy lies with private companies' attributes. They operate in accordance with companies' practices, managed by bodies and structures different from those under cooperative societies structures. Even when cooperatives have majority shares, operations have targeted profit maximization than members' benefits. The cooperative democratic governance is mostly offended with decisions left with the haves. The study concludes that cooperative banks are mostly symbolic as the business are by companies hiding in cooperatives shells. The study recommends various legislative and practical reforms to protect cooperative bank's identity.

Keywords: commercial banks, cooperative banking, cooperative identity, shell, cooperative principles

INTRODUCTION

Cooperative banks have been contributing to the largest banking institutions globally Venanzi, & Matteucci, 2022; Coccorese, & Shaffer, 2021). They significantly reduce income inequality and more so than commercial banks counterparts (Minetti, Murro, & Peruzzi, 2021). Cooperative banks differ notably from other credit institutions in ownership, control,

and benefits, as their owners are typically also their customers, known as members, whose membership is non-transferable, limited to individual equity shares redeemable only at nominal value, preventing vote accumulation through share purchases. They operate on a one-member, one-vote principle regardless of capital held, promoting efficient and sound governance through member control and checks at all business levels, which reduces risk, enhances creditworthiness assessment, and ensures prompt customer response. These banks primarily raise capital via new memberships or retained profits, often regulated by law, and focus on maximizing member value by providing products, services, and profit distribution rather than solely pursuing profit maximization, reflecting their risk profile and retail banking focus. Typically localized or regionally based, cooperative banks maintain strong ties to the communities they serve (Fiordelisi, & Mare, 2014). Cooperative banks have been sustainable due to the lower volatility of the cooperative banks' returns that does not depend on capitalization or profitability since both are weaker on average in cooperative banks than in commercial banks (Venanzi, & Matteucci, 2022). On the other hand, commercial banks are solely profit-oriented, cooperative banks are committed to maximizing member value and, by law, to incorporate a strong member and local focus (Damberg, Schwaiger, & Ringle, 2022). According to the International Cooperative Banking Association (ICBA 2020), cooperative banks play a key role with regard to tackling and reaching the Sustainable Development Goals (SDGs). Cooperative banks are more stable than commercial banks, primarily because the lower volatility of their returns driven by their ability to use customer surplus as a cushion during weaker periods more than compensates for their lower profitability and capitalization (Hesse, & Čihák, 2007). Cooperative banks, in their origin, are member-owned financial institutions designed to meet the economic and social needs of their members. There are mainly two models that cooperatives banks operate: Raiffeisen model developed by Friedrich Wilhelm Raiffeisen in rural Germany in the mid-19th century and Schulze-Delitzsch developed by Hermann Schulze-Delitzsch in 19th century Germany. While the Raiffeisen model targets the rural communities, the Schulze-Delitzsch mostly functions for the urban population. Experience shows that the European co-operative banks are mostly operating under the Raiffeisen model while the ones from developing countries resembles Schulze-Delitzsch model. However, they both share the characteristics of owner-members who are their main and, in most cases, sole customers with voluntary membership, equal voting powers and profitability not motivating their establishment rather the financial and social needs (Kalmi, 2012). Rooted in the cooperative movement, their identity is traditionally grounded in values such as self-help, democracy, equity, and solidarity, as articulated by the International Cooperative Alliance (ICA). However, in recent decades, the global trend of financial liberalization and regulatory shifts has led to significant transformations within the cooperative banking sector. Some banks, while retaining cooperative branding, operate under corporate law frameworks, follow shareholder-centric governance models, and prioritize profit maximization over member welfare. This paper explores the inconsistencies and contradictions that arise when commercial banking institutions make use of cooperative identity. The authors initially examine the motive for cooperative banks, reasons for establishing commercial banks with cooperative identity and those for migrating from cooperative banks to commercial banking with the cooperative identity preserved. They then analyse the inconsistencies and contradictions as impacts associated with such establishment and migrations.

METHODOLOGY

This study employed an exploratory research design with a qualitative approach to investigate whether commercial banks operating within cooperative frameworks retain their cooperative identity. A purposive sample of relevant scholarly articles, reports, policy documents, and official cooperative bank websites was selected to provide insights into ownership, governance, and operational practices. Data were collected through a comprehensive review of academic literature and secondary documents available on institutional websites. The collected information was analysed thematically, focusing on key aspects such as ownership structure, governance, member participation, and profit distribution, allowing identification of patterns and variations in adherence to cooperative principles.

FINDINGS AND DISCUSSION

Motives behind Cooperative Banking: Cooperatives have always reflected a dual nature, combining economic enterprise with a democratic, value-driven mission. They unite individuals to meet shared economic, social, and cultural needs through jointly owned, democratically controlled organizations based on principles like self-help, equality, and solidarity. This structure aims to balance commercial success with humanistic values. However, an ongoing tension exists: can a cooperative remain economically successful while staying true to its democratic ideals? This question lies at the heart of cooperative identity (Hartz, Tümpel, Hühn, & Rybnikova, 2024). The study found that the motives behind cooperative banking are closely tied up with those for establishment of any cooperative society. They are the ones stipulated under the ICA Statement on Cooperative Identity (1995). The Statement underlines cooperatives as autonomous associations of persons united voluntarily to meet common *economic, social, and cultural* needs through a jointly owned and democratically controlled enterprise. Cooperative banks, are therefore, established for purposes of meeting members economic, social and cultural needs. Cooperative banks are established by members for purposes of addressing their common needs. Members are the customers of the bank and operations largely depends on their active participation. They differ with other banks (non-cooperative) which are established for purposes of providing financial and non-financial services to the customers. The evolution of cooperative banking has long been grounded in principles of mutual aid, democratic governance, and member ownership. Historically, cooperative banks emerged as financial institutions owned and governed by their members, providing financial services primarily to underserved populations with a mission-driven, not-for-profit orientation (Birchall, 2013; ICA, 1995). These principles formed the bedrock of what is now recognized globally as the cooperative identity, codified in the Statement on the Cooperative Identity by the International Cooperative Alliance which emphasizes democratic member control, economic participation, and concern for community. However, of latest there are some banks labelled as "cooperative banks" and which are not registered under cooperative law, do not adhere to democratic control, and are profit-driven entities governed by non-cooperative laws. They raise critical questions about their true identity especially on the adoption and use of cooperative identity. It is these questions that forced the authors to also study the reasons forcing non-cooperative banks to adopt and make use of cooperative identity. The findings on this question are reported in 3.2.

Reasons for Capitalising on Cooperative Identity: One of the critical objectives of the study was to find out reasons why non-cooperative banks prefer to make use of cooperative identity. Prior to sharing findings on the same, it is important to provide evidence of such practice. The study was able to identify evidence of non-cooperative banks using cooperative

identity in their branding. Most of these are the ones that migrated from being cooperative banks. They are in Europe, Asia, Africa and Americas. Table 1 presents examples of cooperative banks that have transformed to non-cooperative character and still are referred to as cooperative banks. They are mostly those that have substantially deviated into commercial models:

Table 1: Cooperative Banks without Cooperative Identity

Bank Name	Country	Where Identity is Maintained / Lost	Cooperative Status
Co-operative Bank Kenya	Kenya	Listed on stock exchange (2008); external investors gained influence; decision-making shifts toward profitability rather than member service.	Deviated
Banco Popular	Spain	Converted into joint-stock company; no longer governed by members; fully commercial; failed and acquired by Santander.	Deviated
The Co-operative Bank (UK)	UK	Taken over by hedge funds/private equity after financial crisis; no longer governed by cooperative members.	Deviated
CBT	Tanzania	Originally a cooperative bank (KCBL); recapitalized and transformed into a public company; now profit-maximizing.	Deviated

These are few examples from multiple that shows the use of cooperative bank phrase by mostly commercial banks even when they are not. Most of these banks were forced by market forces and regulatory shifts to ignore cooperative distinctions. Literature increasingly focuses on governance structures (Jones & Kalmi, 2012), member engagement (Birchall, 2011), and regulatory responses (Ayadi et al., 2010) as critical to safeguarding or reclaiming the cooperative essence. These are non-visible and almost absent in the listed banks. It is no doubt therefore that the banking sector, has, in recent decades, witnessed a paradigm shift with some non-cooperative enterprises established and operating as cooperative banks and others migrating from being cooperative banks to adopting commercial banking practices while retaining the cooperative label. Table 1 has outlined a few examples of such shift. Reasons for the paradigm shift are multi-faceted. They vary from regulatory to market driven. From the regulatory point of view, we understand the introduction of Basel III after the global financial crisis that treats all banks virtually the same assuming one-size-fits-all (Minetti, Murro, & Peruzzi, 2021). We have witnessed some cooperative banks that are registered under the Companies Act instead of cooperative laws. Moreover, there are cooperative banks where nomination of board of director is done by the government (Gupta, & Jain, 2012). This phenomenon, which scholars term “identity drift” (McKillop & Wilson, 2011; Chaves & Soler, 2005), presents both conceptual and operational challenges. Scholars argue that commercial pressures including capital adequacy regulations, market competition, and profitability imperatives have incentivized some cooperative banks to adopt hybrid models or to transition entirely into shareholder-driven commercial banks (Fonteyne, 2007). The

pressure on cooperative banks can be explained by isomorphic institutional theory (DiMaggio, & Powell, 1983) which shows that organizations change to resemble others due to coercive forces such as laws and regulations, mimetic forces such as copying successful peers in times of uncertainty, and normative forces such as influence of professional standards and education (Polo-Garrido & Fouché, 2025). For example, the Italian legal reform, required cooperative banks with assets exceeding 8 billion euros to abandon their mutual structure, where each member had one vote, and convert into limited companies. This legislation reflects an underlying belief that, particularly for larger banks, the corporate model offers a more effective framework than the cooperative model (Venanzi, & Matteucci, 2022). Novkovic et al. (2022) describe isomorphism as a situation where cooperatives overlook their identity and collective nature, instead adopting investor-oriented ownership and performance measures, which limits their ability to fully achieve their goals. Therefore, there current situations where it is the cooperators owning commercial banks simply by having majority of share and yet naming them cooperative banks. The literature distinguishes between banks that maintain their cooperative philosophy and governance structures, and those that retain symbolic cooperative features while functioning like conventional banks (Groeneveld, 2015). Literature suggests that the tension between cooperative values and commercial imperatives is not merely theoretical but manifested in institutional evolution. There is an emerging identity crisis in cooperative banking. Institutions branded as cooperative banks often operate in ways fundamentally inconsistent with cooperative principles. The symbolic use of the term ‘cooperative’ for marketing or political legitimacy, despite operating under company law with commercial interests, has created confusion among stakeholders. This disjunction between cooperative identity and corporate reality undermines the integrity of the cooperative model and misleads members and the public. To assess how cooperative identity is defined and applied in banking by examining the legal and operational frameworks of selected cooperative banks, evaluating whether these banks maintain or diverge from cooperative principles in practice, and recommending reforms to strengthen cooperative identity in the sector. Studies conducted by Hartz, Tümpel, Hühn, and Rybnikova, (2024) found four types of cooperatives based on how they handle the organizing paradox: (1) *Project-based participation* - small, grassroots cooperatives focused on informal, direct member participation and community values; (2) *Value-oriented participation*-larger, mission-driven cooperatives actively sustaining participation alongside social and ecological goals; (3) *Customer-oriented participation*-large, commercially focused cooperatives where participation is largely financial or symbolic, with power concentrated in management; and (4) *Participation controlled by management*-cooperatives that display autocratic structures where participation is minimal or superficial, and democratic ideals are overshadowed by market imperatives. The study shows that participatory practices are not determined by size or sector but by how organizations make sense of and address the paradox of democracy versus hierarchy. Members for cooperative banks can be individuals or cooperatives. For the cooperatives that have listed their shares, allow investors to have a shareholding part in the cooperative banks. The question is how the investors who members are not have the influence on decision making of the bank. Table 2 presents cooperative banks which have preserved their cooperative identity.

Table 2: Co-operative Banks with Cooperative Identity

Bank Name	Country	Where Identity is Maintained / Lost	Cooperative Status
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Bank Name	Country	Where Identity is Maintained / Lost	Cooperative Status
Rabobank	Netherlands	Local cooperative banks owned by members; democratic governance; profits reinvested in members and local communities; strong agricultural focus.	Maintained
Desjardins Group	Canada	Member-owned; democratic governance; reinvests in members and communities; strong education and community programs.	Maintained
Crédit Agricole (Regional)	France	Regional banks owned by member-customers; democratic control at regional level; profits support local initiatives; cooperative governance at base level.	Maintained
BCC/Iccrea Group	Italy	Local cooperative banks owned by members; strong focus on SMEs and local development; democratic governance within local banks.	Maintained
OP Financial Group	Finland	Member-owned regional banks; democratic participation; profits returned through member benefits and community investments.	Maintained
National Cooperative Bank (NCB)	USA	Owned by cooperative enterprises; mission-focused lending to cooperatives and underserved communities; no external shareholder influence.	Maintained

Cooperative banks are a significant presence in European countries mostly. According to EACB (2025), cooperative banks in Europe strongly maintain their unique identity through embedded values such as solidarity, trust, democratic governance, resilience, proximity, and a social commitment to their communities. Members are actively involved in governance, ensuring that ownership remains member-driven rather than investor-led. Their local branch networks, long-term orientation, and conservative risk profiles underscore their resilience and closeness to the customers they serve. Additionally, cooperatives reinvest profits through reserves or member-centred initiatives, reinforcing their focus on shared societal benefits rather than pure profit maximization. Cooperative banks, as defined by the European Association of Co-operative Banks (EACB), have retained a distinctive identity characterized by member-based ownership, democratic governance, active member participation, and profit distribution aligned with cooperative principles. The ownership structure ensures that members, who are both customers and owners, collectively control the bank rather than external investors, thereby reinforcing substantive cooperative identity. Governance follows the one-member-one-vote principle, ensuring that decision-making power is distributed equitably, irrespective of individual capital contributions. Member participation is not only formal but substantive, as members are engaged in both the governance process and strategic oversight. Profits are generally reinvested in reserves, community development, or returned to members, reflecting a commitment to long-term sustainability over short-term financial gain. This model represents a substantive identity rather than merely symbolic adherence to

cooperative principles, as cooperative banks consistently integrate their values into ownership, governance, and operations (EACB, 2025). In its mission statement, EACB serves as the authoritative voice for European cooperative banks, actively representing their interests in EU institutions and ensuring their perspectives shape relevant policy discussions. It is dedicated to egalitarian governance, giving each member equal decision-making power and fostering transparent, inclusive communication within its network. By championing cooperative values such as democracy, social responsibility, and local proximity, the EACB promotes a distinct alternative to shareholder-driven banking models in Europe and beyond.

Inside Cooperative Shells: The Abuse and Inconsistencies: The third and important objective of this study was to identify inconsistencies associated with non-cooperative banks operating under cooperative identity. General to all is the abuse of cooperative identity, one outlined under the ICA Statement, 1995. National cooperative laws of the Anglophone countries have mostly criminalised the use of the word “cooperative” by non-cooperative businesses. Even with such criminalisation, some commercial banks have continued to adopt and use the term in their names and businesses. They have done so deliberately and majorly for the purpose of capturing the mass in the movement. It is absurd to the cooperative identity and to the cooperative movement globally, regionally and nationally when a commercial bank is using a cooperative identity and it is neither registered under cooperative law nor is it regulated by cooperative regulators. It is also absurd to the movement when a bank referred to as a cooperative bank is neither under its ownership nor is it providing benefits to them except of treating them as ordinary customers. So far, non-cooperative banks operating as cooperative banks have brought in serious inconsistencies requiring deliberations and ways forward. There are question marks on entities incorporation and regulation; governance structures and decision making; motive behind such banking; as well as the enterprises (banks) identity authenticity. In terms of incorporation and regulation, the study found that several institutions labelled as cooperative banks are registered under companies’ legislation, not under cooperative societies laws. In Kenya, for example, the Cooperative Bank of Kenya is a public limited company listed on the Nairobi Securities Exchange, though majority-owned by cooperative societies. In Tanzania, the Cooperative Bank was formed as a cooperative, later converted to a company with 51% cooperative shareholding, but operates fully under company law. These arrangements allow for investor-based governance and profit-driven models while retaining cooperative branding. The UK’s Cooperative Bank PLC is a commercial bank wholly owned by the Cooperative Group, a British consumer cooperative whose members include customers of its various businesses not just the bank’s own customers, so the bank itself is not strictly a cooperative. Unlike many European cooperative banks that emerged to serve local community needs, it was established to provide banking services to other cooperative businesses and operates as a single national entity rather than a network of local banks. On governance structures and decision-making, the practice in cooperative banks is that of ensuring members participation is high. Literature points out that member participation is highly practiced in cooperative banks compared to the commercial banks (Fiordelisi, Grimaldi, Lopez, Mazzillis & Ricci, 2023). Although cooperative banks may differ greatly in their structures both within and across countries, they similarity remains on democratic ownership model where control is exercised by members on a one-person, one-vote basis, rather than by shareholders whose voting power reflects the size of their financial investment. However, the study found out that commercial banks operating as cooperative banks have greater divergence on the aspects. Despite cooperative majority

ownership these banks follow governance models based on shareholding, not democratic member participation. Board members are appointed based on share size and financial influence rather than equitable member representation. This undermines the core cooperative principle of “one member, one vote”. Decisions are made by those with larger financial stakes, marginalizing the voice of ordinary cooperative members. Ownership structures have shifted towards investor-oriented models under external pressures, threatening member control and democratic governance. Table 3 provides reflections on governance and member control from select cooperatives.

Table 3: Governance and Member Control

Bank Name	Ownership & AGM Composition	Board Composition	Maintain Co-op Identity?
Rabobank	AGM: Representatives of local member-owned co-op banks; farmers, SMEs, other members	Elected from local co-ops, strong member participation	Maintained
Desjardins Group	AGM: Member representatives (individuals, SMEs, farmers, community members)	Elected by members; mix of professional and co-op leaders	Maintained
OP Financial Group	AGM: Member-owners (individuals, SMEs, local communities)	Elected by regional co-ops; member-oriented	Maintained
National Cooperative Bank (NCB)	AGM: Cooperative enterprises (housing co-ops, worker co-ops, etc.)	Directors from co-op enterprises; mission-focused	Maintained
Co-operative Bank Kenya	AGM: Coop societies (majority via CoopHoldings) but external shareholders present	Coop reps + external directors (post-listing)	Deviated (partial)
Cooperative Bank Tanzania (CBT) (foster strong partnerships with cooperatives and other community organisations)	AGM: Institutional shareholders (gov't, CRDB, former co-ops), no direct member-owners	Corporate-style board; strategic partners represented	Deviated

On the aspect of motive for existence, the study sought to understand the non-cooperative banks motive and compare the same with that of model cooperative bank. The study main focus on this objective was profitability and members benefits. Unlike commercial banks, cooperative banks are not primarily driven by the goal of maximizing returns for external shareholders. Instead, their core purpose is to serve their members by offering affordable loans, fair interest rates on deposits, and meaningful support for local communities. As a result, their profits which are the basis for calculating return on assets (ROA) are intentionally modest, as value is returned to members through better services and lower costs rather than large bottom-line earnings. Profit distribution practices that align with member involvement and education help to reinforce the cooperative identity, while shifts towards investor-oriented models risk eroding cooperative values. In some cases, the operations of cooperative banks have become increasingly aligned with commercial banking standards, where profit maximization, risk management, and shareholder return take precedence over social responsibility and member benefits. This has reduced the cooperative mission in certain institutions to mere rhetoric, with limited evidence of genuine concern for community

development or member empowerment in their strategic priorities. However, such fears should not be overstated. Cooperative banks that have remained true to their identity continue to emphasize member benefits over profit maximization, demonstrating that a strong cooperative focus and financial sustainability can indeed coexist. A New Economic Foundation (NEF) Report by Prieg and Greenham (2014) showed that the average ROA of cooperative banks is slightly lower than that of commercial banks. However, this is an expected outcome that should not worry cooperators, as it stems from the very nature of their goals. For example, commercial banks engage in higher levels of speculation and riskier business ventures that generate higher profits, unlike cooperative banks. This can be observed from the EACB findings in Table 4.

Table 4: Selected Cooperative Profitability (ROA %)

Cooperative Bank	Country	ROA (%)
Österreichische Raiffeisenbanken	Austria	1.42
Österreichischer Volksbanken	Austria	1.1
Central Co-operative Bank	Bulgaria	1.07
Nykredit	Denmark	0.7
OP Financial Group	Finland	0.98
Crédit Agricole	France	n.a.
Crédit Mutuel	France	0.41
BPCE	France	0.18
Co-operative Financial Network	Germany	0.68
Central Body of Integrated Financial Institutions	Hungary	1.09
Federacasse (BCC)	Italy	1.05
Banque Raiffeisen	Luxembourg	0.41
Rabobank	Netherlands	0.71
National Union of Co-operative Banks (KZBS)	Poland	2.3
Credito Agricola	Portugal	1.2
Creditcoop	Romania	0.22
Unión Nacional de Cooperativas de Crédito	Spain	0.89
Banco de Crédito Cooperativo (BCC)	Spain	0.21
Raiffeisen Schweiz	Switzerland	0.47
Building Societies Association	United Kingdom	0.58
Desjardins Group	Canada	n.a.
The Norinchukin Bank / JA Bank Group	Japan	0.06
Korean Federation of Community Credit Cooperatives	South Korea	0.07
Average Return on Equity (ROE) and Return on Assets (ROA) (NEF study by Prieg and Greenham, 2014)		
	Coop banks	Commercial banks
Average ROE	9.3%	13.4%
Average ROA	0.4%	0.5%

KEY STATISTICS as of 31-12-23 (Financial Indicators)

Source: EACB website

Proceedings of the 8th CUK Annual Scientific Conference, 2025, on Co-operatives Build a Better World: Re-energizing the Collective Power of Co-operatives in Africa.

The authenticity of banks operating as cooperative banks also came into scrutiny. The study found out that some banks use the term “cooperative” symbolically only. They have either abandoned or never put into practice most of cooperative values, principles and practices. While branding and public communication might emphasize cooperative heritage, actual practices reflect conventional commercial banking. Therefore, the identity is shelled meaning that it is used for historical legitimacy or marketing while substantive cooperative values are largely absent. The study examined mission statements of some of the banks to assess the reflection of cooperative identity. From the examination, the study was able to identify a few banks whose mission statements reflects the cooperative identity. The cooperative banks which have maintained their cooperative identity as shown in Table 2 are the ones whose identity is reflected in their mission statements. Table 5 presents select banks and their respective mission statements.

Table 5: Banks and Mission Statements

Bank Name	Identity	Mission statement
Rabobank	Maintained	“Growing a better world together” emphasizing collaboration, community strength, and sustainable economies.
Desjardins Group	Maintained	“As a cooperative financial group ... we give our members and clients the support they need to be financially empowered.”
OP Financial Group	Maintained	“to promote the sustainable prosperity, security and wellbeing of its owner-customers and operating region. This mission has remained almost unchanged since our early years, providing a foundation and meaning for our work. Our core values – people first, responsibility, and succeeding together – guide our daily work”
National Cooperative Bank (NCB)	Maintained	“We operate for the benefit of our cooperative members—not outside investors. This allows us to focus on our commitment to support affordable housing, healthy food, renewable energy, small business growth, community-driven health care and non-profit organizations.”
Co-operative Bank Kenya	Deviated (partial)	“To offer a wide range of innovative financial solutions leveraging on our heavy investment in multi-channels, national and regional presence and with a focus on excellent customer experience by a highly motivated and talented team”
Cooperative Bank Tanzania (CBT)	Deviated	“To provide tailored financial solutions anchored on technology and innovation ... creating value for all stakeholders.”

CONCLUSION AND RECOMMENDATIONS

The study concludes that while there are evidenced that cooperative banks can operate while maintaining cooperative identity, some so-called cooperative banks are commercial banks operating within a cooperative shell. Their cooperative identity is largely symbolic, as their incorporation, governance, and operations are misaligned with ICA-defined cooperative principles. The retention of the cooperative label without adherence to its core values creates an identity snag, diluting the integrity and trustworthiness of genuine cooperative enterprises.

We argue that large cooperatives should lead the movement to form a purely cooperative banks that will serve members focusing on members benefits especially in developing countries where communities are struggling with farm inputs and in access to financial services in rural areas. However, while the inherent tension between business imperatives and democratic values in cooperative banks in some places cannot be eliminated entirely, but it can be managed effectively. This requires a combination of legal reform, governance innovation, capacity building, ethical finance, and regulatory interventions to safeguard genuine cooperative identity. The study proposes the following:

- i. Introduce legal safeguards ensuring that only institutions registered under cooperative law or any other law that maintains the cooperative identity and genuinely adhering to ICA principles may use the label “cooperative bank.” This will protect the integrity of the cooperative identity and prevent misuse for commercial gain.
- ii. Institutionalize authentic member control in governance structures, regardless of shareholding arrangements. This includes creating meaningful platforms for participation, enforcing leadership rotation, and establishing clear accountability between boards and management to avoid concentration of power.
- iii. Require financial regulators to clearly distinguish between true cooperative banks and commercially structured banks that merely adopt cooperative branding. Regulatory frameworks should reinforce cooperative principles and mandate regular reporting on social and cooperative impact alongside financial performance.
- iv. Invest in continuous training and education for cooperative members, boards, and staff to ensure ownership translates into effective participation and control. Embedding cooperative values in daily practice will help align business operations with democratic ideals.
- v. Encourage the use of innovative financing instruments such as non-voting shares, cooperative bonds, and federated structures that allow cooperatives to access capital without compromising member authority or democratic governance.
- vi. Promote a participatory organizational culture that fosters open dialogue and reflection on balancing economic success with democratic purpose. By nurturing shared responsibility and cooperative ethics at all levels, decisions will consistently reflect both business performance and cooperative values.

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