

THE ROLE OF THE SOCIAL ECONOMY IN SUSTAINABLE DEVELOPMENT: AN ANALYSIS OF COOPERATIVES

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Abstract

This paper explores the significance of the social economy in promoting sustainable development. By examining cooperatives and social enterprises, this study highlights how organizations prioritizing social objectives over profit contribute to economic resilience, social inclusion, and environmental sustainability. This research employs a qualitative methodology, using case studies and empirical evidence to underline the contributions of the social economy to equitable economic growth. The findings suggest that supporting the social economy can foster more inclusive and sustainable development models, which have gained prominence amidst global economic, social, and environmental challenges.

Keywords: social economy, sustainable development, social enterprises, cooperatives, social inclusion

Classification JEL: B55, Z00

1. Introduction and context of the study

The social economy (SE) represents a transformative paradigm that aligns economic activities with social and environmental priorities. Rooted in principles of solidarity, inclusivity, and sustainability, this model offers an alternative to traditional market-driven economies in today's turbulent global environment (Toma, 2005; Toma, 2013; Toma and Marinescu, 2015). Organizations like cooperatives, social enterprises, and mutual societies address systemic challenges such as economic inequality, social exclusion, and ecological degradation. By reinvesting profits into community development and prioritizing democratic governance, they challenge the notion that profitability must supersede societal well-being (Defourny and Nyssens, 2010). Thus, the SE is inextricably linked with social entrepreneurship (Zainea et al, 2020a; Zainea et al, 2020b).

Amid persistent economic disparities, climate crises, and social fragmentation, the relevance of the SE has grown. Traditional economic models, while driving growth, often exacerbate inequalities and environmental harm. In contrast, the SE emphasizes interconnected economic, social, and ecological systems, promoting a more equitable and sustainable approach (Amin, 2009). Last decades witnessed in the European Union (EU) an increasing role of the SE which has solved important social problems and “has also strengthened its position as a necessary institution for stable and sustainable economic growth, fairer income and wealth distribution, matching services to needs, increasing the value of economic activity serving social needs, correcting labour market imbalances and, in short, deepening and strengthening economic democracy” (European Economic and Social Committee, 2012, p. 13).

This paper explores the role of the SE in advancing sustainable development (SD), focusing on cooperatives and social enterprises as agents of change. Through case studies and empirical evidence, it highlights how these entities foster economic resilience, social inclusion, and environmental stewardship, offering solutions to pressing global challenges (Santos, 2012).

The purpose of this study is to analyze the impact of the SE on SD, with a particular emphasis on cooperatives and social enterprises. It aims to demonstrate how these organizations

prioritize social and environmental objectives while promoting economic growth and resilience. By addressing key global challenges such as inequality, climate change, and community fragmentation, the research seeks to provide a comprehensive understanding of how the SE contributes to inclusive SD.

This paper also strives to bridge theoretical insights and practical applications, offering policymakers and stakeholders actionable recommendations to enhance the role of the SE. By examining successful case studies and drawing on empirical evidence, it highlights best practices and identifies areas where support mechanisms can amplify the impact of cooperatives and social enterprises in achieving the United Nations(UN)' Sustainable Development Goals (SDGs).

The paper is structured as follows: chapter 2 displays the literature review. The methodology is illustrated in chapter 3. Chapter 4 presents the results and discussion. The conclusions are shown at the end of the paper.

2. Literature review

2.1. Defining the SE

Entitled also the “third sector”, SE is considered as “an important agent in employment, economic growth, social solidarity, and associationism and social servicing” (Arpinte et al, 2010, p. 139). Lying between the market and the public sector (Toma et al, 2015), SE is characterized by its emphasis on democratic governance, community-centric objectives, and the reinvestment of profits into social and environmental initiatives. Unlike the public or private sectors, the SE operates on principles of solidarity and inclusivity. Scholars such as Defourny and Nyssens (2010) describe it as a space where economic activities are explicitly oriented toward addressing societal needs rather than maximizing financial returns. As the SE refers to “forms of economic activities and relations that prioritize social and often environmental objectives over profit motives” (United Nations, 2023, p. 1) it represents a critical component in fostering SD.

2.2. Cooperatives and Social Enterprises

According to OECD (2023, p. 13), SE is seen as “a set of entities such as associations, cooperatives, mutual organisations, foundations and, more recently, social enterprises”. Thus, cooperatives and social enterprises are foundational to the SE. Cooperatives, owned and operated by their members, prioritize equitable wealth distribution, fair labor practices, and community resilience. Birchall and Simmons (2004) highlight the ability of cooperatives to weather economic crises while maintaining their commitment to social objectives. Similarly, social enterprises leverage commercial activities to achieve social missions, addressing issues like poverty, unemployment, and environmental degradation through innovative models (Nicholls, 2006).

The SE has to be efficient in order to attain its normative purposes regarding life's needs (Cace et al, 2011, p. 52). This is why its components, such as social enterprises, should be entrepreneurial-oriented (Marinescu et al, 2017; Catană et al, 2020), meaning creative (Toma et al, 2013; Marinescu and Toma, 2017) and innovative (Tohănean and Toma, 2018; Grădinaru et al, 2020). Consequently, they have to embrace a strategic orientation (Toma and Marinescu, 2013; Toma and Grădinaru, 2016; Toma et al, 2016a; Toma et al, 2016b), to implement viable business models (Toma and Tohănean, 2018; Toma and Tohănean, 2019), to behave socially responsible (Marinescu et al, 2010; Imbrișcă and Toma, 2020), and to be good corporate citizens (Toma, 2008a; Toma et al, 2011). To achieve business performances, social enterprises should implement a plethora of instruments and methods such as Six Sigma (Toma, 2008b), Balanced Scorecard (Toma et al, 2010), quality management (Toma, 2006), marketing mix (Grădinaru et al, 2016; Grădinaru and Toma, 2017; Catană and Toma, 2021a; Catană and Toma, 2021b), organizational learning (Toma, 2012) and training programs (Marinescu and Toma, 2013).

2.3. Contribution to Sustainable Development Goals

The UN SDGs emphasize inclusive economic growth, environmental sustainability, and social equity. SE organizations directly contribute to these objectives by fostering economic inclusion, promoting fair labor practices, and adopting environmentally sustainable operations. For example, Santos (2012) emphasizes the role of social enterprises in reducing environmental impact through sustainable practices, while Amin (2009) underscores the potential of the social economy to mitigate economic inequalities and enhance community resilience.

By integrating these principles into their operations, cooperatives and social enterprises exemplify how the social economy can serve as a catalyst for achieving the SDGs. This alignment underscores the importance of fostering an enabling environment for these organizations to thrive, including supportive policies, access to funding, and capacity-building initiatives.

3. Methodology

This research employs a qualitative methodology, using case studies and literature analysis to assess the role of the social economy in sustainable development. Case studies from Europe provide insights into how cooperatives and social enterprises achieve their social missions. Secondary data from peer-reviewed journals and reports are analyzed to examine the broader contributions of the social economy to economic and social outcomes.

4. Results and discussion

This chapter of the paper presents and discusses the findings through the analysis of several case studies related to the SE sector. Credit cooperatives are unique financial institutions, established as autonomous associations of individuals voluntarily united to meet their common economic, social, and cultural needs. They operate primarily to support their members, promoting values such as solidarity and mutual aid. This case study analyzes the credit cooperative models in three countries (France, Italy, and Romania), highlighting their similarities and differences.

a) France: Crédit Agricole

Crédit Agricole, one of the largest credit cooperatives in France, is a relevant example of success and adaptability in a constantly changing banking sector. Founded in 1894 as an agricultural bank for farmers, Crédit Agricole has transformed into a financial giant with a global network, while maintaining its cooperative status. Today, the group has over 50 million members and operates approximately 7,000 branches across France.

Originally established to support the development of the agricultural sector, Crédit Agricole grew rapidly through mergers and acquisitions, evolving into a national and international banking network. In 1990, the group began adopting a hybrid model, with central entities becoming joint-stock companies, while maintaining majority control in the hands of regional banks. This step allowed Crédit Agricole to attract additional capital, expand its operations, and diversify its services, including investment banking and corporate financing.

Crédit Agricole is a leader in the French banking sector, with loan volumes exceeding 1 trillion euros. The group is involved in a wide range of financial activities, including mortgage lending, loans for SMEs, and private banking services. In 2023, the group reported a net profit of approximately 5 billion euros, and its total assets surpassed 2 trillion euros.

Crédit Agricole represents a successful example of a cooperative banking model that has managed to adapt to economic and financial challenges. The transformation into a hybrid banking group allowed it to diversify its services and achieve significant growth, but the financial crisis

highlighted the importance of maintaining a balance between risks and the core values of cooperativism. The future of the group will depend on its ability to protect members' interests and remain competitive in an increasingly volatile global market (Ory and Rezemy, 2010)

b) Italy: Cooperative Credit System

The Cooperative Banking System in Italy includes 439 cooperative banks with 4,192 branches operating in over 4,000 municipalities, covering more than 40% of the country's administrative centers. Many of these areas are underserved by large commercial banks. These banks are supported by 993,000 members and employ approximately 31,000 banking staff, serving a total of 5.7 million customers.

Cooperative banks have a tradition spanning over 120 years and play a vital role in the development of local economies by providing loans to households and small and medium-sized enterprises. In 2005, they granted loans worth 85 billion euros, while total deposits reached 102 billion euros.

The cooperative banking system is recognized for its democratic governance and social impact, contributing to economic development in communities and offering tailored financial services in regions less served by commercial banks (Stefancic, 2010).

c) Romania: Credit Cooperative

The cooperative banking system in Romania has a long history, beginning in the mid-19th century. In 1851, the first cooperative bank was established in Transylvania, followed by the creation of the "Înfrățirea" association in 1855 in Brăila, aimed at mutual credit and savings. By 1867, Visarion Roman founded the first Romanian cooperative bank in Rășinari, inspired by the Schulze-Delitzsch model.

The cooperative movement expanded rapidly between 1870 and 1881, with many popular banks emerging in towns and villages. In 1887, Romania's Commercial Code included provisions for cooperatives, further encouraging their growth. In 1895, Romania became a founding member of the International Cooperative Alliance, signaling its commitment to the global cooperative movement.

Significant legal milestones followed: in 1903, the "Law on Popular Banks" was passed, and in 1917, the "Central House of Cooperation and Land Ownership" was established. After World War II, 1954 saw the establishment of the Agricultural Bank and the restructuring of cooperatives.

The post-communist era in 1990 saw the reorganization of consumer and credit cooperatives under Decree-Law 67, which set the legal foundation for the cooperative banking sector. This was followed by further reforms, such as Ordinance 97 in 2000, which allowed cooperatives to operate as "cooperative banks." From 2000 to 2015, key legislative changes modernized the sector and aligned it with European standards, ensuring the stability and integration of Romania's cooperative banks into the broader financial system. These institutions continue to provide essential financial services, particularly in rural areas.

The above-mentioned case studies allow the author to reach the following conclusions related to the effects of SE:

1. Economic Resilience and Social Inclusion

Evidence suggests that social economy organizations enhance economic resilience, particularly in times of economic crisis (Amin, 2009). Cooperatives, for instance, have demonstrated a capacity to retain employment and sustain community services during economic downturns (Birchall and Simmons, 2004).

2. Environmental Sustainability

Social enterprises often integrate sustainable practices into their operations. By prioritizing environmental considerations, such as waste reduction and renewable energy use, these organizations contribute to broader environmental sustainability efforts (Santos, 2012).

3. Policy Implications

Government support for the social economy can significantly amplify its impact. Policies promoting access to funding, capacity building, and favorable regulatory environments are essential

for enabling these organizations to scale and sustain their social missions (Defourny and Nyssens, 2010).

The analysis of credit cooperative models in France, Italy, and Romania highlights their flexibility and adaptability to national specifics. While the structures differ, the common goal remains supporting members through accessible and tailored financial services. International experiences can provide valuable lessons for developing and optimizing the cooperative credit system in a global context.

5. Conclusions

The findings of this study highlight the transformative potential of the social economy as a cornerstone of sustainable development. By prioritizing economic resilience, social inclusion, and environmental stewardship, social economy organizations, particularly cooperatives and social enterprises, offer viable alternatives to traditional economic models. These entities demonstrate how business operations can integrate social and environmental objectives without compromising efficiency or growth.

The case studies presented illustrate how diverse cooperative models in countries like France, Italy, and Romania have adapted to their unique socio-economic contexts while upholding principles of solidarity and mutual aid. These examples emphasize the adaptability and scalability of the social economy, providing valuable insights for policymakers and stakeholders worldwide.

To maximize the potential of the social economy, supportive policy frameworks are crucial. Governments must facilitate access to funding, promote capacity building, and create regulatory environments conducive to the growth of social economy organizations. Collaboration with international bodies and alignment with the UN SDGs can further enhance their impact.

As global challenges such as inequality, climate change, and economic instability intensify, the social economy offers a roadmap for a more equitable and sustainable future. Its success depends not only on the resilience and innovation of its organizations but also on the collective commitment of societies to embrace a paradigm that values people and the planet over profit.

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