

A Critical Revisit to the Principles of Cooperatives: A Case Study of Multipurpose Cooperatives in Sri Lanka

Principles of
Cooperatives

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Abstract

The cooperative movement, a business initiative in its own right, operates in the market according to its unique set of principles that promote user ownership, user control and user benefit. However, despite the cooperative value system that emphasizes social wellbeing, the image it has developed in the minds of customers over time is apparently in trouble, due to the backlash from the neoliberal market economy that promotes consumerism. Against this backdrop, the current research paper focuses on understanding the nexus of connections that the principles of cooperatives have given rise to in creating the practices of its membership, using the theory of social practices as a framework. Neoliberalism as a political theory is critically analyzed in relation to its dominant practices, while shedding light on the pressures that those practices have brought to bear on the survival of cooperatives in the cotemporary neoliberal economic landscape of Sri Lanka. Based on the case study method, two multipurpose cooperative societies in Sri Lanka were studied by analyzing the data gathered from them thematically through a cross case analysis. It was found that of the three main components that are essential to the creation of a practice, namely, materials, meanings and competencies, meanings are the most powerful component in the creation of practices in cooperatives. Thus, it can be concluded that it is not the principles of cooperatives that have prevented cooperatives from competing effectively in the Sri Lankan retail market, but their implementation under the current economic conditions in Sri Lanka.

Keywords: Cooperatives, Principles, Social practices, Neoliberalism, Image.

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Introduction

From their initial establishment, cooperatives have been operating as unique business organizations, mainly due to the principles based on which these cooperatives were established all over the world (Guzmán, Santos & Barroso, 2019; Ilangasinha et al., 2018; Marwa & Aziakpono, 2015). Having the foundation from cooperative principles, the members of cooperatives who form cooperative societies not only develop business enterprises but also create social groups with a value system that is quite different from those of capitalist organizations (Bonus, 1986; Ortmann & King, 2007). Therefore, in the present context of globalization and neo-liberalization, it has been observed that most traditional cooperatives are struggling to survive in the market amidst the challenges they face due to private sector competition (Pönkä, 2019; Wedig & Wiegatz, 2018). Thus, in this context, one may wonder whether the principles of the cooperative movement that have been carved in stone, have placed constraints on the success of cooperatives by preventing them from adopting structural change.

The principles of cooperatives, namely, “voluntary and open membership; democratic member control; members’ economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community” (Marwa & Aziakpono, 2015, p.883) impose relationship-oriented bonds among its membership. In fact, the relationship that exists between the managers (agent) and the owner members (principal) can be explained in the light of Agency Theory. According to Richards et al., (1998, p.32) the principal-agent problem is apparent in most cooperatives due to the lack of strict profit motives and disciplinary mechanisms that exist in capital markets. Together with Agency Theory, there are a number of cultural theories—having their roots in phenomenology, semiotics and structuralism—that shed light on the present study (Reckwitz, 2002). In particular, the Practice Theory of Pierre Bourdieu, as a part of the cultural school of theories, provides the theoretical base for the study, and facilitates the understanding of the practices of cooperative members when they adhere to cooperative principles (Reckwitz, 2002).

Practice theory—having its origin in Bourdieu’s scholarly work and influencing the Structuration Theory by Giddens (1979) which was further refined as the Social Practice Theory by Reckwitz (2002)—argues that practices are formed by many elements which are interconnected and prescribe the conditions for a practice. Through an analysis of the components of Social Practice Theory, Shove et al., (2012) identify three elements which are essential to a social practice, namely; materials, competencies and meanings. However, as it often happens in cultural theories, practice theories have a common “blind spot” where they do not locate “the social in mental qualities, in discourse, nor in interaction” (Reckwitz, 2002, p. 249). Moreover, practice theory has been unable, so far, to offer a comprehensive theoretical explanation of human cognition and lag behind the theories of Cognitive Psychology which are far more theoretically complex (Reckwitz, 2002). Thus, the present study addresses this theoretical gap by identifying the role of human cognition—which is addressed in Luhmann’s Constructivist Theory of Social Systems—in relation to the principles and practices adopted by Multipurpose Cooperatives in Sri Lanka.

When operating in the contemporary capitalistic market economy, cooperatives are not immune to political pressures. In particular, when addressing the issues faced by cooperatives that

operate in the current capitalist economy, researchers have investigated the drawbacks of the traditional cooperative model which persuades cooperatives to fulfil their ethical commitments of cooperativism (Errasti et al., 2003). According to Schrader (1989), cooperative principles and practices place capital constraints on the growth of cooperatives. In contrast, Jacobsen (1992) argues that the failure to effectively implement cooperative principles and practices is the reason for the ineffectiveness of cooperatives. Yet, when it comes to the performance of cooperatives, the influence of their principles on their practices has not been adequately addressed. Specifically, the Practice Theory, which is the principal theory relied upon in this study, has not been tested empirically in the literature on cooperatives, and this opens up a clear empirical gap and paves the way for the present study to make a strong empirical contribution.

Given the context, this study focuses on finding answers to the following questions: (1) How have the principles of cooperatives influenced the cognition of the members of cooperatives? (2) How has the cognition of the members of cooperatives given rise to their social practices? (3) How have the social practices of cooperative members shaped the image of Multipurpose Cooperatives in the minds of consumers? and (4) Have the cooperative principles restricted Multipurpose Cooperatives from competing effectively in the contemporary neoliberal economic landscape?

The scope of the study is limited to two Multipurpose Cooperatives in Sri Lanka, in which these issues were apparent. Geographically, the cases were selected from the Dehiwala, Mount Lavinia and Negombo cities in which Multipurpose Cooperatives operate under different social and market dynamics. In terms of the respondents, the study focused mainly on managers, members and customers of cooperatives who have a sense of the performance and practices at cooperative outlets. In answering the research questions, this study adopts a conceptual approach which is relied upon throughout the study to make a contribution to the global and local literature, while empirically testing the cognitive interactions among the theoretical strands of practice theory in relation to Multipurpose Cooperatives in Sri Lanka.

The rest of this paper is structured as follows. The next section will present a review of some of the salient literature that has contributed to the current body of knowledge related to the cooperative movement and the principles of cooperatives by contextualizing the findings to the neoliberal economic landscape of Sri Lanka. Thereafter, the propositions of the study are discussed briefly, followed by the methodology, analysis, managerial implications and conclusion.

Literature Review

The Cooperative Movement and Multipurpose Cooperatives

According to the International Cooperative Alliance, a cooperative is defined as “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” (Ortmann & King, 2007, p.19). Moreover, as the National Cooperative Business Association identifies, cooperatives were established and created by members “when the marketplace failed to provide needed goods and services at affordable prices and acceptable

quality” (Ortmann & King, 2007, p.20). Given these definitions, cooperatives are popular all over the world even today as alternative business organizations which promote social wellbeing through self-help (Pönkä, 2019).

As the cooperative movement grew gradually, in order to cater to the multiple interests of its members, different types of cooperatives were created, for example, consumer, producer, worker, and service cooperatives (Ortmann & King, 2007, p.21). According to the available statistics, the number of cooperatives that now operate worldwide exceeds 750, 000, the membership of which is around 730 million (National Cooperative Business Association, 2019). Through these cooperatives, various types of products and services are provided to members such as agricultural products and equipment, essential consumer products, financial services, and housing and utilities (Ortmann & King, 2007). Due to this multiplicity of services and the variety of opportunities provided for the membership of cooperatives, this concept has proliferated all over the world and has been embraced by most people who value cooperative principles (Pönkä, 2019).

Principles of Cooperatives

The principles of cooperatives developed by the pioneers of the Rochdale Society in 1844 seem to have established the basic platform for the subsequent spread of cooperatives worldwide (Conover, 1959). The foremost purpose of these cooperatives, based on which these principles of cooperatives were developed, was that “the association shall be operated purely for service and not at all for direct profit as such” (Conover, 1959, p. 11). Due to this philosophy, cooperatives became different to other business organizations that operate in the market with the motive of profit accumulation.

There are seven principles of cooperatives which guide the cooperative movement, namely, “voluntary and open membership; democratic member control; members’ economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community”. (Marwa & Aziakpono, 2015, p. 883; Ortmann & King, 2007, p.19). According to the National Cooperative Business Association, these seven principles of cooperatives can be elaborated as follows.

Voluntary & Open Membership encourages anyone to join a cooperative without discrimination based on gender, racial, social or political factors. The Democratic Member Control principle insists that members should have control over the business that they do by deciding on its operations and leadership. The principle of Members' Economic Participation invites all members of cooperatives to invest in their cooperative. By this means, people are not treated as shareholders but as part-owners, those who actually benefit from the profits generated by cooperatives. The Autonomy & Independence principle ensures that members will retain their independence and democratic voice when making business deals and raising money. The Education, Training and Information principle requires cooperatives to educate and train members so that they can effectively contribute to the success of their cooperatives. The Cooperation among Cooperatives principle encourages members to work together and achieve success together. Finally, Concern for Community suggests that cooperatives should be “community-minded” and invest locally by contributing to the sustainable development of their

communities. (Marwa & Aziakpono, 2015, p.883; National Cooperative Business Association, 2019).

Market Developments Viewed Through a Theoretical Lens

As history reveals, from the mid nineteenth century to the time that the Soviet Union collapsed, capitalism as an economic system was under threat, as it had to prove itself as the best mechanism through which economic wellbeing could be established (Nilsson, 1998). Yet, at the end of the cold war, capitalism ‘won’ over these challenges, and most powerful leaders of the west like Margaret Thatcher and Ronald Reagan started to believe that ‘there is no alternative’ to capitalism (Mykhnenko & Birch, 2010). Given this politico-economic context, as new market developments unfolded, discussions on neoliberalism came to the fore again with the financial crisis that challenged the fitness of the neoliberal economic system that had dominated most of the West during the past few decades. In fact, various events that took place in the world economy show how diversely different countries have been implementing neoliberalism, which suggests that “it is not (and never was) a single hegemonic system in the first place” (Mykhnenko & Birch, 2010, p.1).

As a theory of economic practices, neoliberalism argues that “human wellbeing can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, unencumbered markets, and free trade” (Harvey, 2007, p.22). In spite of the calls for caution made by different theorists such as Gamble (2001, p.134), who were aware of the pros and cons of neoliberalism and regarded capitalist trends as “a tendency to reify neo-liberalism and to treat it as a phenomenon which manifests itself everywhere and in everything,” what actually happened over the past few decades shows the extent to which (neoliberal principles have) pressured hitherto established traditional economic institutions all over the world” (Nonini, 2008). On the one hand, when critics of neoliberalism moderated the significance of political institutions in their various accounts, on the other, those who supported economic liberalism gave them a very significant role (Dean et al., 2010).

The Economic Landscape of Developed and Developing Countries in Neoliberalism

Despite the fierce competition among different nations to win over the other in the battle of development, the economic growth rate of 1960s was nearly 3.5 percent which gradually demonstrated a decreasing trajectory, coming down to 2.4 percent in 1970s, 1.4 percent in 1980s, 1.1 percent in 1990s and less than 1 percent from 2000 onward (Harvey, 2007; World Bank national accounts data, 2018). In fact, the countries that revealed the gospels of development and liberalization such as Great Britain and United States also had a difficult time in 1980s as they were struggling to get hold of neoliberal reforms (Gamble, 2001). However, on par with the economic developments happening in the western countries, most of the Asian countries such as China, Japan, South Korea and Singapore had an authoritarian economic model in which the focus was given to equal wealth distribution (Harvey, 2007).

The economic transformation that happened during 1980s had a significant impact on the welfare states. Moreover, in Tony Blair's autobiography, he brings a different argument (Blair 2010: 685-686). Basically, he rejects the claim that the financial collapse of 2008 is the failure of the market. Instead, he argues that, people should be proud of the policies that are driven towards efficiency, as much as the policies which are driven towards justice. According to him, this is mainly because of and influenced by the role played by the state. And further he goes on to say that, progressive people need to surpass their choice, and "offer a concept of the state that actively empowers people to make their own choices and does not try to do it for them." (Blair 2010: 685-686).

However, as the scholars went on to argue that, in the name of globalization and neoliberalisation, social inequalities were created which then became a necessary factor in boosting entrepreneurship, innovation and economic growth backed by competitive advantage (Mykhnenko & Birch, 2010). On one hand, when a fraction of the community could enjoy the benefits of this economic boost, on the other hand, the problems faced by economically marginalized communities worsened, as they failed to compete in market due to lack of cultural, personal and political strengths (Nonini, 2008). While all these conditions paved the way for the fittest to survive, most of the states who embraced neoliberal reforms were not hesitant to legitimize this process by placing supportive processes and mechanisms (Nonini, 2008).

Propositions

Principles of Cooperatives and the Cognition of Cooperative Members

According to structuralism, human behaviour emanates from the "effect of symbolic structures in the 'unconscious' mind" and cognition plays a dominant role in this complex process (Reckwitz, 2002, p.247). In this way, the principles of cooperatives provide a framework for cooperative members to think in a particular way (Bhowmik & Chakraborty, 2019). The first four (04) principles are related to issues of maintaining the identity of cooperatives (Pönkä, 2019). As cooperatives promote open membership, members have the freedom to enter as well as exit from cooperatives at their own discretion (Marwa & Aziakpono, 2015, p.883; National Cooperative Business Association, 2019). Through the democratic member control principle, members have the right to vote, which makes them autonomous. Encouraging members' economic participation ensures that cooperatives are not driven by the motive of maximizing their returns but by the motive of distributing the surplus. The last three (03) principles emphasize that the entire cooperative movement needs to influence its members to work in such a way that they would be able to serve the interests of society as a whole (Pönkä, 2019).

Proposition₁: Principles of cooperatives have influenced the cognition of the members of cooperatives

Cognition of the Members of Cooperatives and Their Social Practices in the Market

Cognition on its own is not capable of portraying a real picture of the world as it exactly is; yet it works on enhancing an individual's ability to manage his or her experiences (Buchinger, 2012). In this manner, when living in society and working with people and organizations, knowledge cannot be accessed passively but has to be obtained by cognition of the objects as well

as the subjects. In cooperatives, the shared knowledge of their principles among the membership has encompassed both means and the ends upon a prototype of a social system that would ensure the wellbeing of all. First, it is expected that cooperatives promote individual autonomy, where the differences among individuals are accepted and respected (Mill, 2005). Secondly, it is believed that in the form of fulfilling collective duties towards the other, cooperatives promote solidarity. In fact, this practice might even be strongly underpinned by socialist or communist values, where the survival of people is dependent on the extent to which they support one another (Mulhall & Swift, 1992). Thirdly, by being an alternative to the capitalistic market system, it is assumed that cooperatives would act responsibly so that the present as well as the future generations would flourish collectively (Parker et al., 2014). In this way, the collective and shared value system of cooperative membership is expected to create a significant influence over members' behaviour in the market.

Proposition₂: Cognition of the members of cooperatives gives rise to their social practices in the market.

Social Practices of Cooperative Members and the Image of Multipurpose Cooperatives

Having as their main purpose the protection of the underprivileged members of society when the market system fails to provide essential goods at affordable prices, Multipurpose Cooperatives were actually formed for self-help (Ortmann & King, 2007). As the neoliberal economy was heading towards profit maximization, cooperatives that embraced certain the traditional principles were working around the same set of cultural, ideological and political value system by corroborating their image as a welfare organisation (Pönkä, 2019). As per literature, image is “a psychological entity such as a pattern of beliefs and feelings in a consumer’s mind stimulated by associations with the real-world entity; or it can refer to advertising or public relations messages.” (Stern, Zinkhan & Jaju, 2001, p. 203). When considering the image of cooperatives, in the eyes of consumers, many traditional cooperatives that have not adapted to the concurrent market developments are ineffective and not financially viable (Waring & Lange, 2019). The same reason has made the Multipurpose Cooperative a weak competitor in the market in comparison to the multinationals that have equipped themselves with the new developments taking place in the neoliberal economy (Pönkä, 2019). Given this context, one may question whether on the one hand, when the principles of cooperatives nourished the identity of cooperatives with strong socialist and communist value systems, whether on the other hand, those principles have shaped their image as a weak competitor against private sector competitors who compete aggressively in the market for profits.

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Proposition₃: The social practices of cooperative members have shaped the image of Multipurpose Cooperatives in the minds of consumers.

The Principles of Cooperatives and the Effective Competition of Multipurpose Cooperatives in the Market

Initially, though the entire cooperative movement was established on the internationally accepted seven Rochdale Principles (Marwa & Aziakpono, 2015), later, there were instances where some cooperatives that operated in different sectors wanted to narrow down these principles to only three. As it appears in the literature, in the 1980s, the Agricultural Cooperatives in the United States requested the narrowing down of the initial seven principles to just three principles, namely, “user ownership, user control and user benefit,” which roughly cover only the first three Rochdale Principles. The argument behind this reduction in principles was that when cooperatives, particularly agricultural and supply cooperatives, operate under globally competitive market conditions, the American members were quite doubtful whether they can survive in the market by internalizing all seven principles (Birchall, 2005).

Even though cooperatives were initially established with the broader purpose of social wellbeing while ensuring self-help, it is apparent that as the market changes with new cultural, ideological and political developments, most cooperatives will have to restructure themselves if they want to survive in the market (Pönkä, 2019; Royer, 1999). For example, milk cooperatives in Ireland had to convert to investor oriented firms, because the members were reluctant to invest additional capital in the business when it was needed (Jacobson, 1992). Therefore, though some argue that cooperative principles and practices are the main reasons that have prevented them from growing (Schrader, 1989), some others argue that ineffective implementation of the principles is the main reason for the failure of most cooperatives (Jacobsen, 1992).

Proposition₄: Principles of cooperatives restricted Multipurpose Cooperatives from competing effectively in the retail market—in a context where private retail chains are growing aggressively.

Methodology

Multipurpose Cooperatives remains at the heart of the cooperative movement in Sri Lanka as it holds the highest number of members in comparison to other cooperative entities. To study the influence of the principles of cooperatives and neoliberal market conditions on the image of Multipurpose Cooperatives in Sri Lanka, a qualitative method of inquiry was relied upon throughout the research. As the qualitative approach is a mode of inquiry in its own right

(Denzin & Lincoln, 2008), the researcher was able to dig deep into the social practices of the cooperative members as well as of customers, while reflecting on their views regarding the principles of cooperatives.

According to Saunders et al. (2015), there are two main approaches to research that are the basis for research approach selection, namely: inductive reasoning and deductive reasoning. In this research, an inductive approach is adopted in which the observation of the social practices and behaviour of cooperative members and customers is conducted first, so that the influence of the principles of cooperatives and neoliberal market conditions on them can be identified. In this particular study, the main concern was the manner in which the principles of cooperatives have exerted their influence on the cognition of members, ultimately impacting their social practices in the market place. In order to gather data to investigate this problem, twenty (20) semi-structured interviews and three (03) focus group interviews were conducted with cooperative managers, members and customers. At the commencement of interviews, participants were informed about the purpose of the study and their consent to participate in the interviews was obtained. Further, they were well educated on how data gathered through interviews will be recorded and disseminated. Thus, all the names and affiliations of the participants mentioned in the text are pseudonymized to maintain the confidentiality of the participants.

By adopting the Case Study method as the research strategy, two cases were selected for the study. As Miles & Huberman (1994, p. 25) put it, a case can be identified as “a phenomenon of some sort occurring in a bounded context” and it is, “in effect, your unit of analysis”. Accordingly, in the present study, when selecting the unit of analysis, the composition of the entire cooperative movement in Sri Lanka was considered. According to the information published by the Department of Cooperative Development (2015), the entire Sri Lankan cooperative movement consists of a number of different business units. As statistics reveal, in terms of the financial contribution (turnover), Multipurpose Cooperatives provide the highest financial contribution, and that amounts to 70%. These cooperatives have 304 outlets (that represents 2.82% of the entire composition) and 3,127,000 members (Department of Cooperative Development, 2015). For this reason, a Multipurpose Cooperative is considered as the unit of analysis and two (02) Multipurpose Cooperatives that operate in two different cities (in Sri Lanka), namely; Dehiwala Mt. Lavinia and Negombo, were chosen for analysis. These two cities have unique social, cultural as well as economic dynamics which are reflected in their market conditions.

Selection of the cases for the study was determined based on the research propositions (Yin, 2017). Starting with the principles of cooperatives, the coherent flow of the propositions led the researcher to investigate the social practices in Sri Lanka, the level of competition prevalent in the market and thereby the influence of the principles of cooperatives on their performance. Based on this logic, the sample for the study was selected through convenience sampling. From the data gathered from the pilot study, the multipurpose cooperative societies in the area of Dehiwala-Mt. Lavinia and Negombo demonstrated distinctive features in terms of performance, even though the operating structures of the two cooperatives were similar. It is noteworthy, here, that the social practices and market conditions were different in the cities where these cooperatives were located. Therefore, in order to pursue the propositions of the study, two

multipurpose cooperatives located in Dehiwala-Mt. Lavinia and Negombo were selected because of the interesting dynamics that were present in terms of performance as well as social practices and market conditions.

When analyzing data, the Cross Case Analysis technique was used where the researcher could compare and contrast the commonalities and difference of the events, activities, and processes of the units of analysis (Khan & VanWynsberghe, 2008; VanWynsberghe & Khan, 2007). There are several approaches that a researcher can adopt in Cross Case Analysis. Of them, a case-oriented research approach was adopted in this study by giving special emphasis to the cases instead of to the variables across cases (Khan & VanWynsberghe, 2008). In this approach to performing Cross Case Analysis, four main themes were established based on the clusters or families of phenomena, namely: Unity: One for all and all for one, [In]dependence: Standing on their own feet, Responsibility: Beyond profits, and Competition: Does it really matter? These themes, under which the Cross Case Analysis was conducted, were derived from the data gathered through qualitative interviews and observation, and were based on the transcripts and codes generated from the raw data.

Within each case and under each theme, data gathered from the Multipurpose Cooperative Societies were presented as narrative case summaries (Khan & VanWynsberghe, 2008). Here, the analysis was mostly dependent on the questions raised in the interviews related to the principles of cooperatives. Further, the current market conditions were also covered in the interviews so that interesting comparisons could be made between the cases. By doing so, this Cross Case Analysis allowed the researcher to extend the available knowledge from a single case to another. From this continuous back and forth cross analysis between the cases, the relationships emerged and could be identified, based on which the knowledge gathered from individual cases could be refined and conclusions could be clearly arrived at.

Data Analysis

Continuing an uncontested legacy of consumer attraction, the cooperative movement in Sri Lanka has served the nation since 1906, with the prime motive of protecting and empowering underprivileged communities—who were left behind when others marched forward (Gooneratne, 1966). As many other economic organizations that operated in Sri Lanka, cooperatives also went through the same economic, political and cultural transformations that took place in the country. Even today, people who had had the experience of visiting a cooperative way back before the economic liberalization, have interesting stories to share. Consumer cooperatives, in particular, were among the prominent images that most customers had retained in their minds. Lalitha, a 65 year old lady, recalled her memories regarding cooperatives,

...at that time...my husband worked at a cooperative. Now he is no more there (has passed away). We bought everything from cooperatives. Even cloths and sarees. To buy those, there were no other shops as we have today. At that time, we had cards to buy goods from cooperatives. With that card we had to wait in the queue to buy goods. It gets really crowded in those queues, and quarrels can also take place. Women quarrel mostly. At that time cooperatives were very close to peoples' lives.

As she continuously insisted, people at that time were compelled to go to cooperatives due to the limited opportunities which they had in the market. With whatever resources they had, consumer cooperatives also continued their operations to provide goods to poor people at the lowest possible price, as they were quite sure that under the prevailing circumstances, they would not fail in the market. But who can imagine that an economy of a country would freeze in the foreseeable future? Who could expect that customers would stick to cooperatives if they were provided with better options? The deep anxiety that the customers felt due to deprivation brought a massive wave of opposition which was powerful enough to bring down the incumbent government.

As many respondents shared in their discussions with the researcher, most Sri Lankans embraced the open economic system that was implemented after 1977, a system that had brought them novel experiences. They were amused by the goods and services that flooded the market and felt a sense of freedom which they had missed for a long time. Moreover, people felt that the manner in which socialist policy was implemented under Mrs. B's regime was not fair. This is what one of the respondents, who shared her views, had to say:

It was a real difficult time for most of us. We were starving and not allowed even to bring the paddy that we cultivated into our houses. We don't say that the socialist policy of Mrs. B's government was a bad one. But they didn't execute those policies fairly. When one set of the community was suffering, the elite enjoyed all the privileges. That is not the way that a socialist system should operate.

When people talk about cooperatives, most dwell on the past, particularly on the era in which cooperatives flourished and exercised their authority over customers. A present, the story of cooperatives is rather different. With the enthusiasm of private sector businesses that are inspired by private property ownership, individual freedom, agile markets and free trade, the market of Sri Lanka has been rejuvenated. For the people who were fed up with socialist policies which provided only limited choices, neoliberal economic reforms brought a refreshingly new package. A package that brought solutions for all kinds of problems, which was more than just feeding empty bellies.

Given the present context, this study is woven around two Multipurpose Cooperative Societies (MCS) in Sri Lanka located in Dehiwala-Mt. Lavinia (hereinafter referred to as DL) and Negombo (hereinafter referred to as NB) which share similar characteristics in terms of their functionalities while showing contrasting features in terms of their performance as well as the social setting in which they are located. From this point onwards, the analysis will unfold under the four main themes mentioned above by keeping the principles of cooperatives as benchmark statements and discussing the conditions of the two cases based on Cross Case Analysis.

Unity: One for All and All for One

'One for all and all for one' (eka` samatath sama eka`tath) is a slogan shared by the cooperatives in Sri Lanka, and reflects the unity that must prevail among cooperative members. From its initiation that was inspired by communist and socialist thought, the members of the cooperative movement are called to respect cooperation among members, and accept the fact

that they have to rely on one another in ensuring mutual wellbeing (Griffin & Soderquist, 1991). This is a natural condition, where all human beings are vulnerable to the circumstances that arise in society as well as in the market. Therefore, in cooperatives, the membership is considered as their strength, without which mutual interaction they are powerless in society (Bhowmik & Chakraborty, 2019).

In reality, of course, people join cooperative for various reasons. According to Nilanthi, a manager working in DL.

Most of the members are not involved in these. We have no young people willing to join us. Since cooperative membership is necessary to get a loan, people get membership to obtain loans.

This was a common situation in both cases selected, and both DL and NB were generous enough to accommodate people who wanted to join for this purpose.

Apart from obtaining loans, another group of people joined cooperatives during election time. As the participants of both DL and NB shared, this was another prime reason for people to join cooperatives. At the time of an election, the candidates who expect to be elected to the cooperative board canvass among people from villages to vote for them. These members, who join cooperatives with such political motives, rarely become involved in cooperative matters after election.

Given this context, it is apparent that people rarely join cooperatives with the motive of promoting cooperative principles or furthering the cooperative movement. Even people who joined cooperatives without ulterior motives were ignorant of the main principles of cooperatives—based on which the entire cooperative movement is established. Neither were they inspired by those principles or have any interest in getting to know those principles. So, in both cases, the majority of members were those who had joined the cooperatives before the liberalization of the economy. In other words, most of them were senior citizens who had the ‘cooperative feeling’.

According to the views of the members of NB, some people are still motivated to patronize cooperatives due to the strong attachment that they have towards them. Yet, most of these people are elderly and rural villagers who have lived with cooperatives during the past few decades. Members of NB also agreed that most members of the younger generation are not very interested in working with cooperatives. Though a few people continue to join cooperatives, due to their personal agendas and ignorance of the principles of cooperatives, their involvement in and contribution to cooperatives is very limited. Therefore, unity among the membership has diluted.

As shared by Prasanna, a manager of DL, the slogan ‘one for all and all for one’ is only limited to words. As he went on to say,

Even though people waste words talking about solidarity and unity, today, for everything, there is a price in the market. We cannot disregard that. If we understand this properly, we will leave something for our future generations as well. But if we just play with words by talking about slogans such as one for all and all for one, nothing will happen. Those are just words. We should work hard.

According to the members, when it comes to practice, there is no real unity among the membership. Members rarely get together to discuss matters pertaining to cooperatives. However, at the time of an election, members come together to elect the cooperative board and thereafter get back to their ordinary business affairs. Rarely do members unite unless there are financial benefits to be gained. Due to this unsatisfactory situation, unity among the membership is gradually becoming a mere slogan in cooperatives, and something that does not actually happen.

Moving from the issues related to membership, when looking into cooperation among cooperatives it is apparent that most cooperative societies are divided. In both cases that were studied, the situation was the same. As expressed by Prasanna, a manager of DL,

There is no cooperation among our cooperatives. We don't have any coordination. We are not united. If we operate as a network, it will create a strong system. It is better to get united. But there are two sides to this.

According to him, there are eleven cooperative societies in the Colombo district. The manner in which those cooperatives operate differs from one another. There are cooperatives that stand above their societies as well as those that stand below them in terms of financial performance. If this top layer merges with the bottom layer, all of the cooperatives will reach a single level of performance. That might be good for the lower level but not so for the higher level. As this situation will not favor the higher performers, they do not desire it. Therefore, in the present context, cooperation among different cooperatives has also become an unrealistic condition.

[In]dependence: Standing on Their Own Feet

Cooperatives that operate worldwide as community based organizations pride themselves on being autonomous (dos Santos et al., 2019). Similarly, in Sri Lanka, cooperatives respect the independence that they have as business organizations that operate through the strength of their membership. By accommodating all people regardless of their race, religion or social class, cooperatives have given dignity to all their members by ensuring liberty and diversity in the marketplace. This is one of the main reasons for the unique existence of cooperatives in any context, as there are no other forces operating than the desires of the membership, which can dictate terms to cooperatives.

However, with respect to the MCSs in Sri Lanka, it is apparent that the independence of those societies has become questionable. Even under today's contemporary market conditions, most MCSs expect government patronage. In the selected cases as well, management's expectations were high with regard to receiving government support to improve performance. In particular, when it came to obtaining price advantages, both cases were desperate, and had many grievances regarding the level of attention paid to them by the government. As expressed by Nuwan, a manager of NB,

Earlier, cooperatives had a strong bond with the government. Now, even for the government, cooperatives come to mind only when they have to provide any big subsidy. In other circumstances we have to buy things from

the private sector. Sometime back, it was not like that, whatever the government did, they were with us. Everything went through us.

In NB, the rural banking sector as a whole is financially viable and independent. Though some of the regional cooperatives societies do suffer losses in the consumer section, due to the support provided by the banking section, those losses are minimized without major spillover effects on the entire society. In that sense the members of this cooperative were proud to say that they never let their regionals close down, even during the worst possible economic conditions, but strived their best to protect those branches.

NB as a business organization is financially viable, according to their financial reports. Yet, this alone does not mean that they are running smoothly. As expressed by the managers of the consumer section, they face many barriers when it comes to independent decision making. Due to red tape existing in dealings with higher level decision makers, the Coop-city managers have been unable to implement some of the changes that customers require. Nuwan, a manager of NB, shares his thoughts:

Still we are not given liquor shop permits. Keells, Cargills, Arpico all have it. But we don't... They say that it is against cooperative principles. We don't know why. We have requested for it... Even our GM tried hard to get this permit... It is necessary when it comes to a supermarket. We don't give (alcohol) by force no? That's what I say.

As he continuously insisted, a supermarket, even after recognizing the requirements of its customers, is unable to make timely decisions to provide those requirements due to the processes and procedures it has to follow, all of which take a great deal of time and effort.

In DL also, the conditions were quite similar to those of NB in relation to dependence. Though this MCS had a certain degree of autonomy as a business organization, when it came to decision making, most managers were just not empowered. In terms of their financial conditions, this cooperative society was not strong as it had to struggle with severe financial issues. As was the case in the multipurpose cooperative society selected in Negombo area, the consumer section was heavily dependent on the banking section. As expressed by the respondents, due to this 'taken for granted dependence' both banking as well as consumer sections have been unable to perform well. As a result, during past three years, the society has had to close down four regional cooperatives which have failed continuously in the market.

As a common factor, both cooperative societies were concerned about the level of support provided by the government in making things comfortable for them. As Damayanthi, a manager of DL, recalled,

When the Tsunami came in 2004, all the food provided by the WTO was distributed through cooperatives. That time was good. Then again, when there was a rice scarcity, we were active. Whenever the government wanted cooperatives to work with it, we were prosperous. Now people have gone away from us. The Samurdhi coupons that we provided earlier have also been taken from us. All we had till recently was that nutrition coupon that we provide to pregnant mothers. Now even those have been given to private shops.

When looking at the above considerations, it is quite clear that based on the principles of cooperatives, even though cooperatives in Sri Lanka are supposed to be independent economic institutions, they are still very dependent on the government. Therefore, though they stand at different points on the continuum, most MCSs expect the support of the government, without which they feel insecure in the market. Thus, even though some cooperative societies are striving hard to come out of the box and do better, due to red tape and inflexible procedures which are a part of the regulations they face, they find it increasingly difficult to go for new developments.

Responsibility: Beyond Profits

Cooperatives are responsible for flourishing collectively (Bhowmik & Chakraborty, 2019). Their responsibility towards the membership goes beyond mere profit motives, and strives towards ensuring the wellbeing of society (Llamas & Jomo, 2018). This is one of the main reasons that cooperative are different from other capitalist organizations; on the other hand, this is also why cooperatives face challenges when attempting to ensure their survival under contemporary neoliberal market conditions. Engaged in a humanitarian mission, MCSs in Sri Lanka seem to have compromised their financial viability to a large extent, and this has now boomeranged on them, bringing in its wake certain spillover effects.

In line with the above argument, Kingsley, a manager of NB, shared his views:

I'll tell you an example. The motive of a cooperative is not the profit, though we have to earn some profit to survive. We work with the idea that all the profit should go to our members. The best example for that is, altogether we have around thirty-four (34) units, of those thirty four (34), and only four (4) units generate profits. All the other thirty (30) units are loss making. But we don't close them. We go ahead working with those losses.

Since NB was financially viable and able to maintain its performance at breakeven point, they were active in community-based services as well. Apart from their commitment to sell goods at reasonable prices, they opened their arms to support those who were in dire need of support. They have a separate position established for a Coordinator in Community Training to look into matters related to community development. They also provide scholarships to the children of their members. Here, special consideration is given to educational achievements. When the children of members get selected to universities through the results of the G.C.E Advanced level examination, NB provides six thousand (6000) rupees to each student as an appreciation of his/her achievement. For students who pass the Grade five scholarship examination, the Cooperative Society provides five thousand (5000) rupees per child, a sum which is also provided annually. Apart from help to the membership, they also lean their helping hand to other organizations. In the vicinity of Negombo there are more than twenty (20) schools, and twenty six (26) Sunday schools of all faiths to which the cooperative society provides aid. For each school and Sunday school, they provide books worth about ten thousand (10,000) rupees annually. In the area of Thalahena, there are a few nurseries which are maintained by NB, by paying salaries to teachers and spending for maintenance.

Among its membership, the cooperative counts people who are engaged in small businesses. Due to their straitened financial conditions, these small business owners are not in a

position to obtain loans from private sector banks. Therefore, the loans provided by the cooperatives are a big help to them in developing their businesses. Most other members who request loans for personal purposes are also facilitated by NB in order to uplift their living conditions. Providing loans for overseas trips is an example of this type of loan. Most elderly members who are not eligible to obtain loans from private sector banks are helped through the provision of loans at a minimal interest rate, an act which is undertaken with the purpose of empowering these elderly persons.

In contrast, the conditions at DL are totally different. Due to financial issues, most business units are under pressure for survival, where earning to survive has become a crucial factor. To go beyond profits, survival needs to be ensured first, and the entire cooperative society is working hard towards this goal. As shared by the respondents, poor management is one of the main reasons for this situation. More specifically, the irresponsible decisions made by the management have resulted in conditions worsening in DL. For this reason, the MCS has not been able to achieve further development.

In cooperatives, responsibility is not something that is imposed forcefully. It comes with the belongingness that one has to the cooperative. As shared by respondents, the people who are elected to the board are motivated to work for the betterment of cooperatives when they feel social pressure to do so. This pressure is most often created by cooperative members who have an interest in the cooperative. As shared by Lalith, a manager of DL,

We don't have an owner. If I am the owner, I will never tolerate losses. I will try my best to turn it around. But here we have a board of directors. So, our organization will run based on their active responses. Though we make profits or losses, no one is there to take responsibility. They just make decisions. Those may be correct or may get wrong. If it is a loss, it is the cooperative who has to bear it. Nobody is there to blame.

Especially when it comes to responsibility for the performance of cooperatives, this responsibility is shared collectively by the members. According to Lalith, this is one of the main reason for cooperatives to fail. As there is no specific owner to take responsibility for performance, most board members who come to power take things easy. At the worst, if the regionals are not profitable the board will take a decision to close them down. Otherwise, nothing is done to recover the losses or to improve conditions, as most of the directors who are elected to top level positions are not responsible to anyone for the decisions they make. As a result, at the end of the day, there is no one who is specifically responsible for the losses incurred, and the repercussions will be passed on to the next generation.

Competition: Does it really Matter?

Since they are business organizations that operate in the neoliberal economic landscape, cooperatives are not immune to politics (Grashuis & Elliott, 2018). At present, when considering the competition exerted by private sector retailers in the Sri Lankan market, it is clear that cooperatives struggle for survival. Unlike the time in which cooperatives dominated the market under government patronage, today most regional MCSs have become helpless actors struggling amidst private sector retail chains that have opened up branches in almost all the main cities. As a result, regionals that cannot cope with the trends in the market and cannot cater to the

developing needs of customers are gradually closing down, providing evidence that they cannot compete with successful private sector retailers.

As shared by Nuwan, a manager of NB, things are getting worse for them daily.

Around this Negombo area there are nearly twenty (20) big private retailers... Five (5) Cargills outlets, three (3) or four (4) Keells outlets, two (2) Laugfs outlets. One big Arpico and two (2) or three (3) Sathosa outlets. So, around us there are roughly twenty (20) private sector retail shops that we have to compete with.

As the market conditions are dynamic in nature, cooperatives are under pressure to align their operations in line with growing market requirements. At the same time, when private sector retailers are opening new outlets and expanding themselves in the market, cooperatives are struggling to survive with their regional outlets making considerable losses.

There was a time when the 'Cooperative' brand dominated the Sri Lankan market. As expressed by Damayanthi, a manager of DL,

In those days, people had that cooperative feeling. Now we don't have it much. There are food cities, Keells and Arpico outlets everywhere. Those places are very attractive to people and people like to go to those places. That has made it difficult for us to compete. At the time I joined, we had nearly twenty three shops. Now that number has reduced to ten.

According to these respondents, when the private sector entered the market with dynamism, cooperatives were reduced to just maintaining the status quo. To avoid this stagnation, and with a view of repositioning cooperatives in the market, several steps were taken by the government of Sri Lanka. For example, Consumer Cooperatives were rebranded as 'Coop-city' shops to align with the 'food cities' of private sector retailers. Despite this new image, in the selected cases as well, except for a few of the total number of units, all other units have not changed to match with current market trends.

After witnessing the luxury and superior quality made available by private sector retailers, the 'Cooperative' became an obsolete brand for most customers who live in urban cities, a brand that brought memories of rats and rotten onions. Cooperatives also remained unpopular among the younger generation who rarely ever visited a cooperative. Concurrently, due to the unattractiveness of the outlets and the shortages of goods, even some regular customers of cooperatives switched to other shops. However, most elderly customers who have had a lifetime of experience with cooperatives and who appreciate the value system behind co-ops still come to cooperatives with the faith that they are trustworthy places, in comparison to other private sector retailers. One of the customers who came to NB shared his views as follows.

We are quite used to buying from cooperatives for a very long time. We have a feeling that it is a government thing, though it is not in government possession now. But, there is a feeling that other than food cities, these 'Subada Seva' and Sathosas are places developed with government connections. We come here because of it. If not, when we see the prices there is no difference. Because of that, we often go to Sathosa and come to this 'Subada Seva' as well.

When making choices between private sector retailers and cooperatives, most customers considered price as a crucial factor. Basically, customers have a belief that in cooperatives, goods are cheaper than in other private sector retailers. Due to this, most customers walk into cooperatives to buy goods at a reasonable price, regardless of the aesthetics or the facilities provided in Coop-city shops. However, when this crucial expectation is not fulfilled, customers make complaints and bargain with managers to reduce prices. As per the customers, in most cooperatives, prices are almost equivalent to the prices in private sector retail shops. Some customers complained that prices are sometimes even higher than in private sector retail stores.

In both NB as well as DL, management has accepted the fact that they are struggling to provide goods at lower prices. As they went on to say, when it comes to purchasing goods, since the private sector purchases in bulk amounts that are much larger than the amounts purchased by cooperatives, private sector retailers can sell their goods at relatively competitive prices. Given this context, the prices of the private sector are sometimes even lower than those provided by cooperative. Therefore, customers who are not loyal to cooperatives have a better reason to move to private sector retailers as they provide better prices together with a host of other facilities that are not provided by cooperative outlets.

To cater to these requirements of their customers, NB has taken some initiatives to modify some of their Coop-city outlets. The Coop-city outlet located on Main Street, Negombo is the best example for this. As shared by Kingsley, a manager of NB,

Normally, when we talk about cooperatives, what comes to our minds is rats. We call them cooperative rats, no? That is what you see everywhere. But we have changed it here like this.

From 'Suhadaseva,' cooperatives have switched to Coop-cities which provide a different shopping experience to the customers. Ergonomics of these outlets have been changed by improving the atmosphere within the outlet with air conditioned surrounding, a new racking system, computerized billing counter, night banking facility and more shopping space within the outlet. Together with all these physical developments, cooperative management has trained its staff to mingle with people in a unique way. As shared by Kingsley,

People who come to our banks are villagers. Mostly fishermen. Sometimes they come with wet clothes. Sometimes, water is pouring from their sarongs. We do not tell our people to call them sir. If we call them like that, they will get frightened. Then what should we say? We can say uncle, or otherwise brother, or sister. That is the closest way. Fisherman who come to us, if we start to call them sir, they will not come to us. They always come to us assuming that we are equal to them.

In comparison, the conditions at DL were totally different. Due to the severe financial issues that they currently face, most Coop-city shops were under-performing. This was due to lack of goods and inferior facilities, where most Coop-city shops were unable to implement further improvements. When it comes to the use of technology, these shops are still in the primitive stage. Even though the billing system is computerized, those systems run separately, and are incapable of providing a holistic picture of performance because they are not linked with those of other shops. Since they are located in central parts of the main cities, most shops have been unable to avail themselves of location advantage due to their overall unattractiveness. In

both cases under study, most of the regional outlets were facing this problem. However, DL was in a comparatively worse situation as it has had to close down four regional Coop-city shops during the past three years due to private sector competition and poor outlet performance.

NB is apparently stronger than DL, where the former is working on new developments through which it can compete with private sector retailers. Even though it is surrounded by twenty (20) private sector retail chains, the NB is striving hard to align itself with the requirements of the market without losing its identity as a cooperative. However, financial conditions, the red tape faced by management and the conventional mindset of the membership are still barriers that might prevent this MCS from moving out of the box.

Managerial Implications

Voluntary and open membership is the first cooperative principle that makes a cooperative unique and different from any other private sector corporation. At present, the entrance fee charged by a cooperative is only hundred (100) rupees. According to the views of participants, there is now a trend of joining cooperatives with the purpose of obtaining loans. Since the capital contribution of a member is not a significant amount and members are permitted to leave cooperatives when they desire to do so, currently there is no mechanism to evaluate the commitment of the membership towards a cooperative. Therefore, the cooperative management can take steps to link the capital contribution of members with their financial rights within cooperatives, so that the membership would be more committed to the cooperative society.

The second principle of cooperatives is based on democratic member control, and provides voting rights to members. According to cooperative law, a member has only one vote which can be cast at a general meeting. In the participants' views, this voting right is not wisely used by a majority of the membership due to political agendas or even unawareness. In other words, the real voice of the cooperative is not reflected in the votes cast, a situation which is harmful to the cooperative movement. To address this matter, managers can introduce a proportional voting system based on active participation and contribution to cooperative activities.

The third principle of cooperatives relates to members' economic participation. Members' attachment to the capital of the cooperative is twofold. Firstly, members contribute to the capital base of the cooperative by purchasing the hundred (100) rupee share which is a compulsory commitment. Secondly, the membership has a stake in whatever surpluses that are being generated in cooperatives. At present, cooperatives have rarely done justice to this form of capital due to corruption and mismanagement within the system. Thus, managers can make use of this capital to develop cooperatives in a more attractive way by improving facilities within and bringing new technology into cooperatives.

Through the fourth principle, cooperatives promote autonomy and independence within their entities. However, at present, cooperatives in Sri Lanka continue to seek the help of the government, which makes them over-dependent on government subsidies and prevents them

from standing on their own. At the same time, authority is not delegated properly within cooperatives to empower lower-level managers who work closely with customers. To prevent this, the board of directors can be voted in and appointed so that they represent different fields and sectors, in a bid to bring a new flavor to cooperatives, especially during the decision-making process. Concurrently, lower-level managers who deal directly with customers and are aware of customer requirements need to be empowered in decision making, a process which would allow cooperatives to be more competitive in the market.

The last three principles of cooperatives, namely, Education, Training and Information, Co-operation Amongst Co-operatives and Concern for Community deal mainly with the best-practices of how cooperatives can operate in society to ensure self-help. However, cooperatives as a whole are not strong enough in relation to all the above mentioned principles. Therefore, management needs to educate and train the membership to deal with new market developments. Furthermore, management can develop and promote systems and practices to improve cooperation among cooperatives that operate in different parts of the country, and can work for the sustainable development of society by promoting sustainable practices among its membership.

Conclusion

Based on the findings of the study, it was revealed that of the main three components that are indispensable to a social practice, the components that create meanings are more powerful in determining the practices in cooperatives. In fact, principles of cooperatives that promote unity, independence and responsibility have most often become crucial in determining the practices of cooperative membership, even overriding the influence of attractive material components. Due to the ignorance of the principles and the misinterpretation of rules and procedures as being the actual principles, cooperatives have been unable to inspire their members with their value system and secure their identity as unique business organizations in the market. According to the findings of the study, the image that most customers hold in their minds regarding cooperatives is a traditional one, and this has given rise to both positive as well as negative repercussions. Thus, when re-creating that image, cooperatives have to recognize context-specific demographics. Mainly due to members' unawareness of the principles of cooperatives and poor management of cooperatives because of politicization, cooperatives have been unable to make cooperative principles live and bloom under neoliberal market conditions where private retail chains are growing aggressively. Finally, it can be concluded that it is not the principles of cooperatives that have restricted cooperatives from competing effectively in the Sri Lankan retail market, but the actual implementation of these principles.

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