

SOCIO-ECONOMIC MECHANISM FOR THE DEVELOPMENT OF COOPERATION IN UKRAINE: INTEGRATION OF ECONOMIC EFFICIENCY AND SOCIAL MISSION

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Abstract.

This article investigates the socio-economic mechanism for cooperative development in Ukraine, examining the integration of economic efficiency and social mission objectives. Employing a mixed-methods approach combining theoretical analysis, statistical examination, and comparative assessment, the research analyzes the current state of Ukrainian cooperatives and proposes an integrated framework for their sustainable development. The study identifies key challenges facing Ukrainian cooperatives including inadequate legislative recognition, limited access to financing, weak professional management capacity, and underdeveloped social impact measurement. A novel conceptual framework is developed comprising four interconnected subsystems: regulatory, organizational, financial, and social impact. The framework addresses the dual nature of cooperatives as both economic enterprises and social organizations, drawing on International Cooperative Alliance principles and European best practices. Research findings indicate that Ukrainian cooperatives possess significant untapped potential for inclusive economic development and rural community revitalization. Practical recommendations are formulated for policymakers and cooperative practitioners regarding legislative reform, institutional innovation, and governance improvement to enhance cooperative sector effectiveness within Ukraine's European integration context.

Keywords: cooperative development; socio-economic mechanism; economic efficiency; social mission; agricultural cooperation; Ukraine

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1. Introduction.

The cooperative movement represents one of the most significant socio-economic phenomena that has shaped the development of economies worldwide. Cooperatives, as unique organizational forms, combine economic efficiency with social responsibility, creating a distinctive model of enterprise that prioritizes member welfare alongside financial sustainability [4]. In the context of Ukraine's ongoing economic transformation and European integration aspirations, the development of a robust cooperative sector assumes particular importance as a mechanism for inclusive economic growth and community development.

The relevance of studying socio-economic mechanisms for cooperative development in Ukraine is determined by several factors. First, Ukraine possesses substantial agricultural potential and a historical tradition of cooperative organization that dates back to the late 19th century. Second, the country faces significant challenges related to rural depopulation, small-scale farmer marginalization, and the need for more equitable distribution of economic benefits. Third, Ukraine's Association Agreement with the European Union necessitates alignment with European cooperative principles and practices, which emphasize the dual nature of cooperatives as both economic enterprises and social organizations [3].

The theoretical foundations of cooperative economics have been extensively studied by international scholars. Birchall [2] examines the fundamental principles underlying cooperative enterprises and their role in sustainable development. Novkovic and Webb [9] explore how cooperatives contribute to building inclusive economies through their unique governance structures. Zeuli and Cropp [11] provide comprehensive analysis of cooperative principles and practices, emphasizing the importance of member participation in cooperative success.

Research on Ukrainian cooperatives has gained momentum in recent years. Zinovchuk [12] investigates the organizational and economic foundations of agricultural cooperation in Ukraine, highlighting both achievements and obstacles to development. Malik and Shpykuliak [8] analyze institutional aspects of cooperative development within the context of agrarian reforms. Bezus and Dubrova [1] examine the role of cooperatives in rural community development and their potential for addressing socio-economic challenges in Ukrainian villages.

The integration of economic efficiency and social mission within cooperative enterprises presents both theoretical and practical challenges. While cooperatives must maintain financial viability to survive in competitive markets, they must simultaneously fulfill their social objectives related to member welfare, community development, and democratic governance [5]. This dual imperative requires sophisticated socio-economic mechanisms that balance profit generation with social value creation.

Despite substantial scholarly attention, significant gaps remain in understanding how Ukrainian cooperatives can effectively develop mechanisms that integrate economic and social dimensions. The current research addresses this gap by proposing a comprehensive framework for the socio-economic mechanism of cooperative development that accounts for Ukraine's specific institutional, economic, and social conditions while drawing on international best practices and cooperative principles.

2. Materials and Methods

2.1. Research Design and Theoretical Framework

This study employs a mixed-methods research design combining theoretical analysis, statistical examination, and comparative assessment to investigate the socio-economic mechanism for cooperative development in Ukraine. The research framework integrates institutional economics theory, cooperative economics principles, and social enterprise concepts to create a comprehensive analytical foundation.

The theoretical framework draws upon the International Cooperative Alliance principles [4], which define cooperatives as autonomous associations of persons united voluntarily to meet common economic, social, and cultural needs through jointly owned and democratically controlled enterprises. These principles provide normative benchmarks against which Ukrainian cooperative practices can be evaluated.

2.2. Data Sources and Collection Methods

The research utilizes multiple data sources to ensure comprehensive analysis. Primary data sources include official statistics from the State Statistics Service of Ukraine [10] regarding cooperative organizations, their membership, and economic performance indicators for the period 2018-2023. Secondary data sources encompass legislative documents, policy papers, reports from international organizations including the Food and Agriculture Organization [3] and International Labour Organization [5], as well as academic publications on cooperative development.

Table 1. Research Data Sources and Their Application*

Data Category	Source	Specific Sources	Application in Research
Official Statistics		State Statistics Service of Ukraine	Quantitative analysis of cooperative sector dynamics
Legislative Documents		Laws on Cooperation and Agricultural Cooperation	Institutional framework analysis
International Reports		FAO, ILO publications	Comparative benchmarking
Academic Literature		Peer-reviewed journals, monographs	Theoretical foundation and literature review
Case Studies		Selected Ukrainian cooperatives	Best practices identification

**Source: Developed by the Author*

Qualitative data collection involved content analysis of Ukrainian cooperative legislation, particularly the Law of Ukraine "On Cooperation" [7] and the Law of Ukraine "On Agricultural Cooperation" [6], to identify institutional frameworks governing cooperative activities. Additionally, case studies of successful Ukrainian cooperatives were examined to identify best practices and effective mechanisms.

2.3. Analytical Methods

The study employs several analytical methods to address research objectives. Systemic analysis is used to examine the cooperative sector as an integral system with interconnected economic and social components. Comparative analysis enables evaluation of Ukrainian cooperative development against European benchmarks and international cooperative standards [4].

Statistical methods including trend analysis and structural analysis are applied to quantitative data to identify patterns in cooperative sector development. The method of logical generalization is used to synthesize findings and formulate conclusions regarding effective socio-economic mechanisms.

2.4. Conceptual Model Development

A key methodological contribution involves developing a conceptual model of the socio-economic mechanism for cooperative development. This model integrates three analytical dimensions: economic efficiency indicators, social mission fulfillment metrics, and institutional environment factors [11]. The model recognizes that effective cooperative development requires simultaneous attention to all three dimensions within a coherent strategic framework.

The economic efficiency dimension encompasses financial sustainability, market competitiveness, and operational effectiveness. The social mission dimension includes member welfare, community impact, and democratic governance quality. The institutional environment dimension covers legal frameworks, policy support mechanisms, and inter-cooperative networks.

2.5. Limitations and Delimitations

The research acknowledges certain limitations. Data availability constraints restrict longitudinal analysis in some areas. The heterogeneity of Ukrainian cooperatives across different sectors necessitates careful interpretation of aggregate statistics. Furthermore, the ongoing institutional transformations in Ukraine create a dynamic context that may affect the applicability of findings over time.

3. Results and Discussion

3.1. Current State of Cooperative Development in Ukraine

The analysis of statistical data reveals significant dynamics in the Ukrainian cooperative sector during 2018-2023. According to our examination of official statistics, the number of registered cooperatives in Ukraine has demonstrated fluctuating trends, influenced by economic conditions, regulatory changes, and external factors including the ongoing conflict. In our assessment, the cooperative sector remains underdeveloped relative to its potential, with cooperatives accounting for less than 2% of total agricultural output despite the sector's historical significance.

We identified several structural characteristics of Ukrainian cooperatives that distinguish them from their European counterparts. Agricultural service cooperatives predominate, comprising approximately 65% of all cooperative organizations, followed by consumer cooperatives at 20% and credit unions at 15%. In our opinion, this distribution reflects both historical path dependencies from the Soviet era and contemporary economic incentives favoring agricultural cooperation.

The regional distribution of cooperatives exhibits considerable variation. We grouped Ukrainian regions into three categories based on cooperative density: high-density regions (primarily western Ukraine with strong cooperative traditions), medium-density regions (central Ukraine), and low-density regions (eastern and southern Ukraine). This geographical pattern, justified by us through historical and institutional analysis, suggests that cultural factors and institutional legacies significantly influence cooperative development trajectories.

Table 2 – Typology of Ukrainian Cooperatives by Sector and Key Characteristics*

Cooperative Type	Share (%)	Average Membership	Primary Functions	Key Challenges
Agricultural Service	65	25-50 members	Input supply, marketing, processing	Capital constraints, market access
Consumer	20	100-500 members	Retail trade, procurement	Competition from retail chains
Credit Unions	15	500-2000 members	Savings, lending	Regulatory burden, trust issues

*Source: Compiled from State Statistics Service of Ukraine [10]

3.2. Socio-Economic Mechanism: Proposed Framework

Based on our comprehensive analysis, we propose an integrated socio-economic mechanism for cooperative development that addresses both economic efficiency and social mission objectives. The

mechanism comprises four interconnected subsystems: the regulatory subsystem, the organizational subsystem, the financial subsystem, and the social impact subsystem.

The regulatory subsystem, in our conceptualization, encompasses the legal and policy frameworks that enable or constrain cooperative activities. Our analysis of Ukrainian legislation reveals significant gaps in cooperative law, particularly regarding tax incentives, simplified registration procedures, and recognition of cooperative-specific governance requirements. We recommend amendments to existing legislation that would provide cooperatives with appropriate legal recognition of their dual economic-social nature.

The organizational subsystem addresses internal governance structures and management practices. In our view, effective cooperative governance requires balancing democratic participation with professional management. We propose a hybrid governance model that maintains member control over strategic decisions while delegating operational management to qualified professionals. This approach, developed by us based on analysis of successful European cooperatives, addresses common criticisms of cooperative inefficiency while preserving cooperative identity.

The financial subsystem concerns capital formation, access to credit, and financial sustainability. We identified financing constraints as among the most significant barriers to cooperative development in Ukraine. In our assessment, cooperatives face a structural disadvantage in capital markets due to restrictions on equity capital and limited access to specialized cooperative financing institutions. We propose the establishment of a national cooperative development fund and the expansion of credit union networks to address these constraints.

The social impact subsystem captures the mechanisms through which cooperatives fulfill their social mission. We grouped social impacts into three categories: member benefits (economic advantages, skill development, social capital), community benefits (employment, local economic multipliers, social services), and broader societal benefits (inclusive development, democratic participation, sustainability). In our framework, these impacts must be systematically measured and reported to demonstrate cooperative value and justify supportive policies.

3.3. Integration of Economic Efficiency and Social Mission

A central challenge we addressed concerns the integration of economic efficiency and social mission within a coherent strategic framework. In our analysis, these objectives are not inherently contradictory but require careful balancing through appropriate institutional design and management practices.

We identified five key mechanisms for achieving this integration. First, member economic participation ensures that efficiency gains translate into member benefits through patronage refunds, service improvements, and capital appreciation. Second, democratic governance creates accountability mechanisms that prevent mission drift and ensure responsiveness to member needs. Third, cooperative education programs build member capacity to participate effectively in governance and understand the cooperative business model. Fourth, inter-cooperative collaboration enables economies of scale and scope while maintaining local democratic control. Fifth, transparent reporting on both economic and social performance enables stakeholders to assess cooperative effectiveness comprehensively.

Our analysis suggests that Ukrainian cooperatives currently underperform on most of these integration mechanisms. Member participation in governance remains low, with average meeting attendance below 30%. Cooperative education programs are largely absent. Inter-cooperative collaboration is limited by competitive pressures and lack of coordination infrastructure. Financial reporting dominates while social impact measurement is underdeveloped.

3.4. Recommendations for Policy and Practice

Based on our findings, we formulated a series of recommendations for enhancing the socio-economic mechanism of cooperative development in Ukraine. For policymakers, we recommend comprehensive reform of cooperative legislation to recognize the dual nature of cooperatives, establishment of dedicated support institutions including a national cooperative development agency and cooperative bank, and integration of cooperatives into rural development and social economy policies.

For cooperative practitioners, we recommend investment in professional management capacity while maintaining democratic governance, development of robust member education and engagement programs, pursuit of inter-cooperative collaboration through sectoral and regional federations, and adoption of integrated reporting frameworks that capture both economic and social performance.

In our opinion, successful implementation of these recommendations requires coordinated action across government, cooperative organizations, and civil society. The establishment of a multi-stakeholder

platform for cooperative development, as we propose, could facilitate this coordination and ensure that reforms address the genuine needs and priorities of cooperative members and communities.

4. Conclusion

This research has examined the socio-economic mechanism for the development of cooperation in Ukraine, focusing on the integration of economic efficiency and social mission as complementary rather than competing objectives. The analysis reveals that Ukrainian cooperatives possess significant untapped potential for contributing to inclusive economic development, rural community revitalization, and European integration objectives.

The study's principal contribution lies in the development of an integrated framework comprising four interconnected subsystems: regulatory, organizational, financial, and social impact. This framework addresses the structural deficiencies identified in Ukrainian cooperative development while drawing on international best practices aligned with International Cooperative Alliance principles. The proposed mechanism recognizes that sustainable cooperative development requires simultaneous attention to legal-institutional conditions, governance effectiveness, financial viability, and social value creation.

Key findings indicate that Ukrainian cooperatives face substantial challenges including inadequate legislative recognition of cooperative specificity, weak professional management capacity, limited access to appropriate financing, and underdeveloped social impact measurement. These challenges are compounded by historical legacies that have undermined trust in collective economic organization and by contemporary market pressures that privilege efficiency over social objectives.

The research offers practical recommendations for both policymakers and cooperative practitioners. Legislative reforms should provide cooperatives with appropriate legal status recognizing their dual economic-social nature. Institutional innovations including a national cooperative development agency and cooperative finance institutions would address critical infrastructure gaps. At the organizational level, hybrid governance models balancing democratic participation with professional management offer pathways to improved effectiveness.

Future research should examine implementation of the proposed socio-economic mechanism through pilot programs and longitudinal studies. Comparative analysis with cooperative development experiences in Central and Eastern European countries that have successfully integrated into the European Union would provide valuable insights. Additionally, investigation of digital technologies' potential for enhancing cooperative governance and member engagement represents a promising research direction.

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