EUROPEAN COOPERATIVE BANKS
AND CONTEMPORARY ECONOMIC CRISIS

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Abstract: Descendants of the original model based on democracy, transparency and closeness to the client as an associate member and co-owner, credit cooperatives contribute to stability and competitiveness of the economic and financial system.

Key words: cooperative banks, private banks, client, decision-making.

1. Introduction

In Europe, the integration of cooperative banks is a real, complex and multi-faceted problem, both within the EU and in its dealings with the rest of Europe. The process of integrating the Romanian credit cooperative into the European flow is proving to be a lengthy one and involves major transformations.

Romania has always been a European state, and Romanians have never ceased to consider themselves European and to aspire to join the European family once more, which happened on 1 January 2007.

In Europe and elsewhere in the world, the banking system is built and develops as an open system, which enables it to organise its activity through mobilising its own resources and to continuously adapt to market signals and economic developments, of which it is a cause.

2. Modern approaches of European Cooperative Banks

According to the ownership structure, we can differentiate between the following bank categories:

- Private banks, whose capital is entirely owned by one or more persons;
- State banks, whose capital is entirely owned by the state whose territory they are based on;
- Mixed banks - operating as holdings, where the state is one of the shareholders.

The COOPERATIVE BANKS appeared in Romania in 2007. It was necessary to change the organisational structure of credit cooperatives as soon as Romania joined the EU, in accordance with G.E.O. no 99/06.12.2006 on credit institutions and capital adjustment, approved through Law no 227/2007, with subsequent amendments. The implementation and transpo-
situation of European Parliament and Council Directive no 2006/49/CE of 14 June 2006, regarding the adjustment of the capital of investment companies and credit institutions, needed to be completed by the end of 2006 (a deadline established as part of accession negotiations). The procedure to pre-notify the European Commission of the entire legislative framework adopted was performed in the spring of 2007.

Within the EU, the European Association of Cooperative Banks is an important organisation with an intense and varied activity, involved in all European Commission activities regarding the cooperative banking system. As of April 2003, Romania has been a part of the European Association of Cooperative Banks, alongside Austria, Belgium, Bulgaria, Cyprus, Switzerland, France, Finland, Greece, Germany, Italy, Hungary, Luxembourg, the Netherlands, Poland, Portugal, Spain and the UK. Congresses of the European Cooperative Banks take place annually, hosting debates on the following themes: financial markets, accounting and auditing, social responsibility, social and assisted development, banking legislation, payment systems, consumer protection and social affairs. The Congress is also the time for presenting the financial statement for the current year and the budget for the following year, as well as initiatives to increase the profile and to consolidate the position of cooperative banks within the European banking system.

With specific characteristics, Cooperative Banks are recognised both by national and by European legislation. They are valued by all financial rating agencies and ranked as a real banking force.

Cooperative banks, consisting of 4,500 credit organisations and 60,000 agencies, perform an essential role in the European economic and financial system. One out of every two banks is a cooperative, and they control 20% of the operations in the banking and financing market.

Credit cooperatives have a distinguished tradition in maximising the advantages offered to over 140 million clients and 60 million cooperative members; they also employ over 720,000 staff.

The cooperative bank model has been a success factor because it associates services offered to clients and democratic leadership with the stimulation of financial progress through competition.

Through constructive dialogue with the representatives of European institutions, cooperative banks have put forward the three directions that will enable them to create and develop a new image of enlarged Europe.

Descendents of the original model based on democracy, transparency and closeness to the client as an associate member and co-owner, credit cooperatives contribute to stability and competitiveness of the economic and financial system.

This role was stressed by all financial analysts who believe that the cooperative banks have an important and unique role within the banking community through their capital ownership structure based on the principle of 'one-man, one vote', through the structure of central organisms and through guarantee mechanisms.

Transparency in decision-making and the participation of co-operating members in the daily management of capital is an alternative to the model of anonymous companies.

The management principles are based on persons rather than shareholders, and this is the fundamental distinction on which cooperative banks were created more than a century ago.

Involving members and clients in decision-making provides force and confidence for those who invest in cooperative banks, which become efficient in decision-making, partly also because of the independence of the members of the executive boards.

Within these characteristics, the activity of credit cooperatives is regulated through national legislation, as well as European directives. The EU adopted in 2006 a new European cooperative statute, which offers opportunities related to trans-border cooperation, as cooperative banks play an increasingly essential role in European development. Furthermore, cooperative banks have forced the EU Member States to acknowledge the cooperative as a legal form of organisation.

Secondly, European cooperative banks emphasise their support in favour of the European Commission's initiative regarding competition and integration for national markets, as long as their activity is regulated by the same statutes.

They are wary of the principle of 'biggest is best'. The plurality and diversity of the cooperative banking system mean that these banks can offer their respective regions a wide spectrum of banking services, aimed at both the local population and local economy.
The notion of 'helping people help themselves' paves the way towards the market economy without renouncing the fundamental values based on solidarity.

In this context, the commercial model of cooperative banks is akin to reality, and the profit handed back to its member/clients is considered a real success within enlarged Europe.

Thirdly, cooperative banks contribute to the accomplishment of the objectives in the Lisbon Agenda by ensuring social competitiveness and cohesion.

Cooperative banks contribute to financing local economies and have the capacity of meeting the needs of co-operating members and of other clients. They are a moving force of cohesion and social integration and attempt to combat financial exclusion, so that all social categories in the demographic may have access to financial services, without any discrimination.

Cooperative banks equally play an essential part through their staff and collaborators, as the personnel of these banks accounted for 14% of all European employees over the last three years.

Furthermore, local and regional cooperative banks are the most important contributors to municipalities and local communities and also participate in regional economic development.

Cooperative banks that belong to their members and clients become involved in long-lasting, transparent economic relations for the latter's well-being and wealth.

Cooperative banks are determined to continue to play an active part in European economic development. Cooperative banking networks are alternatives to the banking system already present in the countries of the EU, and, through their organisation, they have contributed fully to the economic and financial prosperity of hundreds of thousands of Europeans, to whom they have guaranteed access to financial services of a high quality and at low cost, and will continue to do so in the future. The cooperative banking model is still underestimated, especially in the new EU Member States (including Romania), in spite of the fact that they could play a decisive part in the latter's economic development.

Enlarged Europe stresses the need to develop an initial impact study of all the legal initiatives regarding the cooperative banking system, arguing that there must be a constructive dialogue and that it is imperative that the directives of the European Commission and other norms aimed at regulating the activity of cooperative banks be drafted by the banks themselves, as they are a form of society that submits to the same financial rules as the commercial banks; we must demand equal competition circumstances, but also that our specific characteristics be taken into account.

Conclusions

The fundamental values of responsibility and solidarity, the result of services offered to associate members and clients, the closeness to members and clients and democratic leadership mean that cooperative banks are uniquely placed to respond to current concerns about durable development, thanks to their willingness to be responsible for their decisions.

Cooperative banks wish to play a decisive role in consolidating the banking sector within the enlarged EU and to offer their clients services that are perfectly tailored to their needs.

Unique in their diversity, cooperative banks have proved that they have the capacity to meet the economic and social needs of the demographic, and of the regions, as well as the requirement to adapt and become actively involved in the development of the European Union.

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