

**Governance and participation in a weak state: institutional changes of a credit cooperative in south Brazil**

Dissertation

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# List of Abbreviations

|  |  |
| --- | --- |
| AGEFA | Associação Gaúcha Pró-escolas Famílias Agrícolas |
| Amvarp | Associação dos Municípios do Vale do Rio Pardo |
| APESC | Associação Pró-Ensino de Santa Cruz do Sul |
| Bacen | Banco Central do Brasil |
| CCW | Consumer Co-operatives Worldwide |
| Corede | Conselho Regional de Desenvolvimento |
| CTA | Centro de Treinamento Agrícola |
| DAC | Departamento de Assistência às Cooperativas |
| DFG | Deutsche Forschungsgemeinschaft |
| DGRV | Deutscher Genossenschafts und Raiffeisenverband |
| EU | European Union |
| EMATER | Associação Rio Grandense de Empreendimentos de Assistência Técnica e Extensão Rural |
| FETRAFSUL | Federação dos Trabalhadores da Agricultura Familiar na Região Sul |
| IBGC | Instituto Brasileiro de Governança Corporativa |
| ICA | International Co-operative Alliance |
| ILO | International Labour Organisation |
| LoSAM | Local Self-Governance in the context of Weak Statehood in Antiquity and the Modern Era |
| MPA | Movimento dos Pequenos Agricultores |
| OCB | Organização das Cooperativas Brasileiras |
| PUFV | Programa União Faz a Vida |
| RS | Rio Grande do Sul |
| SICREDI | Sistema de Crédito Cooperativo |
| SUMOC | Superintendência da Moeda e do Crédito |
| Unibanco | União de Bancos Brasileiros |
| UN | United Nations |

# Abstract

This study investigates the century-long history of Sicredi Vale do Rio Pardo, a local credit cooperative in southern Brazil. Based on a research methodology that combines document analysis, member interviews and a review of relevant legislation, this research examines the cooperative's self-regulation trajectory through five distinct periods of Brazilian history. Each of these periods forms an empirical chapter within the thesis, which covers the organisation's inception during the first Brazilian Republic (1919-1930), its operation during the Vargas administration (1930-1945), its existence during the democratic interval (1945-1964), its resilience during the challenging years of the military dictatorship (1964-1985), and its most recent changes in the context of contemporary Brazilian democracy (1988-2022). This study's insights derive primarily from cooperative members' bottom-up initiatives, motivated by their internal needs or alignment with the national financial system. During these periods, key drivers of cooperative development include local management, member participation, membership growth, credit demands, and community engagement. We provide a comparative analysis, showing how Sicredi Vale do Rio Pardo adapted to different political and economic conditions, looking at the evolution of its governance structure over time. Also, we show how the cooperative responded to critical junctures and windows of opportunities along its path. Our central argument is that Sicredi Vale do Rio Pardo's members' self-regulation has played an essential role in promoting local development and economic resilience, especially in places where government support for rural areas has historically been limited.

**Keywords:** Cooperative, Governance, Self-regulation, Weak State

# Zusammenfassung

Die vorliegende Studie untersucht die mehr als ein Jahrhundert umfassende Geschichte der Sicredi Vale do Rio Pardo, einer lokalen Kreditgenossenschaft im Süden Brasiliens. Auf der Grundlage von Dokumentenanalyse, Mitgliederbefragungen und mithilfe einer Überprüfung der einschlägigen Finanzgesetzgebung wird die Entwicklung der Selbstregulierung der Genossenschaft während fünf verschiedener Perioden brasilianischer Geschichte untersucht. Diese Perioden bilden innerhalb der Arbeit jeweils ein empirisches Kapitel und umfassen die Gründung der Organisation während der ersten brasilianischen Republik (1919-1930), ihre Tätigkeit während der Vargas-Regierung (1930-1945), ihre Existenz während der demokratischen Periode (1945-1964), ihre Widerstandsfähigkeit während der schwierigen Jahre der Militärdiktatur (1964-1985) und ihre jüngsten Veränerungen im Kontext der heutigen brasilianischen Demokratie (1988-2022). Die Erkenntnisse der Studie stammen in erster Linie aus den Bottom-up-Initiativen der Genossenschaftsmitglieder, die durch ihre internen Bedürfnisse oder die Anpassung an das nationale Finanzsystem motiviert waren. Zu den wichtigsten Triebkräften für die Entwicklung der Genossenschaft in diesen Perioden gehören das lokale Management, die Beteiligung der Mitglieder, das Mitgliederwachstum, die Kreditnachfrage und das Engagement in der Gemeinschaft. In einer vergleichenden Analyse zeigen wir, wie sich die Sicredi Vale do Rio Pardo an unterschiedliche politische und wirtschaftliche Bedingungen anpasste, und untersuchen die Entwicklung ihrer Führungsstruktur im Laufe der Zeit. Außerdem zeigen wir, wie die Genossenschaft auf "Critical Junctures" und "Windows of Opportunity" reagierte. Unser zentrales Argument ist, dass die Selbstregulierung der Mitglieder der Sicredi Vale do Rio Pardo eine wesentliche Rolle bei der Förderung der lokalen Entwicklung und wirtschaftlichen Widerstandsfähigkeit gespielt hat, insbesondere dort, wo die staatliche Unterstützung für ländliche Gebiete in der Vergangenheit begrenzt war.

**Stichworte**: Genossenschaft, Governance, Selbstregulierung, schwacher Staat

# Introduction

Cooperatives have shaped the economic and social landscape for over a century, particularly in rural areas. These member-owned organisations operate locally, focusing on social responsibility and community development. In countries like Brazil, where government support for rural and remote areas has historically been weak, cooperatives have become essencial for promoting local development and meeting the pressing needs of marginalised communities. Through credit, financial services, and technical assistance, they can facilitate entrepreneurship, productivity, and quality of life for members and their communities. Although cooperatives face challenges in governance and management, their importance as agents for promoting local development persists. Active member participation, member training, and skilled professionals are required for effective operation.

Ensuring that members are well-informed and committed to their goals and operations is crucial for their self-regulation. However, they are not the only ones responsible for this role. Other local institutions, such as municipal governments, non-governmental organizations, and civil society initiatives, also play significant roles in promoting informed and invested participation. Through local efforts, these interdependent actors establish one support network for their constituents and the communities in which they operate, thereby amplifying the positive impact on economic and social development. Notably, a common attribute among these local actors lies in their commitment to self-regulation, which permeates their organisational structures and governance mechanisms. By adhering to these practices, these institutions must address questions regarding transparency, accountability, ethical conduct, and member interaction.

Not only do cooperatives promote local development, but they also help strengthen the national economy. They foster job creation and income generation while promoting financial inclusion for those who often would not have access to traditional banking services. They are also known to be more resilient to economic crises than other companies, as they are managed by their members and focus on the community's well-being rather than maximising profit at all costs. However, cooperatives also face challenges. Their dispersed ownership structure and decision-making process hinder implementing change, particularly during emergencies or crises. In addition, the lack of financial and technical resources and the distance from their base may limit the ability of cooperatives to adequately provide services and support to their members.

Challenges in dealing with inequality among members, complex governance structures and decision-making processes, and external economic factors that can disrupt their financial stability and operations. To thrive, cooperatives must prioritize equitable participation, transparent governance, and training in conflict resolution to ensure fair representation and decision-making.

The role of cooperatives in the economy and society cannot be understood as static or given but as a dynamic and constantly evolving process closely linked to historical and contextual circumstances in which they operate. Consequently, academic research aimed at unpacking the historical trajectory of cooperatives, their adaptive capacity, and their differences across geographical locations can provide invaluable insights for promoting the development and strengthening of these organisations. Given these essential considerations, this thesis is justified.

In this work we posit that self-regulation and self-governance of local institutions can fulfil many functions of the State, particularly in countries with emerging or developing economies. In many of these countries, demands originating from local communities are responsible for providing financial services to remote or low-income regions where traditional financial institutions may be absent or unable to offer suitable services. In this scenario, credit cooperatives stand out as agents for local economic development, providing loans and financial services to small local businesses and entrepreneurs, contributing to job creation and promoting economic activity.

In the Brazilian landscape of 2021, the credit cooperative movement has garnered significant traction for a century. As of that year, this movement encompassed 763 local cooperatives, collectively serving a substantial membership base exceeding 13.9 million individuals. Moreover, these cooperatives contributed to the creation of 89,000 direct employment opportunities.[[1]](#footnote-1) Currently, these organisations are divided into full, classic and capital and loan cooperatives and are organised into singular cooperatives, central offices and confederations.

The National Credit Cooperative System (SNCC) has demonstrated remarkable resilience in the Brazilian financial market, even during times of crisis. While large financial institutions have reduced their presence in the sector, credit cooperatives stand out for their quality of services, customer care, and their role as local businesses with a solid commitment to the community. With a credit portfolio exceeding R$258 billion in 2021, they have the largest service network in Brazil, comprising 7,976 service points promoting financial inclusion and access to the financial market and services to an increasing number of individuals.

During recessions, such as the 2008 subprime and COVID-19 crises, credit unions adopted a more cautious lending approach compared to banks. Research suggests that they may increase the share of mortgages issued by a smaller margin, indicating their risk-averse stance. Despite this conservative strategy, credit cooperatives have shown higher rates of success, lower delinquency ratios, and lower net charge-off ratios immediately following the crises, suggesting relative resilience to adverse economic conditions (van Rijn and Li 2022). These performance differences can be attributed to their structure, which likely influences their approach of mutual lending and enables them to navigate financial challenges more effectively. Additionally, credit unions often choose to operate in areas with a low concentration of traditional banks, reducing direct competition, which may contribute to their distinctive performance during uncertain economic times (Sundaram-Stukel and Deller 2021).

Credit cooperatives are found in over half of the municipalities in Brazil, and in 275 of these municipalities, they are the only physically present financial institution. Furthermore, in 754 cities where no other financial institutions operate, at least one local credit cooperative offers services through advanced service points (PAC). [[2]](#footnote-2)

In many communities, especially in rural and low-income areas, people have difficulty accessing financial services and obtaining loans to invest in their livelihoods or projects. These difficulties can result from the lack of financial institutions in the area or the need for more resources to meet the demands of the financial sector. In these cases, creating a local collective association is a viable solution to organise a community's finances and provide affordable financial services suited to the members' needs. Through cooperation, people come together to form an autonomous financial organisation based on values of solidarity and democratic participation that meets the community's needs without depending on central governments, for example.

Despite its importance, the historical evolution of local self-regulation in cooperative credit organisations in Brazil has not been widely studied, especially in political, economic and social changes that have occurred in the country over the last century. This thesis aims to fill this gap by conducting an in-depth analysis of the historical evolution of Sicredi Vale do Rio Pardo, a local credit union organization stablished in the south of Brazil for over a century. The primary objective is to gain comprehensive insights into the institution's role as a local actor and its implementation of bottom-up self-organized strategies. By studying its historical trajectory, this research aims to provide a understanding of how Sicredi Vale do Rio Pardo has operated within its community and central State authorities, considering its local context and engaging in grassroots initiatives. Through this investigation, we aim to shed light on the significance of its self-regulation approach, which involves local and decision-making actions by key stakeholders in the community.

The study aims to contribute to understanding the importance of local governance and bottom-up initiatives in promoting development in weak states. Sicredi Vale do Rio Pardo serves as an interesting case for analyzing both the positive and negative aspects of self-regulation over a historical period. Established in 1919 by a group of German immigrants, this cooperative initially served the specific needs of its rural community. However, over time it expanded beyond its original boundaries, leading to changes in its governance structure and cooperative identity. To comply with external regulations and cater to a broader market, this organization underwent internal adjustments and changes in it structures.

Today, Sicredi Vale do Rio Pardo's budget surpasses 2.5 times the budget of the city in which it is located, an indication of its significant growth and economic impact over the years. This expansion has allowed the cooperative to consolidate local resources within a governance structure that deserves closer examination. As it evolved from a community-oriented initiative to a large-scale financial institution, the cooperative's changes raises questions about the implications of such growth on local development and self-regulation. Understanding how this cooperative navigated its path towards accommodating these questions while still serving its original mission of promoting local development is crucial in shedding light on the importance bottom-up initiatives in weak states. To understand how Sicredi has dealt with significant turning points (Critical Junctures) and seized the opportunities that have arisen (Windows of Opportunities), it is necessary to analyze its historical trajectory and the strategies adopted in response to considerable changes.

By analysing historical documents and interviewing members and managers, this study reveals how Sicredi Vale do Rio Pardo has adapted to Brazil's changing political and economic landscape, as well as to the needs and aspirations of its members. This research also highlights the challenge of maintaining active member participation as the cooperative expanded. Sicredi Vale do Rio Pardo also has demonstrated an ability to reconfigure itself during political instability and authoritarian regimes, drawing on its capacity for local governance and its ability to involve key stakeholders in decision-making.

During this research, the reader will dive into the governance structures and practices of Sicredi Vale do Rio Pardo, learning about the evolution of local self-regulation and its influence on the organisation's trajectory. By employing document analysis, participant observation, and interviews with members and former members, this study delves into the strategies used by local actors in response to various political and economic regimes, such as the Vargas government, the military dictatorship, and the democratic transition of the 1980s. Moreover, this research sheds light on the cooperative's interactions with, the community, the market, and the State, exploring how member decisions and external regulatory impositions have affected its trajectory.

This thesis builds upon the scholarly discussions within the LoSAM project[[3]](#footnote-3) (Local Self-Governance and Weak Statehood: Antiquity to the Modern Era), an research unit supported by the German Research Foundation (DFG). LoSAM is committed to exploring the dynamics of local self-governance in regions marked by limited state governance, encompassing historical and contemporary contexts. Remarkably interdisciplinary, the project brings distinguished scholars from many disciplines, including history, political science, anthropology, economics, theology, archaeology, and geography. The group provides a nuanced understanding of local self-governance by adopting a comprehensive approach. It does so by delving into diverse temporal and spatial contexts, spanning from antiquity to the modern era, and by examining various regions across the globe.

This dissertation is structured into ten chapters, each contributing to a comprehensive analysis of the topic. Chapter 1 serves as an introduction, providing an overview of the research and outlining the work structure. Chapter 2 presents a conceptual framework, incorporating theoretical perspectives relevant to the study of cooperative enterprises, local self-regulation, weak states, cooperatives, governance, and historical institutionalism. Chapter 3 describes the methodology employed in this research, elucidating the approaches utilized, including document analysis, participant observation, and interviews with members of Sicredi Vale do Rio Pardo. Chapters 4 to 8 form the empirical core of the thesis, offering a detailed examination of the organisation's historical trajectory from its establishment in the early twentieth century to its current status as a local collective institution. These chapters depict the five distinct historical periods experienced by Sicredi Vale do Rio Pardo, highlighting its responses to many political and economic regimes such as the Vargas government, the military dictatorship, and the democratic transition of the 1980s. Chapter 9 engages in a comparative analysis of the different periods experienced by the cooperative, focusing on categories illuminating its relationship with members, the community, the market, and the State. Additionally, it presents critical junctions and windows of opportunity for this collective organisation. Finally, Chapter 10 draws together the conclusions derived from the study, acknowledging the research's limitations and providing suggestions for future investigations.

This work is conducted as a part of LoSAM subproject E, which is under the supervision of Professor Dr Hans-Joachin Lauth. The subproject E, in special, explores the forms of self-government in an immigrant community in southern Brazil (Lauth et al. 2019). It examines the socio-cultural and material foundations established by community institutions during different historical periods. In this way, this research delves into the historical evolution of self-regulation within a local credit cooperative in Brazil. It focuses on the cooperative's response to economic challenges faced by an isolated community of immigrants with limited financial resources.

To describe the process of self-regulation, this study considers temporal changes in path dependencies of this institution, including the identification of path continuities and shifts in political and governance transformation processes (Pierson 2000, 2004). While self-governance is an aspect of the institution under investigation, some difficulties arise when conducting a historical analysis. One primary challenge is the availability and quality of historical records. Depending on the time and region being studied, there may be limited documentation or gaps in the historical records. Also, historical records may be biased, incomplete, or subject to interpretation. Finally, self-governance can exhibit path dependencies, where past decisions and structures shape present and future developments (North 1990). Analysing these path dependencies involves identifying continuities and discontinuities in self-governance processes (Voigt 2017). It requires tracing the trajectory of self-governance over time and identifying key turning points or shifts in political transformation. This can be challenging due to the interplay of multiple factors and the need to consider long-term historical developments.

If local organisations have control over their financial resources, they can make decisions based on their needs and priorities, promoting more local governance. The capacity to develop and implement their own rules and regulations, rather than relying on external actors to impose them, is one of the advantages of such control. For example, local communities can achieve greater autonomy and develop local capacity by allocating resources to initiatives that promote community development or local organisations - such as churches, schools, clubs, and self-help groups - two essential components of local self-regulation. These points will be analysed in the Sicredi Vale do Rio Pardo case study.

In addition, maintaining financial control may also help to promote transparency and accountability, with regular financial reporting requirements and audits ensuring that resources are being used effectively and that local organisations are operating correctly. However, this autonomy can be undermined by authoritarian top-down regulations and political-economic crises. Central authorities may impose restrictions, limiting local decision-making, while instability and conflicts disrupt local governance efforts and access to resources. Economic crises and governance problems can also reduce funding, impacting community development projects.

The success of cooperatives relies on the active participation of their members and their ability to meet the needs and expectations of both members and their respective communities. Therefore, studying the trajectory of cooperatives requires a careful examination of the social, political, and economic contexts in which they operate. Despite having similar structures and designs, cooperatives in different countries function within highly diverse social, political, and economic landscapes, influencing their objectives, challenges, and strategies. For example, the challenges faced by rural cooperatives in developing countries differ from those faced by urban cooperatives in developed countries. In some countries, the government encourages the creation of cooperatives as part of a strategy to promote local development and reduce poverty. In other countries, however, cooperatives face political and regulatory barriers that impede their operation and growth.

Loss of local control over financial resources can lead to significant challenges. In authoritarian regimes, communities may face limitations on their independent decision-making and implementation of initiatives due to restrictions imposed upon them. This undermines democratic processes and hampers civic participation. External legislation can also impede the self-regulation of internal financial resources, as central government regulations restrict local communities' autonomy in utilizing their assets. Likely, internal hierarchy and corruption also hinder local governance by favoring a select elite and limiting community members' participation and influence. Consequently, financial transparency and accountability suffer as a result. The challenges of maintaining local financial control can be amplified by rapid expansion, which can impact the ability of community members to influence decision-making processes. Lastly, the evolving dynamics of the community may require the cooperative's governance structure to adapt and restructure to effectively utilise its financial resources. These issues are closely linked to forms of governance, member participation, and the community's changing needs over time.

Naturally, legislation under which cooperatives operate and their challenges may change, especially with government shifts and in response to historical and local contexts. With this regard, the social, political, and economic landscape in which cooperatives operate is subject to evolution and transformation. As a result, the goals, strategies, and obstacles they encountered can vary across different countries and regions. By addressing specific critical junctures and windows of opportunities within each context, research on cooperatives can analyze their practices, innovative strategies, and governance models for promoting self-regulation and fostering sustainable development.

Observing these dynamics through a historical lens makes it possible to understand how local organisations and communities enhance their self-regulation. Changes in governance structure and member participation often arise as reactions to external and internal factors, including political shifts, community demands, and organisational priorities. Analysing these changes across time allows a deeper comprehension of the influences that mould organisations and their adaptive responses to new circumstances. Drawing upon an institutionalist perspective, this research explores the dynamics of a local organisation and its community, focusing on the norms, rules, and values that shape human behaviour (North 1990). By examining changes in governance structure and member participation in response to external and internal factors, this research considers the formal and informal institutions in organisations.

To gain insights into the functioning of local self-regulation within a specific context, this study centres its analysis around six questions derived from the LoSAM project, which provide a clear framework for our investigation: 1) What is regulated by local self-regulation? Here, our study concentrates on the financial regulation of communities and on how self-governance can provide appropriate financial services. 2) Who is responsible for local regulation? Here, the study highlights the importance of cooperation and organisation among community members to implement self-governance. 3) How is local self-regulation carried out? The study emphasises the processes and mechanisms community members use to implement self-governance. 4) Who is regulated by local self-regulation? Focusing on community members and how they benefit from self-governance. 5) Where does self-regulation occur? Here, the focus is on the local level where self-governance is implemented. And finally, 6), this study examines how the relationships of local groups with the State are regulated, including the influence of the State and conventional regulatory bodies such as the current Central Bank (BACEN) and financial legislation.

By addressing these questions and examining how the self-governance of financial resources is implemented in specific historical contexts, this research contributes to a broader understanding of the dynamics of local self-regulation and builds on the LoSAM project. Using a multidisciplinary approach that combines theoretical perspectives from sociology, economics, and political science, along with qualitative research methods, our study contributes to local self-regulation in contexts of weak statehood by providing relevant data on how credit cooperatives organise and regulate their activities.

The findings of this study hold significant relevance for credit cooperatives and researchers seeking to comprehend the mechanisms behind the success or failure of local institutions, along with the dynamics of interaction between local self-regulation and government regulation. Furthermore, these findings offer valuable insights that policymakers and community organisations can utilise to foster economic and social development within local communities.

# Theoretical discussion

## 2.1 Theoretical perspectives on cooperative research

To address this theme, first, it is essential to clarify what we mean by cooperation and cooperatives and describe the actual cooperative characteristics. Once this distinction is made, the reader will get into cooperatives' governance and self-regulation issues. This initial literature allows us to avoid terminological misunderstandings in many discussions.

Cooperation and cooperatives have different theoretical meanings. In short, the difference between these two concepts is that a cooperative is a type of enterprise owned partially or wholly by its members. At the same time, cooperation is the act of cooperating or being cooperative.[[4]](#footnote-4) However, this issue can be deepened: cooperation might be voluntary or involuntary, direct or indirect, formal or informal, but always with a combination of efforts toward a specific end in which all the participants have a stake, real or imagined.[[5]](#footnote-5).

This work will describe cooperation as a social process while cooperative as a modern social organisation. The word cooperative refers to a society of persons with shared aspects of cooperation. Modern refers to the sense used by Weber, meaning the retreat of tradition and the change to bureaucracy as a new social organisation form due to a rationalisation process. A cooperative does not have all the characteristics of the capitalist enterprise described by Weber but is part of a rationalisation process present in his thesis. The cooperative model must remain rational and efficient by being an enterprise and directly committed to the production process. Thus, the term cooperative will be used to refer to the form of cooperative societies or related organisations.

As introduced by Mellor et al. 1988, cooperation offers a view of the world in opposition to competitive individualism. However, it cannot be neatly packaged into a unified theory or a particular plan. Even the great sociologist (Durkheim 2014) and his concept of social solidarity gave an ethical implication to cooperation by stating that societies move from mechanical solidarity to organic solidarity through the division of labour.

For Pinho (1966), following a sociological vision, cooperation should be understood as social integration or a collaborative action in which people meet, formally or informally, to achieve common goals. According to the author (idem), when claimed exclusively by a cooperative, cooperation cannot explain a particular context because it is broader than the cooperative organisation. Cooperation gives rise to particular social groups when organised according to previously established statutes and rules. Among them, cooperatives primarily pursue economic, social and educational objectives (idem. p.7-8).

Although associative experiences can be found in very remote periods as manifestations of man as a social being, it is impossible to consider such actions as modern cooperative examples (Baioto 2018; Pinho 1966). The modern cooperative experiences began with a firm grounding in social movements linked to the labour movement, and the industrial revolution is the key to understanding this (Altman 2010). Thus, the fact that cooperation appears in records of the first human manifestations in which people gather to achieve common goals; the cooperative enterprise, on the other hand, is likely to occur more in modern and industrialised societies (or societies in the process of industrialisation) than in traditional and ancient societies[[6]](#footnote-6). The social tensions surrounding big industry and machinery in England bring us clear elements for the emergence of initial questions about modern cooperatives and the first cooperatives' experiences. The industrial development and, simultaneously, the exploitation of the working class because of low wages, many hours of work and, above all, high unemployment rates create the perfect conditions for the emergence of cooperatives.

## 2.3 Cooperative enterprise, one definition?

A clear definition of what a cooperative enterprise may vary depending on the source, but most scholars agree that a cooperative 1) is one open and voluntary organisation 2) with a democratic structure, with each member having one vote; and 3) with an equitable and fair distribution of financial results based on the volume of operations made by its members.

The International Cooperative Alliance (ICA) defines cooperatives 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."[[7]](#footnote-7). This definition is also accepted by the International Labour Organisation (ILO)[[8]](#footnote-8) on its recommendation 193 and by the Consumer Cooperatives Worldwide (CCW)[[9]](#footnote-9). Other international bodies, such as the United Nations (UN)[[10]](#footnote-10) and the European Union (EU)[[11]](#footnote-11), value cooperatives' role in society, the economy and (international) development.

International bodies and several researchers have stressed that cooperatives are potent vehicles for socio-economic empowerment, and their bases and principles contribute to local economic development (Birchall 2014; Bulgarelli 1962; Okem 2016). They incorporate philosophical concepts and principles that characterise this type of organisation.[[12]](#footnote-12)

Historically, cooperatives link their origins to the 'Rochdale Pioneers' who opened a consumer-owned store in a small industrial town in northern England in 1844 (Birchall 2011). The society aimed to run a warehouse to supply its members to reduce food product prices by eliminating intermediaries. The model was so successful that years later, the Rochdale cooperative managed a large warehouse, built houses, and sought work for unemployed members (Cole and Filson 1965). Another remarkable fact was the purchase or lease of land to create a self-sustainable community through the work of its members (Singer 1998). Of course, other cooperatives existed before 1844 (Birchall 2011; Emelianoff 1948; Okem 2016; Singer 1998)[[13]](#footnote-13), but what made Rochdale particular was (a) its long-term success and (b) its written principles, which, with a few changes, still provide the fundamental values of all co-ops worldwide.

An achievement of the cooperative movement was the creation of an international apex organisation. In 1895 the International Cooperative Alliance (ICA) was established in London at the initiative of English, French and German leaders (J. O. Schneider 1999). Because of a historical-cultural process, the Rochdale principles guided many discussions and opened a path to the emergence of several other cooperatives. Since 1937, ICA has formally adopted Rochdale principles to promote global cooperative governance.[[14]](#footnote-14). Updated versions of these principles were revised at ICA congresses in 1966 and 1995 as part of the Cooperative Identity Declaration[[15]](#footnote-15). One of the main legacies of Rochdale (and the principles of ICA) has been the attempt to create a framework to fight economic and social problems arising from the individual production system. An organisation based on trust (through a democratic society of people and labour over capital) is planned and oriented to provide services to its members (owners), inspired by community self-help.

The ICA cooperative provide a standard orientation to sectoral organisations and individuals from the global cooperative movement. Regarding their principles, there is a diverging perception and implementation record. Some countries refer explicitly to the ICA norms in their national laws (e.g. Spanish Cooperative Act 27/1999, Portuguese Cooperative Code 51/1996 or Romanian Cooperative Act 1/2005), while others do not mention them (e.g. Luxembourg)[[16]](#footnote-16).

Table - The Seven Cooperative Principles of the International Cooperative Alliance

|  |  |
| --- | --- |
| **Principle** | **Definition** |
| **1. Voluntary and Open Membership** | Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination. |
| **2. Democratic Member Control** | Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner. |
| **3. Member Economic Participation** | Members contribute equitably to and democratically control the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership. |
| **4. Autonomy and Independence** | Cooperatives are autonomous, self-help organisations controlled by their members. Suppose they enter into agreements with other organisations, including governments, or raise capital from external sources. In that case, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy. |
| **5. Education, Training, and Information** | Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation. |
| **6. Cooperation among Cooperatives** | Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures. |
| **7. Concern for the Community** | Cooperatives work for the sustainable development of their communities through policies approved by their members. |

Source ICA (2020).

In Brazil, ICA cooperative principles are not implicit in the law. However, the legislation that guides the National Policy for Cooperatives (Law 5.764 of 1971)[[17]](#footnote-17) Has some similar characteristics.

Several researchers on cooperatives endorse the same diagnoses of the ICA and propose similar ways to rescue cooperative democracy without overlooking organisations' efficiency and rationality (Birchall 2011; Pinho 1989; J. O. Schneider 1999; Spicer 2018). As cooperatives result from a dynamic and highly diverse process due to the economic, social and cultural contexts' particularities of different countries and regions (J. O. Schneider 1999), it is crucial to interpret their principles not strictly but adapting to a rapidly changing reality and different cultures.

## 2.3 Cooperatives as sources of social capital

Authors in Sociology, such as Coleman (1990), Bourdieu (1986), and in Political Science, Putnam (2000) and Evans (1997), have become references in the study of social capital, and other scholars have used their research to explain the social and economic development of communities and the cooperation, especially among cooperatives (Baioto 2018; Birchall 2011; Búrigo 2006; Filho 2007; Okem 2016; Souza 2008; Vogt 2006). Moreover, "features of social organisation such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit" (Putnam 2000, 225) are very close to some of the cooperatives principles. Like social capital, cooperatives have a powerful element of solidarity and trust between people [(Birchall 2013; Búrigo 2006; E. et al. 2006)](https://www.zotero.org/google-docs/?3F5XtQ).

Putnam's work demonstrates that associative life is an index of civic sociability because it reinforces and materialises the rules and values of the community. The author points out several indicators used to measure the level of social capital, e.g. the level of participation in civic institutions, the overall level of trust in others, the level of membership of formal associations, the density of informal networks, and so on. Putnam (1993) also argues that social capital takes a long time to build[[18]](#footnote-18).

For Putnam (1993), social capital is social practices, standards and relationships of trust between citizens and systems of participation and association that encourage cooperation between groups and families. The greater and richer the number of associative possibilities in a society, the greater the volume of social capital. One of the main findings of Putnam's research is that there are significant differences in the strength of civic traditions and social capital between the northern and southern regions of Italy. The northern regions, which include the wealthy and civic organised areas, tend to have more robust civic traditions and higher social capital levels than the southern regions, which are generally poorer and less developed. For the author, "civil associations [like cooperatives], contribute to the effectiveness and stability of democratic government […] both because of their "internal" effects on individual members and because of their "external" effects in the broader polity (Putnam 1993, 83). In other words, this means that cooperation and spaces for social participation between the State and society are positive and essential elements for the adequate performance of political institutions. There is clear evidence that where parties trust each other, they are more willing to engage in cooperative activities to generate more trust (Coleman 1990; Fukuyama 1989; Putnam 1993; Birchall 2011).

An inherent challenge in studying social capital is the need for a unified concept. Researchers have presented varied definitions and approaches, leading to a broad spectrum of interpretations and metrics for this concept (Bjørnskov 2006). The distinction between bridging and bonding social capital is particularly relevant in cooperatives and communities (Majee and Hoyt 2011; Woolcock and Narayan 2000). Bonding social capital, or horizontal social capital, pertains to forming strong social ties, networks, shared norms, and trust among like-minded or homogeneous individuals or groups. These connections are often prevalent within families or closely-knit community circles. Conversely, bridging social capital emerges when individuals from diverse social, ethnic, or religious-cultural backgrounds engage with one another, fostering trust-building relationships. This development leads to generalised trust, also known as "thin trust," and presents the potential for enhanced economic opportunities.

Table - Dimensions of social capital at the community level

|  |  |  |
| --- | --- | --- |
| **Extra-community ties (bridging)** | **Intra-community ties (bonding)** | |
|  | **Low** | **High** |
| **Low** | Outcasts | Poor villagers |
| **High** | Recent rural-to-urban migrants | Successful members of microfinance programs |

Adapted from [(Woolcock and Narayan 2000)](https://www.zotero.org/google-docs/?1CH0ze)

Trust is vital for cooperatives to develop and increase social capital (bridging and bonding) between their members and society. This challenge is observed mainly in the cooperatives starting their market activities. By adopting the Woolcock and Narayan model, one can see that cooperative development, particularly in developing countries, strengthens group ties (bonding social capital) and connects the group of members with outside resources (bridging social capital) for their advancement (Majee and Hoyt 2011), due to the need to establish in a particular area and to create ties of trust with its members. In this way, social capital has a fundamental role in developing collective organisations through networks and social trust norms.

Regarding the creation and maintenance of social capital in credit unions, researchers have pointed out that financial cooperative is very strongly and positively related to the level of interpersonal trust in society (Jones and Kalmi 2009) and that people in (high) social capital areas prefer local banks rather than being oriented towards local public goods (Catturani, Kalmi, and Stefani 2016). The role of financial cooperatives in the alleviation of poverty through the development of social capital (Okem 2016) is also a significant and essential area of research[[19]](#footnote-19). Moreover, the analysis of the social capital was carried out to address the level of sustainable development of these organisations, and scholars have argued that social relations – and especially forms of social capital – are central to the cooperative organisational form (Bianchi and Vieta, 2020; Giovannini and Vieta 2017).

The communitarian model is convergent with the approach of social capital theory (Schmidt 2015). Communitarianism defends the thesis of state-community-market balance so that issues such as social justice, opposition to individualism, social networks, and decision-making power may also be present in local communities and neighbourhood relations (Etzioni 1995). Other researchers have highlighted that cooperative enterprises demonstrate an exclusive capacity to mobilise social capital and provide relational goods that are impossible for either public or private for-profit providers (Pestoff 2017). Finally, the higher the social capital (bridging and bonding), the more likely cooperative development will occur (Birchall 2011).

## 2.3 Governance

In recent years, governance has become a disputed multidisciplinary topic of study and subject to diverse interpretations(Kooiman 1999). Research has suggested that the concept of governance refers to a wide range of decision-making mechanisms that make the rule of policy available to citizens, governments, and enterprises. It is often used to refer to forms of coordination of social action in society, but its use needs special attention since this concept is very broad. Due to the polysomic nature involved in the concept of governance, a proper conceptualisation is necessary. In order to contribute to this debate, this topic briefly reviews the literature on governance, with particular attention to its complexity in credit cooperatives and its relationship with other State and non-state actors. Initially, we outline the implications of the theory of governance for political science, and then we will look more closely at its implications in credit cooperatives.

### 2.3.1 Governance and the Social and political theory

Despite being a rather broad concept, Peters(2012) points out that the governance has offered a significant contribution to political theory. For the author, governance theory has allowed political science to integrate many issues and fields within comparative politics, creating a coherent space in this sub-discipline and expanding the discussion between political science and other social science disciplines(Peters 2012).

For Benz(2007), governance enabled the understanding of complex structures and processes of collective action in the State, economy and society. It became a useful analytical tool "to describe or evaluate reality"(Benz 2007, 4).

As pointed out by Mayntz (2004), in political science and social theory, governance refers to several forms of coordination of social action. It also indicates non-hierarchical and non-exclusive regulation by the State. According to the author, for a long time, it was used only to denote the process aspect of government (*Regierung*)[[20]](#footnote-20). Nevertheless, in the last two decades of the 20th century, governance was increasingly used to designate non-hierarchical and non-exclusively state regulation(Mayntz 2004, 66).

Mayntz (2004) uses the term *modern governance*, where governing resembles a cooperative model, unlike the hierarchical model in which state authorities exercise sovereign control over the groups and individuals that make up civil society. In this framework, the corporate actors are represented by enterprises, trade unions, business associations and other stakeholders. For Mayntz, *modern governance* emerges in countries that have a set of structural and institutional prerequisites. The basic premise for modern governance is that power needs to be dispersed (but not fragmented and inefficient) through a robust, functional and well-organised civil society (Mayntz 2004). In order to exercise governance, the representatives must be democratically legitimised, reflecting the interests of all socio-economic, ethnic, or religious groups in society (idem).

In particular, in this approach, stakeholder organisations are seen as sufficiently autonomous and empowered to negotiate with opposing interests and state authorities. Finally, for Mayntz (2004), *modern governance* requires a strong civil society, an absence of social inequalities, and a relationship of collaboration rather than competition, with no dominant actors (idem).

The term was also associated with politics and understood as "institutionalised modes of social coordination to produce and implement collectively binding rules, or to provide collective goods"(Risse 2011, 9). When studying governance in areas of *limited statehood*, Risse(2011) pointed to the existence of international and transnational actors in providing essential services and supplying governance. For example, foreign governments, international organisations, and transnational non-state actors, such as multinational corporations, NGOs, or transnational PPPs. The involvement of inter- and transnational actors in governance results from necessity "given the state's weakness" in these countries(Risse 2011, 24). One concern of the author is that when applying a Western model of governance in areas of weak/or limited statehood can provide problematic issues, as there is a significant risk of not observing issues of common interest, such as the creation of rules by non-state actors or self-regulation by civil society. In areas of *limited statehood*, governance requires the "inclusion of non-state and external actors in the provision of collective goods and the regulation of social issues"(Risse 2011, 28).

Since governance is connected to multiple processes(Benz 2004, 2007; Papadopoulos and Benz 2006; Pierre and Peters 2005), its outcomes may affect and involve many actors. In this way, formal and informal actors can get involved in decision-making and implementation of decisions and solve problems even though they are not part of the organisation but are affected by it (stakeholders). For Papadopoulos and Benz(2006), actors in governance include experts, public actors at different territorial levels and representatives of private interests groups (business groups, lifestyle communities), including non-governmental actors in policy networks, and relationships with them that can take the form of delegation, contracts, or partnerships(Papadopoulos and Benz 2006, 3).

For Lowndes(Lowndes 2005), these actors "influence how the rules themselves develop, how they develop over time, and how they are interpreted and adapted in different local contexts"(Lowndes 2005, 293). When analysing the forms of local governance, the author emphasises that councillors, officers, business people, community leaders and citizens are responsible for developing strategies for action within the constraints and opportunities provided by changing rule sets.

Many types of governance appear in the literature, for example, corporate, urban, good, local, and global governance. Nevertheless, from the perspective of political science, governance is associated with a change in political management. It represents a trend towards increasing self-management in the social, economic and political spheres, which results from the composition of the different types of modern management. In addition, governance differs from government (institutional power), a network of horizontal cooperation structures between private and public actors (Mayntz 2004).

In this work, we use the concept of governance in the sense adopted by the authors as an alternative to hierarchy-based leadership. Concerning the local sphere, it allows organisations to become increasingly more assertive by collaborating with citizens, businesses, and non-profits (NGOs) in their actions. In this sense, governance involves the joint work of the public, community, and private actors, as well as new ways of delegating services to private and community groups.

As cooperatives are structurally organised in the format of a modern enterprise, their outcomes resemble a corporate governance model. In this way, this research applies the concept of corporate governance, as outlined by Mayantz (2004), referring to the *"*management structure, the mode of financing and the organisation of collective labour relations in companies" not only referring to the bodies *(Instanzen)* that set rules but also to institutions *(Institutionen)* that are continuously involved in the regulation of a particular area. (Mayntz 2004, 67). Once we have introduced the issues surrounding the concept of corporate governance and its transdisciplinary, especially its application in social and political theory, we move on to the next topic that will deal with the use of the concept within the cases of cooperatives and credit cooperatives.

### 2.3.3 governance in Cooperatives

Governance in cooperatives is very close to corporate governance, but rather than being applied to the business context, it is applied to cooperatives enterprises. Accordingly, governance in cooperatives is the set of processes, policies, laws and regulations that underlie the way a cooperative is directed, managed and controlled by its members to ensure the execution of organisational objectives. Like governance includes not only state actors (Benz 2004, 2007; Mayntz 2004), governance in cooperatives does not focus on a single author, such as the president or the administrative board. The governance in cooperatives is a complex phenomenon and goes through all the phases of the organisation.

Firstly, it is essential to highlight that the cooperative is born with a vibrant governance structure different from other enterprises, such as family businesses, small businesses, or even large companies. The cooperative is created with a statute, an administrative board, a fiscal council, and general assemblies with its members. Although established as a company with an economic vision, it is also an association of people who interact politically, defend distinct interests, and form groups that exercise representative democracy. The organisation is legitimised when there is democratic participation in its structure, and the member identifies him/herself as the enterprise owner.

Secondly, governance in cooperatives includes the decision-making mechanisms for policy implementation through the participation of members and stakeholders in developing management strategies. This also involves decision-making possibilities at the local level, therefore, within the cooperative's operating area. In this sense, there is considerable space for self-regulation, although there are more and more regulations governing this sector that is part of the financial market.

Finally, it covers a set of institutional mechanisms in which networks of individuals, such as social and economic groups, community organisations, and professional associations, collaborate to materialise interaction channels between members, directors, and the financial market to provide services to the cooperative.

At least one ICA principle is directly linked to governance: democratic member control. For Goglio and Kalmi(2017), this principle contributes to effective member participation in policymaking and promoting governance by electing representatives. The *Democratic member control* ensures that associates have the right to participate in the management, planning and control processes (Goglio and Kalmi 2017). Hence, members are responsible for formulating philosophies, norms and policies and are involved in the implementation, follow-up and evaluation of results.

At the cooperatives, the general assembly is considered the primary governance body, and the election of executive and control bodies follows the "one man, one vote" principle. The instance represents all individual members as an integrated entity and allows for the collective expression of power based on democratic election(Alexopoulos, Catturani, and Goglio 2013; Goglio and Kalmi 2017). In addition, decisions made at a general assembly are valid for all members, including those absent or disagree.

Studies also addressed the role of the administrative board structure and its influence on the performance in maximising the cooperative's objective function(Altman 2010; Birchall 2013; Karafolas 2016). Other research from *agency theory* has highlighted that conflicts between members, the administrative board, and managers tend to maximise different goals (Alexopoulos, Catturani, and Goglio 2013; Chaddad and Cook 2007; Cook 1995; Hart 1996). As members do not necessarily make decisions about the ongoing management, but the board on their behalf, one of the essential things the members can do is to elect people to do this function.

Studies have also pointed out that member satisfaction and commitment are indicators that reduce internal and external conflicts(Bhuyan 2007; Marques Soares and Melo Sobrinho 2008; Ventura 2009), and also the technology and professionalisation of staff can be a factor in economic survival(Gezahegn et al. 2020; Goglio and Kalmi 2017; Karafolas 2016; Pinho 2004).

One problem faced by cooperatives is growth in membership and operations. Typically, they start their operations in a specific locality. However, over the years, they exceed these geographic limitations and tend to encompass other areas where an entire city is practically associated with them.[[21]](#footnote-21)

When the cooperative is large, new challenges arise to meet members' needs. The number of members and financial performance were variables analysed as determinants of member participation in meetings (Chaddad and Cook 2007; Hansmann 1996); research also shows that the smaller the cooperative, the more intense member participation is (Goglio and Kalmi 2017).

As the number of members or turnover increases, there is a need for specialised and active management, as both geographical expansion and membership growth increase the costs for the organisation(Bialoskorski Neto 2012; Bijman, Hanisch, and van der Sangen 2014; Cornforth 1995; Costa, Azevedo, and Chaddad 2012). In order to decrease these and other costs, cooperatives unify into larger systems by joining regional offices, federations, and confederations. In addition, cooperatives in the same system tend to use the same operational resources, databases and standardise their services to reduce costs and achieve economies of scale. Consequently, "local control becomes critical to maintaining an effective voice and social cohesion within the cooperative" (Altman 2010, 569).

On the one hand, increasing the number of members may lead to a decline in internal control and cause dissatisfaction. Thus, cooperatives with many members may need help to engage their community effectively. This issue is overcome when the cooperative motivates its members by encouraging them to participate in decisions. An example is to use several small preparatory meetings General Assembly and pre-assemblies meetings(Bialoskorski Neto 2012) so that the member is closer to decision-making. On the other hand, growth also requires professional staff with the right skills to deal with new and complex situations(Costa, Chaddad, and Azevedo 2013; Goglio and Kalmi 2017; Meinen and Port 2014).

Another mechanism that affects governance is mergers and acquisitions. Mergers and acquisitions tend to increase the distance between members and management(Blisse and Hummer 2017; Chaddad 2014; Chaddad and Cook 2007; Goglio and Kalmi 2017; E. P. Schneider 2006) since the goal of the merger is to ensure that the organisation becomes more competitive in the market. However, this is only sometimes the case. When looking at mergers in low-income credit cooperatives in Brazil, Búrigo(2006) and Rocha et al.(2019) conclude that the process, when focused on expanding to peripheral areas outside commercial banks' interests, tends to follow a community character. Contrary to what one might imagine, after the incorporation, the cooperative "did not lose its concern with the relationship and direct approach with the members"(Rocha et al. 2019). In any case, mergers have increased the efficiency and competitiveness of these organisations in the National Financial System and, consequently, contributed to the increase of these agents' performance capacity in the locality's development. Despite successive fusions and many branches, cooperatives play a leading role in the regional and local financial arena.

Studies also suggest voting delegation as an alternative to management in large organisations.[[22]](#footnote-22) According to Ventura et al. (2009), greater member participation is found in cooperatives that adopt the delegation system.[[23]](#footnote-23) In a study conducted with more than 1,000 Brazilian credit cooperatives, the Brazilian Central Bank also indicated low participation in assemblies of cooperatives without delegation: "63% of the respondents without a delegation regime have a participation of less than 10% in General Meetings (Bacen 2014). In addition, the survey indicates that more than half of the cooperatives that adopt the delegation system (18% of the sample) have participation higher than 70% (idem).

It is worth noting that decision-making occurs not only in the management or the general assemblies but also in the fiscal council meetings. The activities of this body have been evaluated by some surveys(Bordin 2016; Busanello 2006; Pimentel 2018). Fiscal advisors are responsible for examining management's books, documents and correspondence, conducting investigations, auditing accounts and assessing the organisation's financial health(Pinho 1989). In addition, they submit an annual report on the company's activities and call extraordinary meetings if any serious problem arises; finally, they are elected by vote to exercise their mandate (idem). In large cooperatives, there is also a need for external audits to analyse compliance and risk processes. Both initiatives aim to ensure adherence to national legislation and guidelines established by the members themselves (local self-regulation) in the institution's activities, as well as preventing, detecting and treating any deviations or non-conformities that may occur.

Chaddad and Iliopoulos (2013), exploring governance models adopted by cooperatives in South America, identified two distinct models: (a) the traditional model, characterised by the dual role of the board and the executive director, with the executive director taking over the management of the cooperative in the absence of the board; (b) extended traditional model, characterised by the presence of a board of directors and an executive board composed of cooperative members or hired professionals, with a separation between decision-making (strategic segment) and management of the cooperative (executive segment).

In Brazil, case studies that have addressed the transformation of credit union governance are relatively limited. The existing case reports have focused on a large number of mergers and acquisitions (Carvalho 2006; Pinho 2004; Saraiva Júnior 2010; Vieira 2016) and the restrictions on membership(Marques Soares and Melo Sobrinho 2008; Meinen and Port 2014; Pinheiro 2008; Saraiva Júnior 2010), but has not highlighted other characteristics of the credit movement (loans and deposits) and especially the number of members during its existence. Few studies have correlated cooperatives in different political regimes (first democracy, Vargas era, populist period, military dictatorship and re-democracy) and their local self-regulation. The works that explore the topic deal with general and quantitative issues related to the period(Pinho 1989, 2004). We found no case studies on cooperatives' relationship with the political regime.

As mentioned, membership is a crucial element in enhancing levels of self-organisation. The cooperative only exists with its members because it is organised to meet their needs, and with the participation of members, there is a cooperative organisation. Given the characteristics mentioned in the first and second topics, such as democratic character, governance structure, self-regulation, networking and community focus, cooperatives have the potential to encourage local participation and participative governance by promoting their principles.

This subchapter has highlighted that various modes of internal or external control are used by cooperatives and discussed by researchers to create healthy environments that encourage the reduction of conflicts between managers and owners and enable member participation and local development. These include an active board of directors, staff training, participation of leaders and ownership groups, and member voting rights at general meetings.[[24]](#footnote-24)

### 2.3.3 Good Governance and the cooperative manuals of good governance

The concept of good governance received international recognition with the publication of the World Bank's Governance and Development Report in 1992, with a framework of international institutional productions that analysed the role of the State in development, aiming at greater effectiveness of public policies.

Good governance is central to creating and sustaining an environment which fosters strong and equitable development, and it is an essential complement to sound economic policies. Governments play a crucial role in the provision of public goods. They establish the rules that make markets work efficiently and, more problematically, they correct for market failure. In order to play this role, they need revenues and agents to collect revenues and produce public goods. This, in turn, requires systems of accountability, adequate and reliable information, and efficiency in resource management and the delivery of public services(World Bank 1992)

This state and market-oriented definition has been adapted by several international organisations, recognised for establishing normative guidelines for institutional policies. For example, these include international bodies such as the European Union (EU), the International Monetary Fund (IMF), the United Nations (UN), and the Organisation for Economic Cooperation and Development (OECD). With a normative aspect, governance is treated in international institutions such as the World Bank (WB) and the International Monetary Fund (IMF) as good governance, where power is exercised according to rationality centred on technical principles and efficiency (Benz 2004).

The literature embracing the World Bank concept was also related to how authority is exercised in managing resources in developing countries(M. H. de C. Santos 1997).[[25]](#footnote-25) Thus, the *modus operandi* of government policy involves political-institutional issues, the decision-making format, the appropriate public/private policy mix, participation and decentralisation, the financing policy mechanisms, and the global reach of programs (Melo 1995). However, the concept was broader than managerial and administrative aspects of government and the efficient functioning of the state apparatus; since government and the market constitute one of several actors, good governance is expected to have multiple dimensions and meanings.

In Brazil, a significant challenge in microcredit lies in the need to promote corporate governance in a context with significant social inequalities, limited institutional capacity, economic and political vulnerability, and sub-regional instabilities. One notes that most of the guidelines on good practice in the microfinance sector, which includes credit cooperatives, consisted of recommendations on how to regulate the sector, how to structure boards and procedures, and warnings against "weak governance structures" with manuals of good governance (Labie and Marsland 2011).

The Brazilian Central Bank (Bacen) is recognised as an important state actor in creating guidelines for the microcredit segment. In the private sector, class representatives and technical agencies linked to cooperativism and corporate governance, such as the Organização das Cooperativas Brasileiras (OCB), Deutscher Genossenschafts und Raiffeisenverband (DGRV), and the Instituto Brasileiro de Governança Corporativa (IBGC), is also highlighted. The promotion of good governance practices is relevant for its capacity to drive sustainable growth, strengthen cooperatives, promote the separation between ownership and control, reduce conflicts that put their development at risk, and for organisational legitimacy (Costa, Azevedo, and Chaddad 2012; Costa, Chaddad, and Azevedo 2013).

On the one hand, the guidelines created by these institutions (as well as the international bodies) contribute to the development of activities. However, at the same time, they have a highly normative character, exercising power according to the rationality centred on technical principles and efficiency defined by them. National and international bodies affect the governance of cooperatives more than their internal mechanisms. These instances can change the management and control of the system - going beyond bodies such as the fiscal council, the board of directors and the general assemblies itself. [[26]](#footnote-26) In a financial environment, it is clear that there are hidden variables of a legal-institutional environment that intervene in local governance. Nevertheless, the boards of directors of each cooperative, and also the market, the financial system and the products offered by the cooperative are part of the governance strategy.

In 2008, for example, the Central Bank of Brazil published a report on "*Governança Cooperativa Diretrizes para boas práticas de Governança em Cooperativas de Crédito* — “Guidelines on good governance practices in Brazilian credit unions" (in English), a result of its project "Cooperative Governance: mechanisms to strengthen the governance of credit unions in Brazil". This report highlighted issues for improvement in the management of credit cooperatives from the perspective of this regulatory agency. The guidelines were designed to address "deficiencies in the corporate governance system" and the Central Bank recommended a "comprehensive set of standards", but at the same time recognised credit cooperatives as "important regulatory agents in the financial market" capable of "increasing competition and decreasing the concentration" of credit in other financial agencies (Bacen 2008). One of the Central Bank's main recommendations to improve governance was the segregation of functions, i.e., the separation between strategic and executive functions. Another recommendation listed the supervision and control instruments, such as the functions of the fiscal council and the auditors (internal and external), as crucial elements for the transparency of the cooperative's actions for its members. (Idem)

The Organisation of Cooperatives of Brazil (OCB) also has a manual guiding the microfinance sector that is widely used by the industry and is present in the literature on governance in Brazilian cooperatives. The objective of the Manual is to contribute to the improvement of all the cooperative spheres (state organisation, federations, central offices and individual cooperatives, as well as the professionals involved in management responsibility, supporting the system with practices based on the Principles and Values of Cooperatives and the Principles of Good Governance, aiming at the sustainable development of Brazilian cooperatives. For OCB (2016, 13), Cooperative Governance is the strategic management framework based on cooperative values and principles that establishes ethical practices to achieve social objectives and ensure sustainably under the interests of the cooperative members.

The Brazilian Institute of Corporate Governance published another document that guides collaborative practices - IBGC (2015), a non-profit organisation that's a reference in developing governance practices in the country. The guide was based on credit cooperatives, health and agricultural cooperative governance experiences brought by professionals in these industries.

Nevertheless, researchers who have analysed these manuals have concluded that the guides still need revisions that comprise the entire system, particularly the needs of the groups in contact with the organisation. (da Silva, de Queiroz Caleman, and Hocayen-da-Silva 2018). Another area for improvement was the distance between the experts and the members of the organisations. The "IBGC", for example, is a specialised office in building efficient actions and practices for organisations in different sectors of the economy, although it is not specialised in cooperatives" (Silva et al.2018, p.77).

In this way, researchers asked what extent the corporate governance best practices manuals consider the cooperative principles and the specificities of this form of organisation. When constructing these guidelines and the participants involved, researchers point out that numerous principles must be considered (Silva, Coleman, and Silva, 2018). Thus, it is valid that guidelines result from a process without bottom-up communication with cooperatives with their singularities.

Even though cooperatives are governed by principles based on mutual help, self-responsibility, equality, democracy, solidarity and equity (Altman 2010), they still seek ways to improve their management and their relationship with members, employees and society without changing their characteristics.

Good governance practices in credit cooperatives can contribute to better results through the supervision of management performance, transparency in management, equity in dealing with members, accountability for results and rationality in financial reporting, and the prevention of abuse of power, strategic errors, and conflicts of interest. These practices also allow for the exercise of ownership rights, cooperative control, and the reduction of conflicts of interest, ensuring that executives are aligned with members' interests and increasing members' trust. Therefore, good governance can help to prevent fraud and mismanagement, promote sound decision-making, avoid costly fines and litigation, create/maintain a positive corporate image, attract and retain clients, and attract and retain financing and investment (from commercial banks and other investors).

By surveying the bylaws, verifying the cooperative's governance instruments (especially the regulatory ones) is possible. The researcher should be able to identify if the bylaws are documents used to regulate the cooperative in practice or if they are just archived documents, i.e., not used or even understood by the board of directors and members. Moreover, we understand that governance involves many aspects of the cooperative - not only the central bank's guidelines, the central office, or the bylaws documents, especially since many bylaws are either copies of other bylaws or a standard template sent by the central office or the national credit system.

Thus, when the debate on governance is based on the characteristics of cooperatives, with the participation of their members, managers, and stakeholders, it expands the construction of good practice guidelines for the sector (Ventura 2009).

Finally, we add that good governance of credit cooperatives also depends on the functioning of internal mechanisms (formal and informal), such as the control exercised by the board, the fiscal council, the members, and the community with the regulatory constraints that affect the institution's growth, or in other words, the local self-regulation, something that this work aims to uncover.

## 2.4 Local self-regulation and local self-organisation in week statehood

Local self-regulation and self-organisation are closely related concepts in social and organisational structures. Both concepts refer to the ability of actors or communities to implement decisions, policies, and resources autonomously. Through local self-regulation, individuals and groups can develop their own rules, norms, and institutions to address local challenges, provide services, promote development, or defend themselves from enemies (Lauth et al. 2019). This can include the creation of local councils or assemblies, the formation of neighbourhood associations, security groups, the establishment of cooperatives, the implementation of participatory budgeting processes, and participation in community-led or local leadership initiatives (Pfeilschifter et al. 2019).

Self-organisation can be described as a process in which groups or communities naturally form and stabilise around shared interests and objectives. It is a decentralised phenomenon characterised by these groups' autonomous emergence and consolidation. On the other hand, self-regulation refers to the internal processes through which an organisation governs itself without relying on external rules or authorities such as the government. It involves establishing rules and behavioural standards collectively agreed upon and enforced by the organisation's members (Neubert, Lauth, and Mohamad-Klotzbach 2022).

Both concepts emphasise the autonomy and agency of collective action in shaping its internal structure, processes, and outcomes. They also reflect that groups or communities can organise and regulate themselves based on shared values, interests, and goals.

Neubert et al. (2022) discuss self-governance in weak states, where governance is more frequently used than self-organisation. The authors describe self-governance as a process of action and collective decision-making by a group or community based on shared values and norms. Self-governance has also been categorised as either emancipatory or conservative. While emancipatory self-governance seeks to change and challenge the status quo, preservative self-governance seeks to maintain or return to the existing status quo. Emancipatory self-governance involves grassroots democracy and addressing inequality, while preservative self-governance relies on tradition and hierarchical regulation. The key distinction lies in their orientation towards change (Daniel, Lauth, and Rothfuß 2023).

Pfeilschifter et al. (2019) suggest that self-governance should be conceptualised not as a political organisation from municipalities or political parties but rather as a contextualised set of rules that emerge within social and local contexts, such as villages or neighbourhoods, through a bottom-up process. Establishing internal rules and institutions empowers actors to regulate themselves and attain their objectives without relying on external authorities or hierarchical structures (Lauth et al. 2019).

Overall, self-regulation and governance can have positive outcomes, but potential negative consequences need to be considered. Issues related to accountability, transparency, and corruption can give rise to what researchers have referred to as the "dark sides" of self-governance (Neubert 2011). In certain cases, local groups may operate outside the boundaries of the law or engage in corrupt practices, evading external authorities and accountability mechanisms. Such behaviour can erode trust in these groups and break social and legal cohesion within the community.

For instance, vigilante groups in Burkina Faso and the power legitimation of the Maccabees in Judea exemplify the potential negative consequences of self-governance (Hock, Tietze, and Zante 2022). Reports have emerged highlighting extrajudicial killings and human rights abuses these groups commit under the pretext of maintaining security. Although these groups may effectively reduce crime rates within their communities, their lack of accountability and transparency can enable abuses of power and human rights violations.

Similarly, in the case of self-organised land and water resource management, concerns have been raised regarding the exclusion of certain groups from decision-making processes and the potential for corruption and abuse of power (Erben, Krüger, and Thomschke 2022). Such practices were also highlighted in African countries where the focus on self-governance has brought forth the significance of inclusivity and equitable participation, particularly in light of social and spatial shifts of population and rapid urbanisation processes (Dürrnagel and Tiegna 2022).

Hauser (2022) also highlights the limitations and challenges of self-governance in the context of PV poverty alleviation projects in China. The author identifies obstacles such as corruption, exclusion, injustice, passivity, and authorities that hinder effective local participation. The analysis suggests a divergence between official narratives and local realities of stakeholder participation, indicating the need for improvements in the system of local self-governance.

However, research also highlights the importance and the benefits of self-governance when driven for local development. They highlight that local self-governance can strengthen democratic processes by promoting citizen participation, accountability, and transparency in local decisions (Moraes Bennech and Zago, 2022). In this sense, local self-governance will likely promote a sense of collective ownership and responsibility among community members, leading to greater social cohesion and empowerment.

Research carried out by the LoSAM research group has shown that it is possible to analyse local self-governance in weak-state regions, covering a variety of historical periods and geographical contexts, using different approaches and methods. A common element is an interdisciplinary approach involving scholars from fields such as history, political science, anthropology, geography, economics, archaeology, and theology, who aim to analyse local self-governance and its relationship to state fragility.

In situations characterised by weak governance, where the State lacks the capacity or willingness to provide effective solutions and public services, the importance of local self-governance is particularly evident and deserves further study.

Research on local self-governance within weak states emphasises the significance of self-organisation and self-governance in the absence of state institutions, highlighting the need for further research. Neubert et al. (2022) assert that weak states allow citizens to organise themselves autonomously and establish their own governance rules and institutions. For Arts et al. (2023), local governance (forest management) in weak states results from state failure, leading to state-citizen relationships centred on communal management and forming alliances. Similarly, Ubink and Almeida (2023) highlight that the presence of customary law in weak states signifies the limitations of statehood, with local structures functioning as complementary entities to address governance gaps in distinct ways.

In weak states, local self-governance can emerge as a response to the shortcomings of central governance. It allows communities to bypass dysfunctional or absent state institutions and take matters into their own hands.

From this perspective, establishing local self-governance can contribute to the development of social capital, fostering trust and cooperation among community members while enhancing local resilience. Nevertheless, the implementation of local self-governance within weak states is challenging. These challenges encompass factors such as insufficient institutional capacity and resources, limited acknowledgement and assistance from the central government, the potential for elite control or the marginalisation of disadvantaged groups, and the requirement for sustainable and well-coordinated strategies for development.

The State's lack of recognition and legitimacy presents a significant challenge for local self-regulation. Many instances arise where the State fails to acknowledge the ability of local communities to self-manage and make crucial decisions, thereby engendering conflict and distrust between the state and local entities. Moreover, certain situations emerge where the State perceives local self-regulation as a potential threat, particularly when communities endeavour to protect their natural resources or assume responsibility for essential services that typically fall under the purview of the State, such as security, education, and finance.

Brazil is an illustrative example of a country characterised by weak governance, particularly in remote rural areas and marginalised urban communities, where the State often fails to allocate resources effectively to reach the target population. Consequently, local self-regulation becomes prevalent in these regions. Notably, *quilombola* communities provide a prominent case wherein they mobilise around their leaders and cultural practices to safeguard their identity and protect natural resources. Additionally, establishing neighbourhood associations in slums and impoverished neighbourhoods exemplifies local self-regulation aimed at improving essential services like water, sanitation, and electricity, as well as addressing issues of violence and organised crime. Furthermore, cooperatives can be observed as a mode of self-organisation to address the needs of the local population without adequate support from the central State.

### 2.4.1 Credit Cooperatives as forms of local self-organisation

Credit cooperatives have proven to be an effective form of local self-organisation in many parts of the world, including Brazil and other countries with weak governance. They are financial organisations owned and controlled by their members. This literature shows that these organisations provide financial services, such as loans and bank accounts, to their members to help them achieve their goals.

Because they operate locally, they are highly adaptable to the needs of their local communities. Since they are owned and often controlled by their members, they can quickly adapt to local changes and needs. For example, if there is an urgent need for small business loans, the credit union can quickly develop a loan program to serve that group. Credit unions also support community projects, such as donations to social projects, schools and specific training groups, such as small farmers, women entrepreneurs, social organisations and sectors of the local economy.

Research has shed light on the challenges associated with establishing and managing cooperatives (Cornforth 1995). The possession of technical and financial skills has been identified as a crucial prerequisite for the effective functioning of cooperatives, but these skills may only be evenly distributed among some (Sykuta and Cook 2001). Consequently, professional managers are often employed to fulfil technical responsibilities within these organisations. Additionally, obstacles such as limited initial capital, entry restrictions, high membership fees, and insufficient financial resources can hinder the enrollment of new cooperative members (Chaddad and Iliopoulos 2013; Hart 1996; Iliopoulos 2015). Another significant barrier arises from the need to reach a consensus and establish agreements among cooperative members, which can be time-consuming and complex, primarily when decision-making authority is concentrated among a select few leaders.

Additionally, members may need help due to national regulations governing the financial market. While cooperative credit institutions endeavour to offer locally accessible financial services, they must comply with regulations prescribed by the national financial system. Such compliance's bureaucratic and legal requirements can be particularly daunting for smaller, nascent, or resource-constrained cooperatives. All this can represent a barrier to the development of local communities, which depend on cooperatives to gain access to financial services.

Communities in weak governance contexts often need more financial infrastructure, forcing credit unions to establish and operate. Despite these challenges, credit cooperatives have been successful in many parts of the world as a form of local self-organisation. In Brazil, for example, credit unions have boomed in recent decades, serving millions of members across the country in regions that traditional banks have been unable to serve. These cooperatives have played an essential role in providing financial services to local communities that lack access to these services.

In other countries with weak central governance, credit unions have also played an essential role in local economic development and the promotion of self-organisation. In Africa, credit unions have been instrumental in providing financial services to rural communities and promoting local economic development (Okem 2016). Credit cooperatives have played an essential role in post-conflict reconstruction in Haiti and Afghanistan by providing financial services to small businesses and local organisations.

In this way, credit unions can provide insights for researchers studying local self-governance and regulation. These financial organisations serve as a rich empirical context to investigate the role of local groups promoting development and their relationship with the central State, shedding light on governance, policy, and resource allocation at the local level.

## 2.5 Historical institutionalism and organizational change

In social sciences, the study of institutions has long been a cornerstone in unravelling the complexities of human behaviour, social structures, and the interplay between economic, social, and political forces (Steinmo 2008). Three schools of thought stand out in the study of institutions: historical institutionalism, rational choice institutionalism and sociological institutionalism, all of which make up what is often referred to as neo-institutionalism (Hall and Taylor 1996)[[27]](#footnote-27).

One lens that has gained prominence in this area is the theoretical framework of historical institutionalism, especially in the comparative politics and organizational studies. Historical institutionalism is an approach that focuses on the evolution of institutions over time (Pierson 2004). It emphasizes the importance of understanding historical processes that shape institutions and their impact on political and social outcomes. Instead of seeing institutions as static, historical institutionalists view institutions as products of historical processes (Pierson 2004). Researchers under this perspective recognizes that institutions are not isolated entities with fixed characteristics, but rather dynamic structures that are deeply intertwined with the socio-political and economic contexts in which they emerge. Rather than solely attributing institutional changes solely to rational design, historical institutionalism acknowledges the role of contingent events, societal pressures, and historical events in shaping the trajectories of institutions (Powell and DiMaggio 1991).

Historical institutionalism stands in contrast to structural or formalist approaches, which tend to highlight rigid rules and structures while neglecting the significance of the past and the courses of institutional evolution. Within historical institutionalism, scholars investigate the development of institutions over time, frequently delving into the effects of historical events, transformative processes, and the relations among individuals within society (Mahoney 2000).

This approach recognizes that institutions aren't just designed and implemented, but they also develop and change in specific historical contexts, often triggered by significant events. In the context of organizations, this means that their structures, rules, and practices are influenced by historical factors like politics, community, and the local economy in which they exist.

Within the context of this thesis, this approach is applied to analyse the evolution and changes of Sicredi Vale do Rio Pardo. Institutions, encompassing laws, norms, values, and social practices, are analysed for understanding how the organization have transformed over time. As argued by Steinmo (2008), North (1990), and Pierson (2004), studying human interactions mediated by institutions allows researchers to comprehend not only how cooperatives develop and adapt but also how past choices and decisions continue to influence their development. Through lenses from an institutional and historical perspective, it becomes possible to identify patterns that give responses to various issues, such as hierarchical structures, organizational growth, governance rules, among others, in the specific context of cooperatives.

According to Pierson (2004, p. 8-9), historical institutionalism offers this possibility for contesting functional explanations or ideas that social arrangements may only be understood as the result of rational actors' desire to reduce costs and improve their benefits. Instead, this school of thought focuses on issues of time and sequence and investigates long-term social change processes that society or organizations faces. One characteristic of this theory is that the development of society and organisations is path dependent, so their formation and evolution are shaped by historical processes and politically constructed by individuals.[[28]](#footnote-28)

Douglass North's seminal work has contributed to understanding long-term change by using the concept of path dependency as a central analytical tool. In his book "Institutions, Institutional Change and Economic Performance" (North, 1990, p. 112), North delves into how institutions and social outcomes are path dependent. For North (1990), institutions are "the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction" and can be divided into formal and informal. Formal institutions, such as laws, constitutions, bylaws, and contracts, are written rules and regulations that are enforced by an authority such as a government or legal system. On the other hand, informal institutions are unwritten norms, values, and beliefs that shape social interactions and influence behaviour. Informal institutions are often not formally enforced but are upheld through social pressure and cultural expectations, and their analysis (as well as the formal institutions) help researches to grasp political and social outcomes (Lauth 2015). Examples of informal institutions include social norms, customs, and traditions.

Both formal and informal institutions can have a significant impact on organizational paths. Once established, they can be difficult to change, as they create a sense of stability and continuity. This can lead to organizational inertia and resistance to change, as individuals and organizations become locked into established patterns of behavior and ways of doing things (Sydow, Schreyögg, and Koch 2009).

North (1990) has showed how institutions develop over time and how they shape economic, social and political outcomes. In recent years, scholars have expanded on North's approach to explore other dimensions of path dependence. These dimensions encompass not only economic institutions but also political systems, technological developments, cultural norms, and more. Among political scientists, Kathleen Thelen (1991), whose work has focused on the role of institutions in shaping labour market outcomes, explored path dependence in political institutions. Thelen has examined how different institutional arrangements, such as employment protection legislation and vocational training systems, influence patterns of employment and labour market dynamics in Germany.

Another influential political scientist in the field of historical institutionalism is Paul Pierson, who has explored the role of institutions in shaping policy outcomes. Pierson (2004) has examined how institutions, such as electoral systems and party organizations, shape the policy choices and trajectories of different countries. His work emphasizes the importance of understanding the historical context and the path-dependent nature of institutional development. Pierson argues that institutions tend to follow established paths and are resistant to change. According to him this is because institutions become entrenched in society over time, leading to a type of inertia that makes them difficult to change. Identifying these challenges is useful for understanding how institutional change occurs and for developing effective strategies for dealing with the complexities of changing existing systems (Pierson 2000).

For example, a country with a strong tradition of centralisation may find it difficult to shift towards a more decentralised system, even if it would benefit its citizens. Similarly, a society with a strong tradition of democracy may find it difficult to shift towards an authoritarian regime. A similar argument can be made for an economic organisation; for example, a company that has been using a technology (or a formal rule, or even an informal rule) for many years may find it difficult to shift towards a new, more advanced one, even if it would be more efficient. A similar dynamic of resistance to change can also be observed within cooperatives, particularly when it comes to accepting new members and implementing new rules that would extend benefits to these new entrants. When it comes to incorporating new members and adapting to changes that could potentially enhance the organization, challenges can arise.

However, it is essential to note that change is still possible despite the constraints imposed by path dependence (Sydow, Schreyögg, and Koch 2009). While path dependence can make it difficult for organizations to deviate from established patterns, it is not impossible to introduce change. Organizations can disrupt inertia by accepting interventions, changes in governance, political scenarios and members ideas, bringing strategies to break out of established paths. Identifying these underlying factors makes it possible to design policies and strategies that can help overcome constraints imposed by path dependence. Additionally, it is crucial to understand that change often occurs gradually over time. It may require a combination of short-term and long-term solutions and the active participation and engagement of various stakeholders.

Having said this, one aspect for of understanding society and organisations is their evolution and transformations. According to North (1990), institutional change is a continuous process that is influenced by multiple factors such as external conditions, like the economy, technology, and political environment, as well as changes in society's attitudes and expectations towards social, political, and economic issues, and by the power dynamics and interests at play in society. Institutional change can be challenging and complex, leading to conflicts and resistance from groups or individuals who benefit from existing institutions. It can also be influenced by elites and institutional actors who can play an essential role in creating and implementing new institutions.

Paul Pierson is one of the first scholars to import the concept of path dependence and institutional change into political science. For Pierson (2004), path dependence refers to social processes that exhibit positive feedback and thus generate branching patterns of historical development. According to Pierson, sources of path dependence help us understand the strong inertia or "stickiness" that characterises many aspects of political development. In his book "Politics in Time", Pierson (2004) highlights the concept of path dependence with the mechanism of increasing returns and self-reinforcing processes of positive feedback that not only technologies but also the development of organisations and groups are subject to. Path dependence refers to "dynamic processes involving positive feedback, which generate multiple outcomes depending on the particular sequence in which events unfold" (Pierson 2004, 22).

In this context, institutions (rules and norms) explain how a society produces, distributes, and consumes goods and services and can have a significant impact on a group's strategies and organizational practices. On the other hand, changes in these rules and norms can be driven by different actors, such as governments, businesses, or social organisations, and replaced by new institutions.

Many comparative political scientists and scholars use historical institutionalism to understand the establishment and development of political, social or economic trajectories within a given country or another unit of analysis. The focus on temporal processes points to theoretical, methodological, and substantive lines of inquiry useful to scholars (Pierson, 2004, p.8). To further the debate, it is essential to consider the concepts of lock-in and critical junctures. These concepts can provide additional insight into how path dependency shapes political or economic trajectories and how change can occur despite the constraints or stickiness of institutions. The following two topics will delve into these concepts and adapt them to the study of cooperatives.

### 2.5.1 Lock-in

Lock-in refers to the persistence of historical configurations of institutions, policies, and technologies that become increasingly resistant to change over time (Thelen, 2004; Mahoney, 2001). This can occur due to positive feedback or self-reinforcing processes, where an action or decision leads to a positive outcome, intensifying or expanding the behaviour or process over time (Pierson, 2000).

Formal institutions such as laws and regulations can create lock-ins, providing incentives and constraints for decision-making for groups, companies, and individuals. In the same way, informal institutions, like culture and traditions, can block changes and shape preferences and behaviour. In both cases, lock-in generates an inertial force where established economic, political and cultural interests have high costs to be modified, leading to system stability, or as Pierson (2004) puts it, its stickiness.

The concept of lock-in is closely related to institutional analysis in organizations. Institutional theory emphasizes the role of social norms, rules, and structures in shaping organizational behavior and practices. Lock-in can be seen as a manifestation of institutionalization, where organizations become deeply embedded in certain practices and face barriers to change.

Sydow et al. (2009) describe lock-in in organizations as a state where the dominant decision pattern becomes fixed and gains a deterministic character, leading to a loss of flexibility and the inability to adopt alternative courses of action. In this state, the actions of the organization are bound to a particular path, and even newcomers are forced to adopt it. Lock-in can be of a cognitive, normative, or resource-based nature, and it is characterized by a lack of alternative choices and the replication of the dominant pattern.

Lock-in happens when the combination of positive feedback and network effects creates obstacles to transitioning to other choices, thus making the prevailing option more appealing and solidifying its continued prominence. This phenomenon can manifest in diverse scenarios, such as the adoption of technologies, competitive market dynamics, and the functioning of political establishments.

In the context of technology, lock-in takes place when a specific technology gains an initial advantage due to its increasing benefits, thereby making it tough for competitors to gain ground and for users to shift to alternative technologies. The relation of positive feedback and network effects establishes a self-reinforcing cycle that locks the dominance of that technology.

Likewise, in the context of organizations, lock-in unfolds when a particular arrangement becomes entrenched and receives positive feedback, leading to its resistance against changes and challenges in finding substitutes. One clear example is a cooperative organisation that has been in operation for a century, serving a local community. Over the years, this cooperative has established strong relationships its community, built a loyal customer base, and developed one option for the local finances. The cooperative's longstanding presence, combined with its adapted processes, creates a lock-in effect. While new entrants might find it challenging to replicate the cooperative's local relationships and specialized infrastructure, the cooperative itself benefits from positive feedback as its reputation and network continue to grow.

The results of a lock-in can influence a society's or organisation's decisions and the ability to change to different options, even if those options are superior. They can also significantly impact the strategies and practices of an organisation (Hall & Taylor, 1996). It can also provide stability for companies and industries, allowing them to plan and invest with security. Additionally, established institutions can provide solidity and confidence in society as a whole, promoting trust and political stability. On the other hand, lock-in can prevent the emergence of new technologies, rules and more efficient and just practices, preserving the current situation and perpetuating historical inequalities. Something that breaks institutional lock-in is through what is known as a critical juncture.

### 2.5.2 Critical junctures

Critical junctures are moments when the normal course of events is disrupted, and new challenges arise, changing a group or society's path. Various factors, such as technological innovations, economic crises, cultural conflicts or political revolutions, trigger these moments of change. Capoccia (2016, p. 89) argues that critical junctures are periods of uncertainty in which specific decisions or small events (whose influence is negligible in regular times) prove causally decisive for selecting a path of institutional development over other possible paths. In critical junctures, the change processes establish a legacy that guides actors in making decisions and taking action to maintain that legacy.

Lock-in and critical junctures are related in the sense that critical junctures can create the conditions for lock-in effects to occur. As lock-in refers to the phenomenon in which past decisions create a path dependency that limits future choices, and critical junctures, on the other hand, creates turning points that have long-lasting effects on institutional development.

This perspective can be applied to the analysis of organisational change. Sydow (2009) argues that organisations are not static entities but constantly undergoing a change and adaptation process. Most of this change occurs incrementally and through routine processes, slow and repetitively. But, according to Sydow et al. (2009), critical junctures can influence organizations by triggering the organizational path. A critical juncture refers to a point in time where a decision or action is made that sets the organization on a particular path. This decision becomes a trigger for further development and can lead to the establishment of a specific pattern of social practices that gains dominance over alternatives. For the author, critical junctures can start through various mechanisms. They can be initiated by external events or shocks that disrupt the existing equilibrium and force organizations to make decisions or take actions that set them on a new path. For example, changes in the regulatory environment, technological advancements, or shifts in market conditions can create critical junctures that prompt organizations to adapt and change their strategies.

Internal factors can also contribute to the emergence of critical junctures. For instance, leadership changes, organizational crises, or the recognition of new opportunities can lead to decisions or actions that set the organization on a different trajectory. Also, periods of critical junctures represent a break from the ordinary course of events and can lead to more profound and lasting changes in organisational structure and behaviour. It is important to note that under this analysis, critical junctures are shaped by political interactions and decision-making, which have real choices and can lead to long-lasting institutional legacies.

Changes can also be triggered by positive events, such as passing new legislation or establishing new rules that bring security and stability to a society. In all those events, this process create opportunities for significant changes in how a society or organisation operates and can lead to long-term improvements or defects in the lives of its citizens.

A critical juncture for one cooperative can be a sensitive period that significantly shapes its institutional development or political trajectory. One example is the adoption of a new statute, the change on a political regime or a shift on the local economy. For instance, the process can have implications for the functioning and powers the organization. This moment represents a shift in the institutional framework and can determine the balance of power between different members, managers, community, and the overall democratic governance structure. The process provide an opportunity to redefine the role and functions of the cooperative, establish new mechanisms for representation and accountability, and shape the relationship between the stakeholders.

### 2.5.3 Historical Institutionalism and Cooperatives

As pointed above, historical institutionalism examines how institutions affect society's political, economic, and social events. By applying this theory to cooperatives organization, one can draw valuable insights into the role of institutions in shaping these organisations. One of the main characteristics of cooperatives is their governance structure, where each member has one vote regardless of the size of their financial contribution. By focusing on how institutions such as laws, regulations, and social norms affect governance in cooperatives or how these institutions relate to stakeholders, the theory provides interesting elements to understand how cooperatives develop and are path dependent.

The path of a cooperative like Sicredi Vale do Rio Pardo can be attributed to the influence of its institutions, including its formal and informal rules during its history — like cooperative principles such as democracy, solidarity and autonomy, as well as its statutes and internal regulations. Additionally, cooperatives are community-based organisations that aim to benefit their members and the community in which they are embedded. Studying the relationship between the cooperative and the community can help understand how the outcomes of the cooperative contribute to the economic and social development of the region and how it is related to its development. The interaction between the cooperative and other stakeholders, like local governments, community leaders, social organisations, regulators, and second-level organisations, for example, can be understood as a mechanism of self-reinforcing feedback that helps stabilise the trajectory of such an organisation. Furthermore, the concept of lock-in gives a better understanding of how specific institutional arrangements become entrenched and difficult to change, potentially hindering some aspects of its organisational development.

Cooperatives possess a remarkable ability to adapt and evolve. This includes the capability to enter new markets, diversify their products and services, recruit more members and comply with legal regulations and government restrictions. Analysing these events and the sequence in which they happen is crucial in understanding the cooperative's trajectory.

Century-old cooperatives, such as Sicredi Vale do Rio Pardo, have often faced political and organisational changes that significantly impacted their operations and trajectory. These changes can be seen as critical junctures at which the organisation needs to make essential decisions to shape its future. Sicredi Vale do Rio Pardo coexisted with at least five Brazilian political periods: the First Republic, the Estado Novo, the democratic interval, the military dictatorship, and re-democratisation. Each of these periods has brought its own challenges and opportunities, and understanding how these have affected the organisation's development can provide valuable insights for any cooperative or scholar interested in this topic.

Furthermore, identifying critical junctures in the organisational development, such as significant policy shifts or economic crises, provide a deeper understanding of how such events structured the sector and may have influenced other cooperatives. Finally, using historical institutionalism to study the evolution of rules and laws in the cooperative sector gives a deeper understanding of how history has shaped the industry. A longitudinal study offers insights into how past decisions and actions continue to affect the present and future of this organisation. Finally, it is worth noting that this approach can be applied not only to this case but also to other organisations and sectors, providing a more comprehensive and accurate understanding of the development and evolution of these organisations.

# 3 Methodological foundations

## 3.1 Research design

This chapter presents the research design, lining out the proposed method, approach, strategy, techniques, and the characteristics of the object to be researched.The thesis investigates an under-researched question from an under-studied theoretical perspective in Brazil; how does the relationship between local self-regulation and state regulation manifest itself in the functioning of a credit cooperative in a weak state? A historical-comparative case study is adopted to analyse local self-regulation in a century-old credit union located in the south of Brazil[[29]](#footnote-29).

The study uses the theory of path dependence and refers to the works of theorists and scholars in this field: Thelen (1999); Mahoney (2000, 2006); Pierson (2000, 2004); Greener (2005); Kay (2005); Page (2006); Mahoney and Schensul (2006).

The main objective is to understand the trajectory credit cooperative and its capacity for self-governance in a local context during critical junctures and windows of opportunities. Specific objectives are: a) To introduce key concepts and theoretical approaches through a literature review on local self-governance, weak statehood, historical institutionalism and existing studies about Sicredi; b) to understand the dynamics and expansion of cooperatives in a local historical and socioeconomic context, with a strong presence of European immigration b) to verify the local self-organisation capacity of the cooperative in different Brazilian political governments; c) to verify possible scenarios for an open, democratic and self-organised cooperative; d) investigate organization interaction with different actors - church, estate authorities, civil society; and trace relational patterns (substitutive, subsidiary, complementary, contrary) for comparative analysis; e) to analyse the cooperative's strategic behaviour and decision-making processes in relation to critical junctures and windows of opportunities, with a focus on understanding how these events have shaped its self-governance capacity.

Case study is an adequate way to analyse the trajectories in the process of existence of an institution. Bennett and Elman (2006) argue that process tracing and detailed comparisons of a small number, or even individual cases can help uncover forms of path dependency. More specifically, case studies offer four advantages for the analysis of path dependencies and interactions: 1) they allow for a detailed and holistic analysis of sequences in historical cases, 2) they are suited to the study of rare events, 3) they facilitate the search for omitted variables that might lie behind contingent events, and 4) they allow for the study of interaction effects within one or a few cases (Bennett and Elman 2006, 259).

This study differs from other literature on credit unions by analysing specific aspects of a credit cooperative located in southern Brazil and the assimilation of rules by its members across its path of corporate development. The nature of the work required direct contact with the credit union to understand its local self-regulatory processes and governance. To this end, field research was conducted over six months in Santa Cruz do Sul and neighbouring cities in the Federal State of Rio Grande do Sul, Brazil. The collection of empirical data took place in parallel with a theoretical study of topics related to self-organisation in credit cooperatives.

This research is integrated in a larger project called Lokale Selbstregelungen im Kontext schwacher Staatlichkeit in Antike und Moderne — LoSAM (DFG research group 2757). The project received financial support from the Deutsch Forschungsgemeinschaft (DFG) and analysed local self-regulation across a range of disciplines, including Political Science, Sociology, Human Geography, Ancient History, Theology, and Archaeology. Discussions within the research group and organised events, in particular, the annual forums and workshops on theory and methods, were essential for the development of this work. The variety of disciplines involved in the project, permitted a broad vision of the object of investigation: the local self-regulation.

LoSAM project has an interdisciplinary character, as it occurs in a process of dialogue between disciplines, sharing mutual theoretical and methodological identity (Lauth et al. 2019). The research effort was developed and strengthened using literature from a variety of disciplines, such as organisational political science, sociology, public policy, and history, where necessary. Moreover, the interdisciplinary perspective adopted in the thesis happened both for the multidisciplinary nature of the research topic and for the contribution to the policy debate, which was one the aim of the research.

For the general development of the work, the group proposed five key questions: Was wird geregelt? Wer regelt? Wie wird geregelt? Wo wird geregelt? Warum wird geregelt? Wie werden die Beziehungen der lokalen Gruppen mit dem Staat geregelt? (What is regulated? Who regulates it? How is it regulated? Where is it regulated? Why is it regulated? How are the relations of local groups with the state regulated?) These questions guided the focus of the research and established a channel for direct interaction with the other members of the DFG research group 2757.

The thesis uses both primary and secondary sources. A series of documents was received at the administrative headquarters of the credit union, comprising over 100 years of the institution's existence, from its foundation in 1919, up to the year 2022. The documents collected included minutes of general meetings (ordinary and extraordinary), financial and administrative reports, annual reports, fiscal reports and bylaws. Furthermore, information about the cooperative's activities and the social position held by its members were collected in local newspapers and magazines. Additional primary sources include semi-structured interviews and focus groups conducted with members of the cooperative in person and by telephone.

Secondary sources for this research included articles, books and newspapers on credit cooperatives, economy, immigration near Rio Grande do Sul, theses and dissertations on the credit union system and on Sicredi Vale do Rio Pardo and governance model.

This research performs data collection and analysis over a long period to identify changes and verify trends in an institution. In political sciences this is categorized as a "longitudinal analysis". According to Lauth and Winkler (2010), in longitudinal analysis, the researcher observes different historical periods and uses the same or comparable instruments for analytical purposes.

The data collection covering a period of over 100 years, enabled the understanding of governance model at the local cooperative during different political systems. This data comprises at least five specific Brazilian political regimes: first republic, Estado Novo, democratic period, military dictatorship and re-democratization[[30]](#footnote-30).

An important aspect of this study is the characterisation of the state dominance (Regimeausprägung staatlicher Herrschaft) on operation of the credit union. Especially in the case of regime change, it is measured how the relations between local self-regulation and the state's regulatory capacity have developed, see [(Pfeilschifter et al. 2019)](https://www.zotero.org/google-docs/?m8qGZs). It is especially interesting to analyse how the relations between local self-regulation and the state's regulatory capacity change with regime changes.

During the field research, the researcher participated in theoretical and methodological debates at the University of Santa Cruz do Sul in a postgraduate program "Programa de Pós-Graduação em Desenvolvimento Regional - PPGDR. The first contact of the researcher with members of the credit cooperative was through the workshop “Auto Regulação local no contexto do Estado fraco nos tempos modernos e antigos" (Local self-regulation in the context of the weak Statehood in modern and ancient times) which was held at the University of Santa Cruz do Sul on 2nd and 3rd October 2019. During this workshop, research strategies and methods for collecting material were presented[[31]](#footnote-31).

An initial technical visit was made to the administrative centre (Superintendência Regional Sicredi Vale do Rio Pardo - SUREG), also called the Sicredi regional headquarters, a modern building adapted to serve cooperative branches and to receive its members. This site later became a support base for the research activities. Technical visits were subsequently performed at the local cooperative branches and the researcher had the chance to assist several internal and external cooperative's activities. More detailed information on these activities is given in the subtopic 3.3.2 participant observation.

## 3.2 Periodisation

The study encompasses five distinct periods that correspond to significant phases in Brazilian political history and their impact on credit unions in the country. These periods are:

Table – Periods under analysis

|  |  |
| --- | --- |
| **Period** | **Description** |
| **Period 1** | **The beginning of activities in the First Republic (1919-1930)**  During this phase, Sicredi Vale do Rio Pardo in Brazil initiated its operations within the context of the First Republic. The sector started to take shape, and credit unions began to emerge as viable alternatives for financial services. However, the period was marked by political instability and economic challenges, which influenced the development of these institutions. |
| **Period 2** | **The operation during the Vargas government (1930-1945)**  Under the Vargas government, credit unions faced a different set of circumstances. The government implemented policies that affected the cooperative sector, including regulations and state intervention. These measures aimed to centralise control and establish a more structured framework for credit unions. The impact of these policies on the cooperative movement during this phase will be explored. |
| **Period 3** | **Democratic interval / Populist period (1945-1964)**  Following the end of the Vargas government, Brazil experienced a period of democratic transition and populism. During this phase, credit unions faced changing political dynamics and evolving socio-economic conditions. It explores how Sicredi Vale do Rio Pardo operated and grew during this democratic interval and the impact of populist policies on the cooperative movement. |
| **Period 4** | **The cooperative during the military dictatorship (1964-1985)**  During the military dictatorship in Brazil, credit unions operated under a repressive political regime. The military government exerted control over various aspects of society, including the finance and micro credit sector. This topic examines how credit unions navigated the challenges posed by the dictatorship and adapted to the political environment while striving to serve their members. |
| **Period 5** | **Democracy and organisational growth (1988-2022)**  With the re-democratization of Brazil in 1988, credit unions entered a new phase marked by increased organisational growth and a focus on democratic principles. This period allowed for greater autonomy and self-governance within the cooperative movement. Credit unions seized the opportunities presented by democracy to expand their reach and enhance their services to better meet the needs of their members. |

Source: Author elaboration

One should note that the analysis in this research is based on the outputs generated by one local credit cooperative, rather than solely relying on national cooperative sector outputs or state legislation from specific political periods.[[32]](#footnote-32) By examining the mechanisms of local self-regulation within the organisation, this work delves into historical events and members decisions that have shaped the governance in the institution path.

The concept of time sequencing is used to grasp enduring political and organisational outcomes, as emphasised by Pierson (2004). Also, the research adopts the notion that institutions are path dependent. Path dependence means that earlier decisions limit the scope of action for later ones and provide the orientation for further decision-making (Mayntz 2002).

Key mechanisms that contribute to path dependence analysis are self-reinforcement mechanisms (Lauth 2022). From an economic perspective, self-reinforcement mechanisms are often defined in terms of increasing returns, which refers to the idea that the benefits of a particular path increase as it becomes more established (North 1990).

Periods under analysis outlines five distinct phases in Brazilian political history and their influence on credit unions. These periods coincide with the path dependence of the credit union, which suggests that earlier decisions and historical contexts constrain or guide future developments. The historical phases represented in Table 3 demonstrate how political, economic, and regulatory conditions during each period shaped the trajectory of credit unions, illustrating the connection between specific historical events and the lasting impact they had on the cooperative sector's evolution over time.

Having said that, this research draws on temporal events and seeks to explain their outcomes from the perspective of the organisation. Thus, it is not just a matter of when events occur but also where and how they happen, with a focus on the local context.

Windows of opportunity and critical junctures are concepts that can be used in academic research to understand and analyse processes of stability and change in many fields, such as politics, economics, and organizational studies (Lauth 2022).

Following this line, the study uncovers the connection between the mechanisms of path dependence and the occurrences of critical junctures and windows of opportunity within the credit cooperative's path. Critical junctures are often described as periods of turbulent change or important decisions that possess the potency to alter the organization's future trajectory. Often accompanied by challenges and uncertainties, these events demand decisions that shape the institution's course (Capoccia and Kelemen 2007). Very similar, window of opportunity refers to situations in which new possibilities or options arise, allowing for potential changes or shifts in a path an organization. It is a moment when actors have greater decision-making freedom and can potentially deviate from one existing path. Like Critical Junctures, Windows of opportunity can be triggered by unexpected events or changes in the environment, and they provide an opportunity for actors to pursue alternative paths [2].

These concepts provide a framework for examining the conditions that influence the persistence of existing paths or the potential for path transformation. It is only with historical analysis that research can identify the role of critical junctures and windows of opportunities in shaping one organization path (Collier and Collier 2002).

For each period, a comprehensive description of the main outcomes of the credit union under analysis will be provided. The following chapters (Chapter four to Chapter eight) will specifically focus on conducting a bottom-up analysis, delving into the organisation itself and exploring the various forms of self-management and governance established by its members.

## 3.3 Sources

According to Gschwend and Schimmelfennig (2007), it is crucial in Political Sciences that researchers document the instrument used in obtaining data—and ideally base their information on more than one source. The sources of this work are divided in three groups: archive research, interviews, focus groups and were used to underpin the analyses of self-regulation in the cooperative. The sources were complemented by participant observation and literature review on themes related to the cooperative and self-organisation.

### 3.3.1 Archive Research

Archive research is a rich source of information for researchers in social sciences that allows to add the dimension of time to the social understanding (Cellard 2008). The archives can be collections of records - both paper and electronic - that are generated and reflect the efforts of an individual, organisation or institution (Frisch 2012).

Frisch (2012) argues that archival research may provide sensitive variables to explain outcomes produced by a particular institution, such as aspects of the process, contexts, sequence and timing relevant for the construction of the theory and testing hypotheses. One characteristic of document research is the use of information from documents that have not received any scientific treatment. Close examination of organisational archives give the opportunity to witness organisational performance, and see social reproduction at the micro-level, as daily accounts culminate into ongoing conversations and larger stories about organisational purposes and goals (Powell and Colyvas 2008).

According to Cellard (2008), document analysis enables the observation of the process of adaptation or evolution of individuals, groups, concepts, knowledge, behaviours, mentalities, practices, among others. Thus, methodologically, the archive research has the advantage of reducing, in part, influences by the presence or intervention of the researcher in the research.

The archive research used in this investigation includes digging into records such as minutes of general meetings (ordinary and extraordinary), financial and administrative reports and bylaws of the cooperative Sicredi Vale do Rio Pardo. Other documents were the collection of information in local newspapers and magazines about the cooperative's activities and the social position held by its members.

To extract information from documents and archives, we used appropriate techniques described in literature for the selection (Creswell 2003, 22); organisation and categorisation of information (Hill 1993, 58; Kapiszewski, MacLean, and Read 2015, 190) as well as its analysis (Frisch 2012).

All the institutional documentation was physically stored in an archive in the financial director's office. Only documents from 2014 on were available online at the institution's website. The careful documentation of activities in the credit union dating back to its beginnings and the good state of conservation of the archive deserve special attention. Some minutes were perfectly worked in manuscripts with unique calligraphy. All the official documents were written in Portuguese, displaying exceptional skill in the mastery of the language and the cult norms, even though the credit union was founded by German immigrants. However, it could be noted that the communication with members was done in German, as observed in the advertisements and invitations for assemblies in the Kolonie newspaper[[33]](#footnote-33). The institutional documentation was available at the administrative centre in book format. After organising and separating the material, 16 books was archived. The documents were first photographed and organised, through the utilisation of Zotero Software, and subsequently separated into categories: a) ordinary general meetings (AGO), b) extraordinary general meetings (AGE), c) bylaws, d) reports, e) invitations to meetings, f) book opening and closing terms, and e) internal regulations. The table below represents more clearly the organisation of the documents.

Table - List of institutional documents

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of the document** | **Format** | **Pages** | **Amount of documents** | **Main content** | **Years** |
| Book 0 | manuscript | 17 | 20 | m&r[[34]](#footnote-34), first statute (2x) | 1919-1922 |
| Book 1 | manuscript |  |  | m&r, statute not found | 1923-1926 |
| Book 2 | manuscript | 498 | 41 | m&r, statute reform (2x) | 1945-1960 |
| Book 4 | manuscript | 158 | 32 | m&r, statute reform | 1960-1967 |
| Book 5 | manuscript | 11 | 4 | meetings and reports | 1967-1967 |
| Book 6 | manuscript | 49 | 22 | meetings and reports | 1968-1975 |
| Book 7 | manuscript | 50 | 24 | meetings and reports | 1976-1995 |
| Book 8 | manuscript | 34 | 12 | meetings and reports | 1996-2006 |
| Book 9 | printed | 30 | 6 | meetings and reports | 2007-2010 |
| Book 10 | printed | 20 | 5 | meetings and reports | 2011-2013 |
| Book 11 | printed | 25 | 4 | meetings and reports | 2014-2014 |
| Book 12 | printed | 6 | 3 | meetings and reports | 2015-2015 |
| Book 13 | printed | 143 | 12 | m&r, regiment, regulation | 2016-2016 |
| Book 14 | printed | 125 | 7 | m&r, **statute reform** | 2017-2017 |
| Book 15 | printed | 57 | 13 | meetings and reports | 2018-2018 |
| Book 16 | printed | 51 | 2 | m&r, **statute reform** | 2019-2019 |

Source: Sicredi Vale do Rio Pardo Archive

As noted in the table, documentation for general meetings was missing[[35]](#footnote-35) between December 31, 1922 and July 1, 1945. So, a period of 22 years and 302 days was not available for inspection. This absence of documentation had already been described in Freitas (1990). Also, members of the institution did not know the reason behind the loss of these documents, although they suggested it may have been lost in the personal archives of former members, or destroyed because of the turbulent period of Brazilian political history.

The missing documentation affects substantial parts of two chapters of this work: Chapter 4 - The beginning of activities in the First Republic (1919-1930) and Chapter 5 - The operation during Vargas government (1930-1945). To overcome the lack of documentation during these years, the researcher focused on reports published by other institutions in local newspapers on the missing period. Furthermore, secondary literature on local cooperative and financial institutions on the missing period was analysed, such as Freitas (1990), Santos 2003, Vogt and Radünz (2013), Werle (2014), Lagemann (1985) and Noronha (2012). An additional source of information were newspapers and magazines from Santa Cruz do Sul as well as articles and comments on the debates of the time.

By analysing the documentary evidence, the researcher could create explanatory models of governance, institutional decision-making processes, strategies and political behaviour of members and verify institutional changes during the history of the cooperative.

### 3.3.2 Participant Observation

During the field research, participant observation was performed to study the phenomena of self-governance and self-regulation: the researcher participated as much as possible in quotidian activities in the credit cooperative, observing and reflecting on the behaviour and daily routine of its administration and members[[36]](#footnote-36). The participant observation held in Santa Cruz do Sul was developed through the direct contact of the researcher with the cooperative, collecting information about the reality of social actors in their own contexts.

For Jorgensen (2015), through participation it is possible to observe and gather numerous forms of data that are often inaccessible from the point of view of a non-participating external observer. By participating in human life, the researcher acquires direct access to not only the physically observable environment but also its primary reality as humanly meaningful experiences, thoughts, feelings, and activities (Jorgensen 2015).

According to Minayo (2004), in participant observation the observer, as part of the observation context, establishes a face-to-face relationship with those observed. In this process, he or she can, modify and be modified by the context. The importance of this technique lies in the fact that the researcher can capture a variety of situations or phenomena that are not obtained through questions.

The researcher's agenda was organised according to the work schedule of the credit union. The researcher visited the administrative centre during the days of the week and followed the internal and external activities proposed by the staff. In the administrative centre, the researcher received a working space where he studied the minutes and institutional documents. The site was also shared by the coordinators of internal communication, public communication, human resources, social programs and public relations[[37]](#footnote-37).

As the researcher got access to the administrative center, he was able to attend activities carried out in connection with other areas of the cooperative. Every Monday the researcher followed the weekly work alignment meetings. In these meetings the researcher followed discussions related to the cooperative's business, experiences regarding the business model and cooperative activities, labour relations, activities in cooperation with other sectors and companies, actions in the community, among others. This allowed the researcher to get to know unfamiliar areas and establish relationships with others employees throughout the cooperative.

Some accompanied activities that refer to the practices of self-organisation in the cooperative can be listed: cooperativas escolares — school cooperatives, event exhibitions, weekly alignment meetings, "União faz a vida" program, profit sharing, agricultural family school, municipal exhibitions, cooperative events, informal celebrations and meetings, visits to rural producers, the commission for the construction of the new Head Office, daily activities, etc. All these activities are covered throughout the thesis.

The data were noted down in a field diary and helped to capture information about the reality of the subjects in their contexts. The role of the researcher, along with his daily presence in the cooperative, allowed the selection of key participants for semi-structured interviews, whose framework is described in the following topic.

### 3.3.3 Semi-structured Interviews

Another important primary source of data were interviews. The conducted interviews in this work are better understood as informal "in-depth" semi-structured interviews (Kapiszewski et al. 2015).

According to Minayo (2014), a semi-structured interview is a conversation with the purpose to provide relevant information for investigating or analysing a research object. The in-deep interviews were semi-structured with a precise list of questions prepared in advance to be asked in a particular order (Kapiszewski, MacLean, and Read 2015; Leech 2002; María C. de Souza Minayo 2014).

The interviews performed were informal, because the interviewer did not conduct formal appointments with the participants. The agreements to perform the interviews were, in most cases, oral, and occurred during the free time of the cooperative staff. Sometimes, at the request of the interviewees, the researcher sent the questions by e-mail days in advance so that the participant could prepare himself or herself for the interview. Often the interviews occurred when the employee reported that work day was smooth and he or she could be available to respond.

The researcher used open-ended questions, and allowed the participants to discuss the topic, without, however, being limited to the question asked. The interview script was formulated according to the researcher's field experience and adaptation with the routine and history of the cooperative. The expertise gained in the field, notes of conversations, meetings and the first contact with the minutes and documents also helped in the formulation of the interview questions. The interviews were recorded using a Smartphone with the consent of all respondents. The researcher conducted the questions and actively listened to the answers as he took notes and proceeded with the interview to cover a series of topics and questions.

The interviews were conducted mostly in a private environment, where possible, after the participants' working hours. The conversations obtained by the interview were transcribed in full length. The transcriptions were then sent to the respondents for verification and correction of necessary points.

It is important to note that although the working environment was part of a formal financial institution, the relationship and acceptance for the interviews occurred in informal situations. The formal approach to interviews often demotivated the participants, and the term "interview" was exchanged for "conversation" to simplify and facilitate access.

During the interviews, the researcher performed no intervention on what was being expressed, however, whenever any relevant information emerged in the talk, an effort was promptly made to better detail the information or incorporate additional questions; all this, taking into account the goals of the investigated objects.

Twelve interviews were undertaken with individual actors who played influential roles in the regulation process at the cooperative. The selection criteria applied to the interview participants was their performance in the cooperative in specific areas, in particular the local self-regulation and governance. Among the interviewees were managers responsible for institutional communication, internal communication, social programs, human resources, operation management, project management, compliance, financial managers, financial councillors and executives (directors and presidents).

For analysis, the information collected through the interviews was organised into five main themes, linked to the central questions of the research: Q1) What - examples of self-organisation; Q2) Who - those responsible for self-organisation; Q3) How - ways in which self-organisation occurs; Q4) Why - reasons for regulation and self-organisation - and finally, Q5) relations of the local organisation with the State.

The interviewees' statements were cross-referenced based on the thematic contents - project questions and prioritisation model. The interviews were transcribed and coded using Maxqda software. The information was then rewritten in the form of a case study narrative [(Bennett and Elman 2006; Platt 2007)](https://www.zotero.org/google-docs/?PbJJnO).

### 3.3.4 Focus Group

For Minayo et al.(2001) focus groups occur in one or more sessions, in small groups of 6 to 12 components, with a moderator responsible for interventions. The relevance of the moderator lies in the ability to interact with the group and to coordinate the discussion. The focal groups is useful to complement information gathered during the individual interviews and participant observation well as to deepen discussion on some relevant research questions.

Three focal groups were performed in order to understand the routine and history of the cooperative. Like the interviews, the focus groups were semi-structured. In fact, the idea of setting up a focus group resulted from a request made by the cooperative's business manager after having been asked whether he would attend an interview. The manager suggested the participation of his team in a group interview as a way to present different points of view.

The experience of conducting a group interview was very rewarding. Not only did it allow the researcher to get to know other points of view, it also facilitated the researcher's contact with other members of the cooperative.

The first focus group was carried out with the business team and was attended by 6 participants. The talks were horizontal and, in general, everyone participated in a satisfactory way. The discussions were recorded, with the consent of the participants. There were no deviations of ideas and, in general, the group positioned itself in a complementary way in relation to issues of business and control.

The second focus group was broader and included former presidents and family members of former presidents, in total 14 participants. The event was moderated by two journalists writing the book on the institution's 100 years. They were also responsible for mediating the entire meeting. The researcher in this instance followed the speeches and interfered only in a few cases to gather more information about what the group was discussing. In this occasion he could not use a fixed script for questions, however the discussion addressed important themes for this work.

In this meeting, some divergences stand out in the speeches of former members and relatives of other former members about the origin and main format of the cooperative, predominantly on rural or urban issues as well its organisation form during dictatorial Brazilian regimes. This discussion is presented in Chapter 5 - The operation during Vargas government (1930-1945), especially on the sub-topic 5.2 the Vargas legacy: challenges and opportunities for cooperatives, and also on Chapter 7. The cooperative during military dictatorship (1964-1985), on subtopic 7.3 Cooperative leaders support the military regime. As Morgan (1997) pointed out, focus groups provide the ability to observe the extent and nature of interviewees' agreement and disagreement about a topic.

Finally, the last focus group was performed with the risk management and strategic planning team, with 6 participants. In this meeting, topics related to the cooperative's routine activities such as the relationship with the Banco Central (BC), compliance as well as internal and external audits. At the end of the focus group, the researcher also followed (as an observer) the annual policy and work-plan alignment for the year 2020 of both teams.

### 3.3.5 Coding

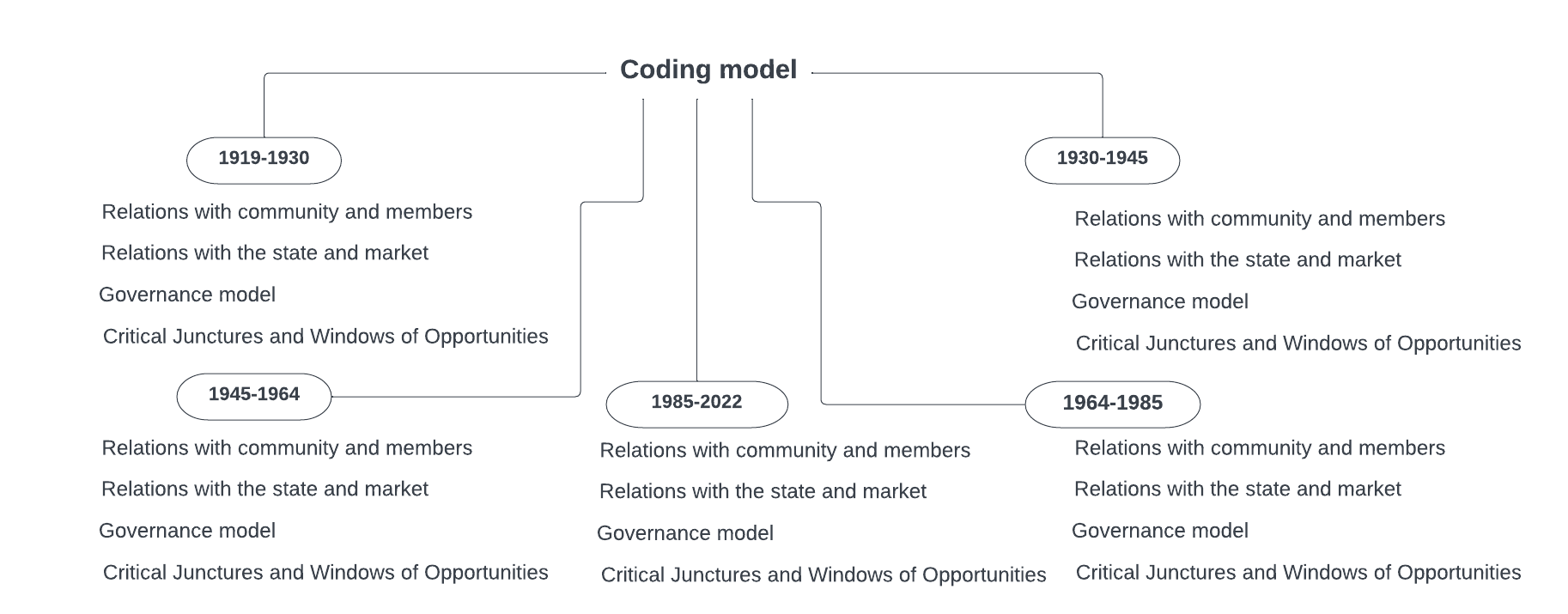
Coding data is an important step in the data analysis process of both qualitative and quantitative research. In quantitative research, coding involves arranging measures of variables into a machine-readable form for statistical analysis. This is a more mechanical task that allows for the efficient analysis of large amounts of data. In qualitative research, coding involves organising raw data into conceptual categories and creating themes or concepts. This process is more interpretive and is an integral part of the data analysis process in qualitative research. It allows researchers to make sense of the data and extract meaning from it, rather than simply managing it. Qualitative coding also has the potential to lead to new questions and can encourage researchers to think about the data at a higher level, moving towards theory and generalisations. (Neuman 2014, 480).

Coding was used to analyse data of the case study. Codes are symbols or labels assigned to segments of documents such as paragraphs, sentences or words. All coding needs to proceed along precise and unambiguous criteria – documented in a codebook (Geddes 2003, 147). The coding process was manually created by the researcher to look for rules, key themes or categories that cluster together.

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Figure - Coding model



Source: Author elaboration

The analysis of the material has been through a coding process as shown in figure 1. All the material collected (text data as in transcripts of interviews and focus groups, documentation, etc) has been categorised and separated according to the codes. In order to contemplate 100 years of the institution, five codes were created following to the periodisation proposed: first republic, Estado Novo, democratic period, military dictatorship and re-democratisation.

All periods were given similar sub-codes: reasons for operation, governance model, relations with community and members and relations with the State. All of these sub-codes relate to the Sicredi Vale do Rio Pardo credit union during its history as a credit union[[38]](#footnote-38). All codes are in line with relational patterns (substitutive, subsidiary, complementary, opposite) for comparative analysis and helped the analysis of the material and the writing of the thesis.

The reason for distributing the codes in this way is to follow a longitudinal trend analysis, using the same codes into different periods. It is clear that in some periods, due to lack of information, or the absence of direct relationships, the number of codes may be reduced or even not present at all.

Accordingly, an event may repeat itself or not. This does not mean that there are any prejudices whether such events are regular. Coding scheme validity is increased by examining previous research on the same issues and by grounding the coding scheme in theory.

### 3.3.6 Data Analysis

At first, the data was prepared and organised (i.e. the transcripts of interviews and focus groups, document reports, and literature review). All information has been sorted into a reference management software[[39]](#footnote-39). Extensive readings have been carried out on the material.

The analysis focused on the interactions within the credit cooperative, but above all with other local actors and state level. The triangulation of the empirical material (narratives of interviewees, participant observation and document examination) enabled a broad analysis and understanding of the research question.

The five chapters explore self-regulation dimensions on different social and political periods. They explicate different ways in which things happen over time in the cooperative, drawing attention to processes that are unlikely to be visible without specifically addressing questions of temporality and locality. One notices that the analysis does not concentrate on the nature of the democratic or autocratic regime, but on the existing characteristics of the credit union e.g. its management model, capacity for self-government and relationship with the state on these periods. Therefore, the analysis took place through specific time frames using the same categories to obtain the results.

# 4 The beginning of activities in the First Republic (1919-1930)

## 4.1 Introduction

This chapter presents data on the cooperative organisation from its foundation in 1919 to 1930. It is worth noting that supplementary data were used due to the lack of documentation at headquarters between 1924 and 1945, such as research from other cooperatives and legislation on the period. We argue that the birth of the first credit cooperatives in Santa Cruz do Sul and other municipalities in the interior of the State were mainly due to the needs of local farmers and merchants who wanted to improve their material and social living conditions in the face of the vacuum left by the State and the difficulties imposed by the market. It is claimed that the challenges and problems left by these institutions could not meet the local demand for credit, and this led to the formation of a mutual aid network with a collective business form of organisation.

The following topics provide an overview of the early characteristics of this collective organisation, founded in Santa Cruz do Sul in 1919. The political background surrounding the early stages of the collaborative organisation consisted of the period known as the First Brazilian Republic — the Old Republic, which lasted from 1989 until the revolution of 1930, when the 13th President of Brazil, Washington Luiz, was forced into exile by a military coup led by Getúlio Vargas. This period was characterised by the concentration of power in the hands of regional elites in the country (Lessa 1998). During this period, the separation of church and State was officially declared, Brazilian citizenship was granted to all immigrants living in Brazil, and the provinces became federal states, with governors appointed to assume the highest command of executive power in those instances.

Credit institutions, especially credit cooperatives in Rio Grande do Sul, opened up possibilities for action and integrated a set of activities that enabled the improvement of the material life of the colony. First, actions that enabled settlers to access financial resources through the collective organisation, such as the formation of social capital and investments for small-scale production, were attempts to self-regulate the colonial system within the dynamics of the market economy. It is worth noting that the settlement program organised by the central government in the remote colonial areas has not provided practical support to the migrant population; in this regard, the newly arrived population have faced a lack of basic services for the development of their social and economic activities. Seeking opportunities to overcome these challenges, local actors, with the church's help, have turned to a collective organisation as a strategy for self-regulation and survival. Secondly, the chapter shows that the cooperative system served as a stepping stone for the management to reach political positions and to represent the needs of the local German community settled in Santa Cruz do Sul. In addition, it indicates that interactions with corporate executives and high-level government officials have influenced decisions regarding changes in the internal rules of the cooperative.

Building upon the historical context, topic 4.2 explores the development and social capital in Santa Cruz do Sul, highlighting the importance of cooperative initiatives in the region. It discusses the role of cooperatives in promoting economic growth, social cohesion, and community development. Moving forward, topic 4.3 delves into the origins of the cooperative movement in Santa Cruz do Sul. It points to the circumstances that led to the establishment of the cooperative and the motivations behind its formation. It also shows the first governance chart and characteristics of this model. Topic 4.4 explores the influence of the church in the cooperative movement. It discusses the role of religious institutions in promoting common values and principles, as well as their involvement in the governance and operations of the cooperative.

Following this, topic 4.5 presents the first amendment to the cooperative's statute in 1923, the reasons behind it, and the changes it brought to the governance and organizational structure of the cooperative. Following, topic 4.6 present the formation of the first Central Office: União Popular do Rio Grande do Sul in 1925. The topic explores the purpose and functions of the central office and its impact on the cooperative movement in Santa Cruz do Sul.

Finally, topic 4.6 delves into the challenges faced during the early stages of the cooperative's institutional design. It discusses the efforts to establish a solid governance structure and operational framework, as well as the initial developments and achievements of the cooperative. And topic 4.7, presents the first financial reports for the period. It explores the financial performance, assets, and liabilities of the cooperative and members during its early years, providing insights into its economic sustainability and growth. The chapter concludes with the key findings for the period and highlights the significance of the cooperative movement in Santa Cruz do Sul.

## 4.2 Development and Social Capital in Santa Cruz do Sul

Studies on regional development in Brazil usually take social capital into account, and the literature on the State of Rio Grande do Sul is mainly filled with studies dealing with associationism and social capital. These empirical studies have found, for example, that areas of the State with high social capital have a strong presence of migration, with citizens participating in associations for economic, educational, recreational, cultural, charitable and self-help purposes (Bandeira 2003; Bandeira, César, and Bittencourt 2001; Monasterio 2002). In this subtopic, based on the literature, it is argued that social capital was necessary for the development of communities in the interior of the State of Rio Grande do Sul and that these settlements were able to acquire their own characteristics, unlike other areas of the State that received smaller-scale immigrants. The main argument is that establishing cooperatives and other associations allowed immigrant populations to integrate into the Brazilian economy and society.

As historical and statistical studies have shown, the settlement of Rio Grande do Sul in the 19th and early 20th centuries was influenced by the arrival of independent workers and the formation of new immigrant communities (Godinho et al., 1980). It is known that the immigrants of this period settled in the forest areas neglected by the cattle farms and that the forms of economic, social and cultural reproduction were very different from those already established. Some authors argue that the northern part of the State developed differently from the southern (Bandeira 2003; Fonseca 1985; Pesavento 1985). Among other issues, this is explained by the fact that the southern region of the State of Rio Grande do Sul — *Região da Campanha* was oriented for many years to the meat economy (Furtado 2005; Prado Jr 2017) — specifically jerky meat *(charque)* [[40]](#footnote-40)*.* With traces of slavery, the northern region managed to develop its commerce and other industries diversified (Fonseca 1985; Herrlein 2004).

The southern part of the province was the most prominent rancher and livestock producer in the State, and the *charreada*, places where charcoal was produced, were concentrated in Pelotas and Rio Grande, with the ports serving as an outlet for production. These two cities were the most significant urban centres and, together with Porto Alegre, controlled the province's political and economic hegemony until the empire's end.

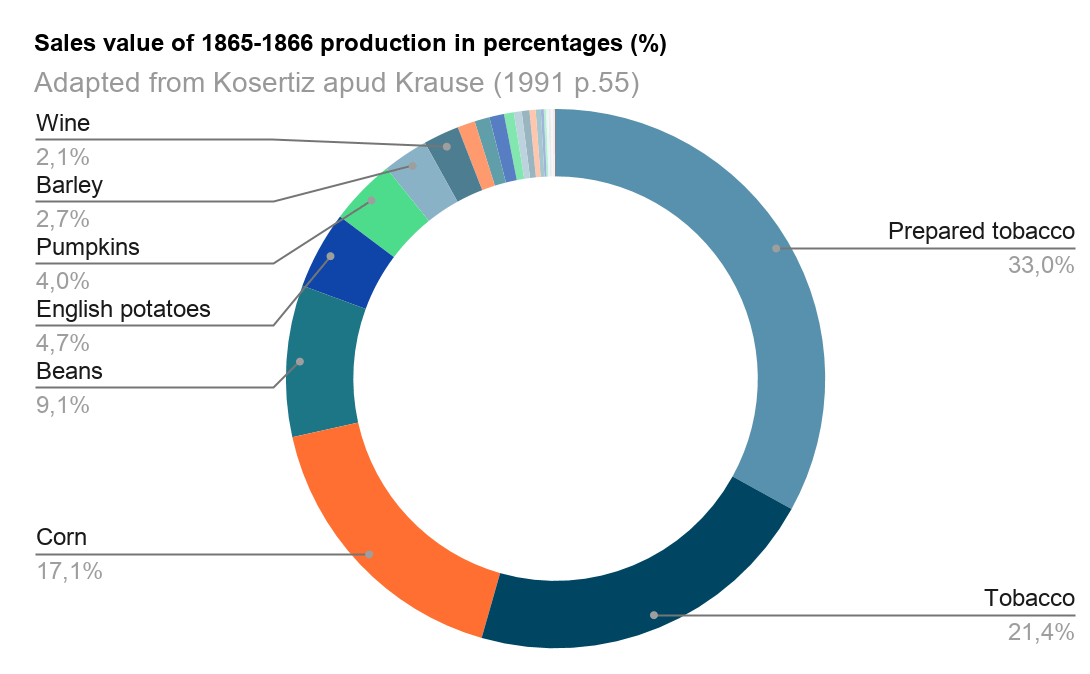
However, this meat economy failed to provide economic dynamism because it was derived from a regime of land concentration and slave labour, similar to the traditional methods of exploitation of productive areas used by Portugal and Spain in Latin America. With the growth of the colonisation areas and the increase in the number of immigrants in the State, this problem began to change.

In the political field, the PRR (Partido Republicano Riograndense — *Riograndense Republican Party*) also contributed to that by promoting a broad program, which included interests beyond those of the cattle elite, taxing large property and alleviating the tax burden on small farmers in settlement areas, as well as on cropping and commercial and industrial activities (Herrlein 2004; Krause 1991; Targa 2003). The rise of the Republican Party brought significant social and economic changes; a domestic market economy was formed based on agriculture and agro-industrial production in the colonial areas and primary industries in the states. In this section, we focus on an essential element that contributed to the diversification of the economy: immigration.

The Brazilian State planned migratory flows to southern Brazil to colonise unoccupied regions far from the area of the *gaucho latifundium*. The process aimed at the development of agriculture and economy through the employment of labour by the migrant settlers, in contrast to a society with slave production modes. An element that encouraged the expansion of social capital in these regions was the absence of slavery (Schmidt 2003). By law — Law No. 183, of 30/10/1850 — slavery was prohibited in the colonisation zones and, in this respect, it was an "enormous obstacle" to building "democratic relations" and also "cooperative relations" (Schmidt 2003). Like other immigration colonies, Santa Cruz do Sul was directly linked to the policy of colonisation carried out in the 19th century by the official action of the imperial and provincial governments. Since this city was a colony composed basically of German immigrants and their descendants, slavery was therefore prohibited. Hence, at the beginning of its colonisation, the region stood out for its significant presence of social organisations of various types and purposes created by immigrants and their descendants (GAZ 2019). The associationism is evidence of German settlement since the first wave of immigration in 1849 (Schmidt and Goes 2002; Vogt 2006). Schmidt and Goes (2002) highlighted that Vale do Rio Pardo, where Santa Cruz do Sul is located, has the highest concentration of cooperatives in the State of Rio Grande do Sul. There is a high rate of "horizontal associations", which means "organisations maintained by the citizens, without state intervention" (Schmidt and Goes 2002, 125). Vogt (2006), when analysing immigration and social capital in Santa Cruz do Sul, RS, points out that the existence and participation of individuals in a dense network of voluntary associations, such as churches and religious groups; sports clubs; recreational societies; artistic, cultural or educational organisations; trade unions and professional associations; political parties; philanthropic entities; cooperatives; service clubs, etc, were the leading indicators of the existence of social capital in the region. For the author, the community fabric (*tecido social*) of Santa Cruz do Sul was essential to create "an environment of cooperation and trust between immigrants". Other types of associations have been created, such as the Catholic Centre or Catholic Party (*Zentrumspartei*), Catholic Parish Associations (*Pfarrvereine*), Catholic Congresses (*Katholikentag*), Catholic Teachers' Associations (Lehrenverein), Rio Grande do Sul Farmers' Associations (*Bauernverein*), Sociedade União Popular (*Volksverein*), etc. Immigrants also created communitarian schools, religious communities, recreational clubs and cooperatives.

Unlike the southern municipalities of the State, Santa Cruz do Sul did not have an economy based on cattle production. Tobacco was the main product of the local economy and was planted by small farmers who settled in the region. This item was widely sold in the colony of Santa Cruz (1847), in the emancipation of the village (1859), and in the foundation of the city of Santa Cruz do Sul in 1878 (Krause 1991). Tobacco production had great relevance for the colonial region, both to serve the domestic and foreign markets. It is observed that the agricultural economy of Santa Cruz do Sul (during the first years of the colony) was based on small farms and family labour. Agricultural activities were mainly focused on satisfying local needs, and cultivation was corn, beans, potatoes and pumpkins. At the same time, tobacco was responsible for generating the surpluses needed for the first accumulation of capital.[[41]](#footnote-41).

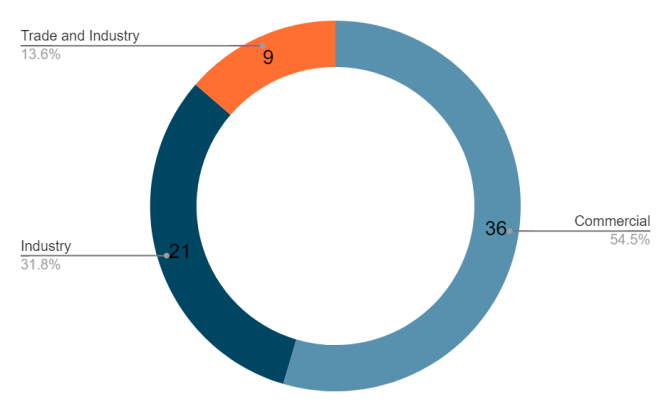
Chart - Tobacco in the colonial economy of Santa Cruz do Sul - 1865-1866



Source: Adapted from Krause 1991, p. 55

Besides tobacco, other activities stand out during the imperial period, such as livelihoods, deforestation for wood production, local commerce and handmade products. Krause (1991) points out that only some companies originated from local handicrafts, local commerce, transportation and agricultural products, which contributed - to a lesser extent - to the development of local enterprises. Indeed, the author highlighted that tobacco mainly provided the "emergence of industries" in the region during the beginning of the old republic working with a sample of industrial and commercial installations.[[42]](#footnote-42) Established in Santa Cruz do Sul before 1930. One notices that most workers were concentrated in the tobacco and metallurgy branches.

Chart - Enterprises in Santa Cruz do Sul (RS) until 1930 by category



Source: Adapted from Krause 1991, p. 63

Other researchers pointed out that the political and industrial elites of Santa Cruz do Sul also indicated different forms of keeping social capital among business-oriented groups of the region during its industrialisation, such are the cases of Caixa Cooperativa de Crédito Santa-Cruzense[[43]](#footnote-43) and Companhia de Fumos Santa Cruz S/A (Noronha 2012).

Although tobacco crop yields gave higher returns for small farmers (when compared with other types of crops), in the long run, there was a continuous increase in production costs, especially variable production costs, such as family and temporary labour, chemical inputs, wood, and financial expenses with banks (Silveira 2007). Due to the formation of the first tobacco industries (both with national and/or international capital) and the concentration of the economy in a few capitalist traders, the small farmers have been reduced to only three options: 1) sell the products directly to industries generally with low margins 2) sell the production to an intermediary (usually called *atravessadores* in Portuguese) or 3 - collectively organise themselves in order to have greater bargain (Silveira 2007).

This third point is an opportunity for collective organisations to minimise the impact of market concentration. It is considered that merchants and producers have preferred to organise themselves into groups in order to overcome the challenges they face in their economic activities. It is emphasised in this study that cooperatives play an essential role in the formation of social capital and community development. Although on a smaller scale, the cooperatives of both local traders and rural producers have contributed to the social and economic history of the region.

Two branches of cooperatives stood out in Santa Cruz do Sul in the first decades of the 20th century: agricultural cooperatives and credit cooperatives (Schmidt 2003). The agricultural cooperatives mainly organised rural producers, who sold the production and commonly bought agricultural implements. These cooperatives soon spread throughout the territory, and the region gained national relevance in this form of organisation. Rio Grande do Sul occupied the first place, both in the number of members and in the total of cooperatives in Brazil (Pinho 1989). There are essential wine cooperatives, wool producers, breeders, milk, rice plants, wheat, mate, tobacco, etc.

On the other hand, credit cooperatives were another essential type of cooperative in Santa Cruz do Sul in the early 20th century. These cooperatives provided financial services, such as loans and savings accounts, to their members. They were an essential source of credit for individuals and small businesses in the region and played a vital role in the local economy. Groups often formed with a common occupational or cultural background, such as immigrants or farmers, and were an alternative to traditional banks for these communities.

The production cooperatives, which grew economically and in terms of membership, specialised in growing, processing, and selling tobacco to large private companies. They were responsible for buying and selling small farmers' products from the colony's first activities to their current organisation in the city of Santa Cruz do Sul. These cooperatives used to sell most of the tobacco to the *União Sul Brasileira de Cooperativas* — South Brazilian Cooperative Union, in charge of transporting the product to Porto Alegre to attend the Brazilian and foreign markets. Due to the market offer, part of the production was also commercialised with local companies and industries, and, recently, other collective organisations such as FETRAFSUL (*Federação dos Trabalhadores da Agricultura Familiar na Região Sul*) and MPA (Movimento dos Pequenos Agricultores) have worked with tobacco producers (and other crops) to encourage the formation of agricultural cooperatives in order to gain greater bargaining power from farmers by trading production in larger volumes (Silveira 2007).

It is worth highlighting that the cooperatives' social and economic activities not only assisted in the exchange and trade of goods but also helped in the provision of credit services (credit cooperatives – caixas rurais), acting as essential actors who finance (on a small scale) the capital needed for rural and commercial activities. The three collective credit institutions established in Santa Cruz do Sul in the early 20th century with their funds and without State support are examples of this argument: "*Caixa Cooperativa Santa Cruzense*" (1904) and "*Caixa União Popular Santa Cruz*" (1919), in the Raiffeisen system, and the "*Sociedade Cooperativa de Responsabilidade Ltda*" (1926), in the Luzzatti system.

The operations of the credit and production cooperatives involved rural producers living in Santa Cruz and its surroundings, and their activities have contributed to the development of family farming and rural communities. Production cooperatives assisted the sale and exchange of agricultural inputs, provided technical assistance, and guaranteed access to agricultural products, while credit cooperatives, as intermediaries of financial resources, raised funds for the production and commercialisation of commodities and improved the material life of the members involved.

The common characteristic of the two types of organisations (credit and production cooperatives), apart from their collective nature, is that most of the members were rural producers, and the means of production and the profits generated were aimed at meeting the needs of their members. In the following decades, this associations became synonymous with entrepreneurship in Rio Grande do Sul, increasing its importance and strength in the economy. In addition to the services provided to its members, such as reception, merchandising, storage, and joint industrialisation of products, the cooperatives distinguished themselves by the availability of technical, educational, and even social support.

Information about cooperatives can be found in studies on associationism (Filho 2007; Schmidt 2003; Schmidt and Goes 2002; Vogt 2006), but questions about their development, membership, decision-making and relationship with the State and social entities need to be assessed individually. The following table lists the central cooperatives created in the Vale do Rio Pardo up to 1955.

Table - Cooperatives in Santa Cruz do Sul and surroundings until 1955

|  |  |  |
| --- | --- | --- |
|  | **Foundation year** | **Headquarter** |
| **Rural credit cooperatives (Caixas rurais)** |  |  |
| *Caixa Rural União Popular de S. Cruz do Sul* | 1919 | Santa Cruz do Sul |
| *Caixa Rural de Venâncio Aires* | - | Venâncio Aires |
| *Caixa Rural de Sobradinho* | - | Sobradinho |
| **Urban cooperatives (Caixas urbanas)** |  |  |
| *Caixa Cooperativa Santa Cruzense* | 1904 | Santa Cruz do Sul |
| *Cooperativa de Crédito Santa Cruz Ltda* | 1926 | Santa Cruz do Sul |
| *Cooperativa de Consumo dos func. do DAER* | - | Santa Cruz do Sul |
| *Coop. de Cons. dos Func. do Banco do Brasil* | - | Santa Cruz do Sul |
| **Agricultural cooperatives** |  |  |
| *Cooperativa Agrícola Rio Pardinho* | 1913 | Santa Cruz do Sul |
| *Cooperativa Agropecuária Linha Santa Cruz* | 1924 | Santa Cruz do Sul |
| *Cooperativa Agrícola Mixta Boa Vista* | 1915 | Santa Cruz do Sul |
| *Cooperativa Agrícola Arroio Grande* | ~1940 | Venâncio Aires |
| *Cooperativa de Produtores de Mate* | 1944 | Venâncio Aires |
| *Cooperativa Mista Venancioairense Ltda* | 1945 | Venâncio Aires |
| *Cooperativa Boa Esperanca* | - | Venâncio Aires |
| *Cooperativa Agrícola Linha Sítio* | 1941 | Vera Cruz |
| *Cooperativa Agrícola Ferraz* | - | Vera Cruz |
| *Cooperativa Mista Passa Sete* | - | Passa Sete |
| *Cooperativa Mista Candelária* | - | Candelária |
| *Cooperativa Agrícola Linha Cereja* | - | Arroio do Tigre |
| *Cooperativa Agrícola Superense* | - | Sobradinho |
| *Cooperativa Agrícola Faxinal do Soturno* | - | Faxinal do Soturno |

Source: Adapted from Schmidt and Goes (2002)

In Santa Cruz do Sul, the emergence of collective organisations such as credit unions and production cooperatives reflects a recognition of the pressing need to address financial exclusion in rural areas. By providing access to credit and other financial services, along with crucial technical assistance, these groups have become a crucial source of support for communities that might otherwise be excluded from the financial system.

Credit cooperatives have been mainly instrumental in addressing these challenges, drawing on successful European models like Raiffeisen, Luzzati, and Haas, and adapting them to meet the unique needs of local communities. Notably, these cooperatives have been effective in bridging the gap between urban and rural populations, with a primary audience of immigrants and locals.

Recent data from 2019 underscores the continued importance of cooperatives in promoting economic development, especially in the State of Rio Grande do Sul. Today, the State is home to over 437 cooperatives, with 2.8 million members and over 63,000 jobs created. Impressively, 78% of these cooperatives operate in key industries such as agriculture, credit, transport, and health, underlining these organisations' significant impact on the State's economic activities (OCB 2019).

Credit cooperatives, through the offer of credit and financial intermediation, have consolidated their position as critical financial agents for the expansion of regional consumption and local production and development. The general path for credit unions (in most cases) was to form a broad network of local and regional bases coordinated through a national cooperative bank, assisted by the government or the State. Once established, the credit unions could offer adequate support to the system's other categories of cooperatives and new cooperatives.

The strength of associationism has allowed many colonies to develop differently from the rest of the State. In this way, social capital played a fundamental role in the development, from the effective involvement of the community in transforming its locality (Bandeira 2003). In general, these investigations on social capital in Santa Cruz do Sul and Rio Grande do Sul emphasised the role of institutions as essential variables to explain institutions' economic development.

## 4.3 The genesis

After several attempts, members of *Volksverein* gathered in September 1919 and approved the first União Popular de Santa Cruz statutes, which contained rules for the operation of the association. It is worth noting that the *Volksverein* was a larger institution and coordinated the creation of several German colonies in Rio Grande do Sul with the help of Jesuit priests. By creating one more institution, the *Volksverein* expanded its associative base by assisting the population of German and Catholic origin in southern Brazil. Besides cultural and religious reasons, there were also economic and political motivations, as there are indications, for example, of the interest of the Brazilian State in strengthening the cooperative associations in Rio Grande do Sul in order to neutralise other radical social movements that appeared in the region (Falkembach et al. 1988; Schallenberger 2001). On the local growers' side, there are also records of collective action to combat the exploitation resulting from increased trade in the area. While Santa Cruz distinguished itself in tobacco production, records would expose that tobacco merchants excessively abused growers with exorbitant commissions for selling, storing, and processing their products and high-interest rates on bonds and loans used to finance the crop production.

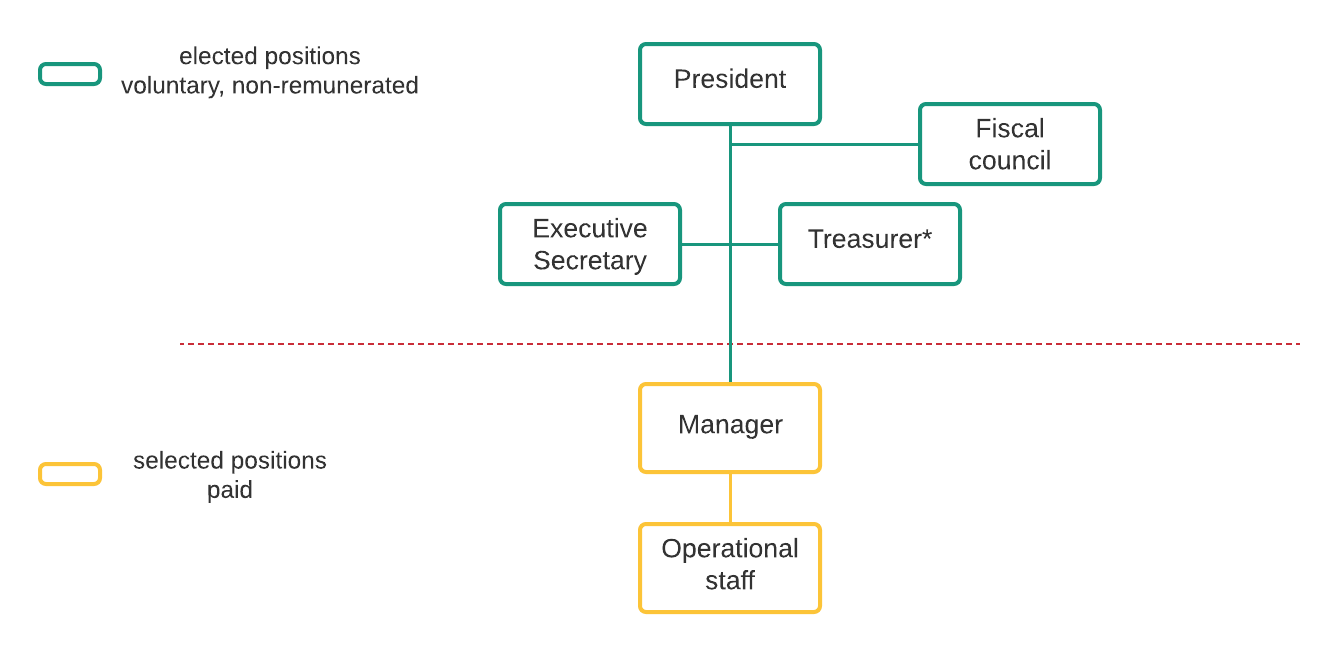
Additionally, traders manipulated the classification of tobacco leaves, attributing their lower qualities to those they contained, thus reducing their final value. Moreover, in the commercial sector, it was not uncommon, for example, for exporters, traders and manufacturers to delay tobacco purchases in order to create artificial supplies, disrupting and creating a panic in the market and pushing prices down (Krause 1991; Silveira 2007; Vogt 2006). Thus, it is clear that the farmers and small traders saw the possibility of association proposed by the Volskverein in a positive light because, besides being a way of combating exploitation, it was an effective way of directly accessing credit, buying land and machinery, negotiating products and other complex issues that were difficult to resolve as isolated actors. Hence, the credit cooperative of Santa Cruz do Sul was born.

The organisation's purpose was clear in its minutes: "to provide spiritual and material assistance among its members, especially in the education of children and the teaching of young people after the end of primary school" to help the communities.[[44]](#footnote-44) Activities began in 1919 with 50 members, mainly merchants located in the town, who agreed to pay the initial entrance fee of 50$000 (fifty thousand reis) to access loans provided by the organisation. This was a considerable amount, having in mind the average wage of a Rio Grande do Sul worker in the metallurgical industry (blacksmith) was $8$141(eight thousand one hundred and forty-one reis) per day, and a farmworker earned an average of 4$015 (four thousand and fifteen reis) (Brasil 1928).

Nevertheless, the membership allowed them to participate in collective discussions and vote at general meetings — the adoption of the one-person, one-vote rule has allowed members to take the initiative in dealing with the difficulties they face without being directly dependent on government policies and in a sense has made them autonomous from public authorities since the founding of the society. The society was authorised to collect the savings accumulated by its members and outsiders in the form of interest-bearing deposits. Also, the applicant did not need to be a member to obtain the loans. Hence, União Popular de Santa Cruz started as a broad organisation in terms of providing financial products and public service. However, some restrictions prevented people from integrating into the society. In addition to substantial fees, members had to be Catholic, belong to the *Volksverein* and reside in Santa Cruz do Sul.[[45]](#footnote-45) Those who did not meet these requirements could join the association, but as passive members, without voting rights, and any admission was subject to the prior approval of the directors. The administrative board also ruled on the exclusion of members; any member who threatened the association could be excluded from the social contract. This illustrates a high concentration of decision-making power and the leaders' importance in the organisation's first years.

Article 5 of the first statutes, adopted in 1919, specified the governance structure for the management of the society. The association board consisted of a president, a secretary, a treasurer and three other auditors, all elected every three years.[[46]](#footnote-46). A president, a secretary and a treasurer constituted a simple governance structure monitored by a three-member fiscal council, and the representatives followed a golden rule: elected members could not receive any remuneration for their work.[[47]](#footnote-47). The chart below illustrates the governance of the organisation in its early years. It is verified that there was no defined board of directors and that the elected members worked voluntarily, without salary[[48]](#footnote-48).

Chart - Organisation chart in 1920



Source: Author elaboration based on Vale do Rio Pardo bylaws (1919-1922). \*At the 1920 General Assembly, it was decided that only the treasurer could receive a monthly award of 50$000 Cruzeiros.

National laws set standards for elected positions: only native-born or naturalised Brazilians who have lived in Brazil for at least five years and have obtained Brazilian citizenship rights could be members of the association's governing body (Brasil 1907)[[49]](#footnote-49). This rule directly impacted the areas where immigrants resided — although, in reality, the application of this rule became effective only with the government of Getúlio Vargas. An example of a cooperative member who sought naturalisation was Felix Hoppe, the first president of the cooperative. Like other immigrants, he may have realised the importance of acquiring Brazilian citizenship to fully participate in the political and social life of the country. Through the naturalisation process, Felix Hoppe may have obtained the rights and privileges of a Brazilian citizen, allowing him to hold the position of president of the cooperative as mandated by national laws.

The dissolution of the company is described in its articles and was set for an indefinite period, at most 30 years. The company would be liquidated when the number of associates does not reach seven members or 2/3 of all associates decide to dissolve it in a general meeting.[[50]](#footnote-50). Its initial operation was quite simple. The cooperative took deposits at a rate of 7.5% a year and lent money at 9% a year; the difference between these amounts, the profit of the activities, was distributed among members or reapplied in the organisation's funds.[[51]](#footnote-51). In the absence of statutory provisions, Article 8 states that decision-making shall comply with Legislative Decree No. 1,637 of January 5, 1907, or any subsequent law in force[[52]](#footnote-52). The company statute had not detailed how the members could vote. However, the legislation was evident: "Each member has only one vote, regardless of the number of shares, and no more than one member may be represented by proxy.[[53]](#footnote-53). The democratic quality of the "one person, one vote" structure, the organisational rules that shifted the focus from profit to serving the members' needs, and the legal integrity of the contracts became elements of legitimacy in the community.

An analysis of the first statutes of Caixa União Popular de Santa Cruz shows that Decree No. 1.637 of January 5, 1907, and Decree No. 6.532 of June 20, 1907, were the legal sources used to write the first rules. This statute has respected national laws, but it had some omissions. It presented the information in a condensed form and, at some points, was not specific — the statute consisted of only nine articles. It did not touch on specific details from the national laws. Also, did not explicitly state Raiffeisen principles, did not determine the method of payment of the "entrance fee," did not specify the percentage of transfer to the reserve fund, did not address the information on the dissolution of the institution, and did not mention the remuneration of directors and presidents. Because of this, some of the articles can be interpreted from the perspective of national law or trade union legislation.

The internal regulations, in particular article 8 of the company's statutes, demonstrate, from the outset, the concern of the organisation's members to comply with national legislation and their subordination to the operational rules created by the State. Throughout the existence of the Volksverein *União Popular de Santa Cruz*, this form of decision-making oriented towards national legislation and State recognition has existed. This fact will become more evident in the following chapters.

## 4.4 The church's influence

Little is known about the Volksverein *União Popular de Santa Cruz operation* in the first years of existence (1919-1930). It is noted that the first meetings were organised with the church's help and included German catholic immigrants from urban and rural communities. At first, church and religious leaders supported the membership and mentioned the importance of community participation in religious events (Noronha 2012; A. C. S. Santos 2013). With the support of the church, were established*,* a kind of religious militancy and community leaders acting in the vacuum of state social policy, in similar ways to the *Bauernvereins* in Germany, aimed at the solidarity and self-development of a migrant community in the State of Rio Grande do Sul through a church-organised network (Vogt 2006, 238).

The first Bauerverein was founded in 1900 at the 3rd Catholic Convention in Santa Catarina da Feliz, RS only 110 km from Santa Cruz do Sul. This organisation intended to transplant the "Raiffeisen" system from Germany to Brazil, and with the support of the church, by setting up the "Volksvereins" (F. E. Freitas 1990). The Bauerverein was an inter-religious organisation founded by Father Theodoro Amstad. For the first ten years of its existence, its work was directed directly at the rural population, developing valuable guidelines for this population segment. Like the bouerverein, the first credit cooperatives (Volksvereins) in the region were born under the popular initiative and help of the church. The Bauerinverein and Volksverein were successful institutions with greater accomplishments and associate members. Through these efforts, the State of Rio Grande do Sul was recognised as a pioneer in using the cooperative system.

The first Brazilian credit cooperative emerged in 1902 as a result of the initiatives of the Bauervereins. It was founded in Nova Petrópolis, Rio Grande do Sul, by Swiss priests, including Theodor Amstad, and other religious leaders who settled in Brazil. This pioneering cooperative aimed to overcome the structural deficiencies of the time and provide farmers with access to credit. The success of the project led to its rapid expansion in the colony's territories

Within just two years, in 1904, there was already a new credit cooperative in Santa Cruz do Sul. Father Theodor Amstad was invited by the city's residents to establish one credit association there. Initially known as Spar- und Darlehenskasse Santa-Cruzense, this association was based on the principles of the União Popular de Santa Cruz. However, over time, it deviated from the original cooperative ideals.[[54]](#footnote-54)

The *Volksverein União Popular de Santa Cruz activities only* began 15 years later, in September 1919, in the halls of the *Catholic Alliance*. Until that, *Darlehenskasse Santa-Cruzense* was the only credit institution in the area. Members of the *Darlehenskasse Santa-Cruzense* were mostly Protestants (Noronha 2012, 315), while the members of the Volksverein União Popular were Catholics. Moreover, managers and directors of Caixa *Darlehenskasse Santa-Cruzense* came mainly from outside Santa Cruz do Sul and the administrative staff was from Porto Alegre, the state capital (Noronha 2020, 47).

The Darlehenskasse Santa-Cruzense faced challenges due to its cooperative structure. With predominantly Protestant members and the presence of external managers, the organization experienced a diverse environment and possibly a stronger influence of commercial practices. To adapt to market and gain access to additional capital, members of the Darlehenskasse Santa-Cruzense chose to demutualize in 1938. This decision allowed them to thrive in a highly competitive financial landscape, attract investments, and improve operational efficiency.

In contrast, Volksverein União Popular, established in 1919, followed a different path. Comprised mostly of Catholic members and with a management closely connected to the local community, members of Volksverein União Popular maintained its cooperative structure. The organization's Catholic identity, strong internal cohesion, and commitment to cooperative principles likely influenced their decision to preserve the mutualistic model.

Darlehenskasse Santa-Cruzense was sold to the *Banco Mercantil* and then merged with *Unibanco — União de Bancos Brasileiros* (Lagemann 1985)— "Union of Brazilian Banks", which in 2008 joined Itaú S.A. to become the largest private financial complex in the country. The credit cooperative *União Popular de Santa Cruz do Sul*, which will later become *Sicredi Vale do Rio Pardo*, on the other hand, had its administrative staff made up of people from the locality, mainly German immigrants. This is certainly an argument for the creation of the *Volksverein União Popular de Santa Cruz* since there was already a similar organisation led by Protestants in the city, and an organisation that would represent Catholic members of the locality was needed. In addition, research shows the social and political conflicts between these groups, with Protestants having better facilities: industries, businesses and higher quality land(Krause 1991; Vogt 2006). Therefore, the creation of the new Catholic association aimed at integrating this group into the region's economy.

Indeed, the church's intention in supporting the development of the catholic credit union was to provide the newly arrived settlers from Europe with material living conditions to safeguard religious ethics and develop the community where they settled. In this sense, collective credit institutions had a significant impact on material reproduction and were also an instrument for fulfilling religiosity (M. J. Werle 2014). Following traditional ethics, religious leaders helped to disseminate the habit of saving, the virtues of work and the ideal of life in society, looking after the material and spiritual interests, especially of Catholics of German origin (M. J. Werle 2014, 133).

Article 3 of the *Volksverein União Popular de Santa Cruz*, first statutes, highlights one fundamental character of the Christian foundations, whose concern was not only to obtain credit but also to "improve the moral and material situation of their members" given the initial weaknesses of the State.[[55]](#footnote-55) Providing "education to children, instruction to young people, assistance to members in finding work, and provision of assistance[[56]](#footnote-56)." The church had reasons to support these initiatives. Its primary concern was the steady decline of the colonies to the point of having problems similar to those in other parts of Brazil, such as illiteracy, unemployment, hunger and social problems (Schallenberger 2001, 270–71). Therefore, solidarity and cooperation among the settlers would be the best solution to the situation through the organisation, diversification, increased productivity, and industrialisation of agricultural production.

Another fact that demonstrates the participation of the church in the formation of the Volkverein União Popular de Santa Cruz was the first Congress of German Catholics in the neighbouring town of Venâncio Aires in Rio Grande do Sul in 1912 (Vogt 2006, 240). On this occasion, local leaders created one *Volksvereine* (União Popular) to preserve German culture, offering families religious, hospital, medical, pharmaceutical and technical assistance in the area (Menezes and Lajus 2016).

Moreover, the Brazilian State, especially during the old republic (1889 -1930), did not restrict ethnoreligious associations as these initiatives were not at all challenging the economic system or the private property since they emerged as a result of the militancy of religious and communal leaders in the vacuum of a state social policy (Vogt and Radünz 2013, 280). Also, as shown above, the first statutes of the *Volksverein União Popular de Santa Cruz* allowed only Catholics as active members. It is observed that the initiative focused on economic and material aspects to improve the local population's living conditions. However, there were also non-economic dimensions, that is, moral and religious issues related to the institution, since the initiative had not only established a goal focusing on the community's economy but a strategy "to provide mutual assistance, both spiritual and material, among the members."[[57]](#footnote-57).

Although they were local initiatives, this and other *Volkvereins* were based on the church's support network, which formed the basis for one institutional path and distribution of the new cooperatives and farmers associations in the region. In this way, it is valid to say that the Volkverein União Popular de Santa Cruz members found in the church the possibility to concentrate their work and give greater relevance to the development and implementation of their resources. Moreover, as we can see, it was through the church's activities that the first migrant associations were formed. The colonies expanded alongside the church and organised to acquire material and/or human resources to support their members. Therefore, organisations such as the *Volksverein União Popular de Santa Cruz* and the *Spar- und Darlehenskasse Santa Cruzense* have in their origins a strong influence of the religious institution. However, this assistance was complemented by establishing the regional office in Porto Alegre in 1925, which allowed the União Popular de Santa Cruz do Sul and other local cooperatives to join a second-level organisation, facilitating the administrative and communication work.

## 4.5 The first statute changed in 1923

The first regulations of the Volksverein União Popular de Santa Cruz do Sul were in force for four years and served as an instrument of administrative and legal organisation. In 1923, however, the rules had to be adapted to comply with national legislation and the recommendations of the supervisory authorities. This change was necessary and came to avoid the company's closure once the Brazilian legislation initiated the first regulations in the sector. This amendment not only changed the name of the cooperative but also established fundamental rules for its operation in the following years.

The statute reform was the first structural change and a mechanism that organised future decision-making. Unfortunately, the content of the amendments was not available in total. In the absence of documentation at the cooperative's headquarters, other research and newspapers are used to supplement this analysis. Freitas (1990) provides relevant information on this missing documentation. According to the author, the statute reform was partially published in October 1930 in St. Paulus-Blatt magazine on pages 13, 14, 15 and 16. Our analysis of this topic is based on the information gathered by him.

In this topic, it is argued that legal changes have allowed the introduction of a new governance model, giving the membership formal responsibilities. This is evident in the formal rules that members and management adopt for punishing membership in case of misconduct and the responsibility to pay the enterprise's debts out of their capital. It is also argued that the formal adoption of the Raiffeisen principles in conducting business and the formation of a special fund derived from profits from the cooperative have strengthened social control and enabled supervision by the members and the community. These changes happened following a basic principle, the "one man, one vote" rule, characteristic of this organisation model.

The first element to highlight in the new statute amendment is the precise definition of the cooperative's area of operation: the rural environment. Since this enterprise was located in a rural area, it has updated its goals to fit this audience. Demographic census data show that in 1900, Santa Cruz had a population of 23,158, 12,004 males and 11,154 females, living in a predominantly rural area. Moreover, the region's population growth rate (3.32% per year) was higher than the rest of the province: the northeast (3.22%), the south (2.50%), and the state average (2.25%). Just 20 years later, in 1920, the population was 37,500, an increase of 62% over 1900, of which 10% were urban and 90% rural, indicating that the environment was still predominantly rural (Almeida 1991).

In brief, the support for the rural environment was based on the project of Frederick Raiffeisen, who founded the first credit cooperative in Germany in 1849. Its purpose was to develop credit in the rural sector, boost the development of agriculture and various agro-industries, and give farmers access to capital at affordable interest rates.

Naturally, there was also participation from the urban environment, even if it was not the institution's primary objective, as stated in its statutes. Credit in urban areas was probably due to the not very strict legislation of the time because the society also received credits through the regional offices to finance commercial and industrial enterprises, private schools, sports and recreational clubs and the municipality.

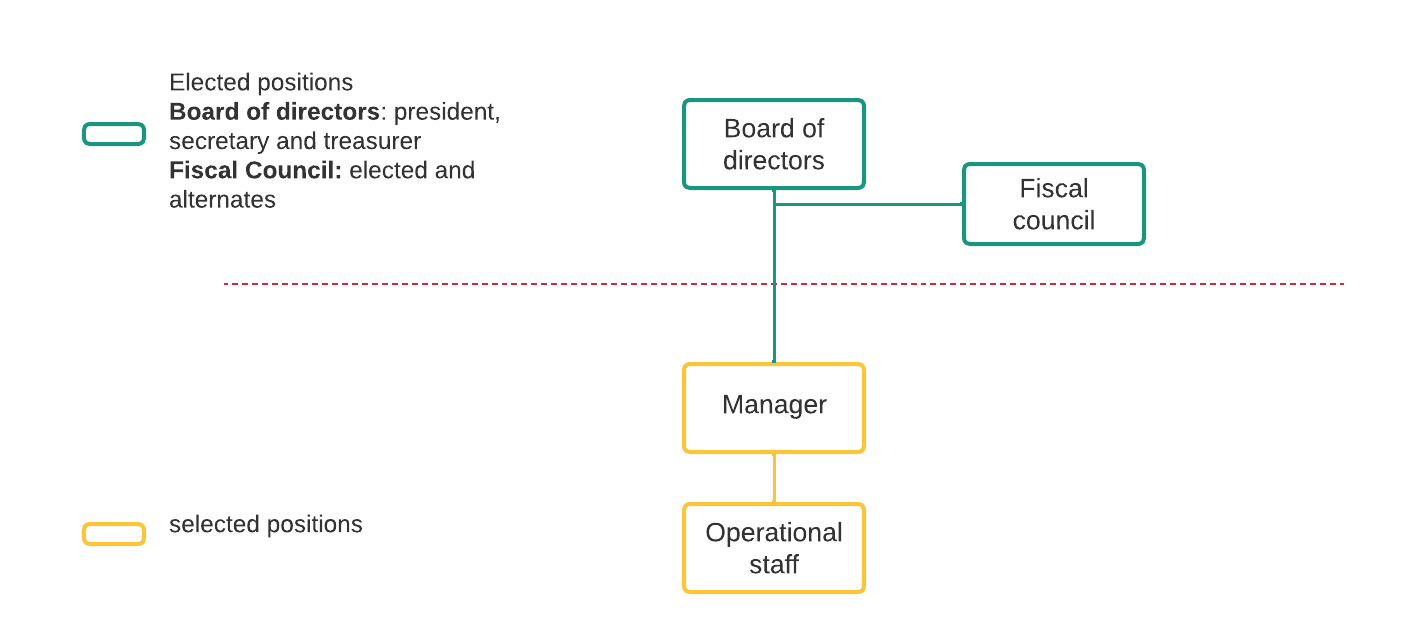
The first item to be noticed in the amendment was changing the organisation's name from *Caixa "União Popular"* to *Sociedade Cooperativa Caixa Rural "União Popular" de Santa Cruz*. — two new words were inserted: Cooperative Society and Rural Cashier, giving its members and community an understanding of the characteristics of this organisation. In addition to this change, Chapter 1 established the members' individual, joint and unlimited liability as a Rural Credit Cooperative under the Raiffeisen system. This chapter also set the operating area and duration of the company for 30 years and aligned the social year with the calendar year. According to the new statute, the organisation was characterised as "a rural credit cooperative of the *Raiffeisen system*", "with personal joint and unlimited liability of members", following the national Decree No. 1.637, on January 5 1907. By adopting unlimited liability, the cooperative has incorporated an essential element of social control in which members become liable for unpaid debts. In other words, any misconduct was directly linked to them, and if there was any problem in the organisation, membership was directly responsible for it. In addition, the official adoption of the *Raiffeisen system* brought other features: individual voting rights for members, restrictions on the area of operation, no share capital and no distribution of surpluses — all surpluses remained unallocated in a reserve fund.

The second point is the role related to aspects that helped the community combat social and economic inequalities and served to legitimise the institution. The amendment introduced a new rule to 'combat usury' and restricted 'loans at moderate interest rates' for 'production-related' activities only — loans for simple consumption were prohibited. The organisation's purpose was changed to encourage members to 'practise their profession' by providing them with 'the necessary funds to develop their business'. Given that the city's economy was primarily focused on the production and sale of tobacco and rural products, the change in the cooperative's statutes allowing only loans for production activities and restricting consumption, directly limited the cooperative's activities to the rural sector and made it difficult to operate in urban areas. In addition, loans could only be granted if the board of directors considered the purpose's activities valid and productive. Therefore, the member had to explain in detail the reasons for requesting loans and demonstrate sufficient accountability for receiving the credit. Another substantial change was the 'restriction of loans for members outside the company' — the association was limited to lending money only to its members. However, it accepted deposits and managed the savings of third parties. This provided financial control and, at the same time, allowed the association to expand its services to the community and not limit itself to only serving its members.

The third point to highlight was the introduction of the reserve fund for 'non-profit activities to assist members in times of need' — the first statute did not address the reserve fund, which was evident in this new one. As an integral part of the *Raiffeisen system*, one reserve fund was created to give stability to the company — it consisted of '80% of the profits from activities' and 'spontaneous contributions from members or third parties'. The reserve fund would cover the company's losses, and its use was limited to the activity of the cooperative enterprise. The amendment prohibited using the fund to compensate potential lenders or members who decide to quit the company. According to it, in the event of liquidation of the company, members were obliged to 'invest the funds in another Raiffeisen institution within the municipality' or 'in any other institution', as decided by the General Assembly. As mentioned above, 80% of profits were set aside for reserve funds, and the remaining 20% was for particular purposes, such as philanthropic activities or other unforeseen expenses deemed necessary by the directors.

Also, in Chapter 6, the format of the General Assembly was amended, and the minimum number of participants was changed from 1/3 to 1/5 to deliberate with fewer people in the first call and with any number of members on the second call. In this way, the amendments allowed for a decrease in the number of members in the Assemblies to deliberate, making the process less bureaucratic. Another change introduced in this amendment was setting the date for the General Assembly to be held within the first three months of the year. In addition to the changes made to the format and minimum number of participants in the General Assembly, the new statute also introduced the figure of the Board of Directors, which was given increased authority to manage the cooperative. This board would be responsible for defining and implementing the strategic plans and policies of the cooperative, as well as overseeing its financial and operational management. The rules also specified how the members of the Board of Directors and the Fiscal Council would be elected, the maximum amount of loans that could be borrowed, and the total amount of expenses and commitments that the company would assume. The last addendum regarding the General Assembly relates to Article 12, Section 32, which states that any member interested in an agenda item may not vote on that item but may participate in the discussion. The other articles follow those that already existed in the previous statute.

Chart - Organisation chart after the first reform



Source: Author elaboration

In terms of governance structures in Chapter 7, for example, there was only one textual change, which preserves the basis of the original statute. The amendment did not alter the form of decision-making, and the enterprise executives continued with the President, Manager and Secretary, serving a three-year term with the possibility of re-election. Provisions in the amendments gave directors the ability to manage the business, including the discretion to incur debts, transfer assets or rights, and liquidate mortgages and liens. However, it required a double review of all transactions by two or more persons, which implied that the decision had to be signed by at least two directors to be valid. This mechanism (double review) decentralised decisions and prevented the creation of autocratic leaders. Supervision of business activities, examination of books and correspondence, inquiries, analysis of accounts and reports, and providing information concerning the company's operations were the duties of the Fiscal Council established with new amendments. These functions were not provided in the first statute and open room for acting as an advisory body to the company's executives. To carry out operational tasks, the directors could hire employees, and the managers could designate accountants, who were paid a monthly salary.

There are three points in the general articles that indicate the nature of the company: First, the Sociedade Cooperativa Caixa Rural União Popular de Santa Cruz was prohibited from engaging in speculative matters, such as buying and selling securities on the stock exchange or acquiring real estate for its use. Another aspect was the prohibition on the remuneration of members of the Board of Directors and the Fiscal Council. Finally, determine the rules for amending the bylaws, which can only be changed at an extraordinary general meeting comprising at least two-thirds of the members. In any case, it stated that "the provisions of the previous articles can never be repealed, as they establish the essential foundation of the Raiffeisen system".

Freitas (1990) verified through document research that the Minister of Finance approved the 1923 reform in June 1923, and the statutes continued for almost three decades without changes. As a result, the new amendment was more informative and complete than the first statute, showing the company's interest in specifying management competencies and completing information on specific features of credit cooperatives. While the first statute had only seven articles, the second one, made four years later, had 30 articles and regulated the organisation more specifically. Analytically, the cooperative, after this reform, turned basically to the mutual benefit of its members, primarily German immigrant farmers dedicated to small agricultural production. The enterprise aimed to offer them less expensive ways to obtain credit and was restricted to the municipality of Santa Cruz do Sul. Inspired by Germany's Raiffeisen Bank experiences, the amendment aimed at providing small producers in the Santa Cruz region with the ability to safely deposit and withdraw loans at reasonable interest rates for various production-related needs.

Overall, the amendments made to the statutes of Sociedade Corporativa Caixa Rural União Popular de Santa Cruz in 1923 aimed to improve the cooperative's governance and management practices while ensuring that it operated within the framework of the Raiffeisen system. The amendments clearly defined the roles and responsibilities of the various bodies within the cooperative, such as the Board of Directors and the Fiscal Council. They established rules and procedures for their election, meetings, and decision-making processes. Additionally, the amendments introduced provisions that aimed to ensure the prudent financial management of the cooperative, such as the limits on borrowing and expenses.

## 4.6 First Central Office: União Popular do Rio Grande do Sul - 1925

Unlike local cooperatives, which tend to limit the range of their activities to their municipality or, at best, to neighbouring cities where similar cooperatives cannot be established, central offices were set up by members seeking to organise services relevant to their needs. According to the Central Bank of Brazil, the body responsible for regulating the financial system, the Central Offices were created to "support the financial services of local cooperatives on a larger scale, integrate and guide their activities, and promote the mutual use of their services (Bacen 2021).

In this subtopic, it is examined based on the experience of João Werlang, the first treasurer of the Volkverein União Popular de Santa Cruz between the years 1919 and 1925, the formation of a second-level entity to represent the interests of single cooperatives beyond their area of operation. This analysis is complemented by the minutes and primary documentation regarding the communication of the cooperative with this second-level entity. We argue in this subchapter that the increase in the number of Volksvereins and the need for specialised services led to the creation of a Central Office, enabling a second-level institution to continue the work previously carried out by the Catholic Church. Although the Volksvereins worked locally, it soon became necessary to organise an institution that would allow these projects to be integrated at a regional level and provide a dynamic for implementing its resources. It is also argued that the Central Office was essential in providing stability and direction to the collective organisation of Santa Cruz do Sul. Through this entity, members had the guarantee of a second level of organisation with access to national policies and greater bargaining power, which enabled them to finance large projects in urban and rural areas.

On September 8, 1925, the Central Office for the Volksverein União Popular from do Rio Grande do Sul — *Central das Caixas Rurais da União Popular do Estado do Rio Grande do Sul* was officially established in Porto Alegre by the association of eighteen cooperatives, becoming the first Central Office for credit cooperatives in Brazil. Among the subsidiaries was the Santa Cruz do Sul cooperative, which is this thesis's subject.

The drafting of the statutes of the Central Office was assigned to priest João Rick (Wilhelm and Schneider 2013, 36), and the catholic Bauenverein helped donate furniture and equipment necessary for its operation (A. C. S. Santos 2013, 51). Again, we can see the continued involvement of the church. However, it should be noted that not all actors were affiliated with the Central Office in 1925. This is the case of the Volksverein from Nova Petrópolis, today Sicredi Pioneira, the first credit union in Brazil. The reasons for this non-membership are outside the scope of this research. However, some evidence can be presented. According to Port (2022) legal and internal conflicts, as well as the difficulties caused by the death of the director of the Nova Petrópolis Volksverein in 1928 and the death of its first president in 1929, postponed the integration of Brazil's first credit cooperative into the central office until 1930.

The central office effectively communicated and educated its member's cooperatives and the public through various means. They published a monthly magazine called Skt. Paulusblatt (Sant Paul Gazette) and an annual almanac called Familienfreund Kalender (Family Friend Almanac). They also recommended magazines, periodicals, and books and established parish libraries. Additionally, they organised conferences, lectures, and Catholic Congresses (Port, 2022).

General assemblies were organised as follows: each parish served as a local base, forming a district. Communities around chapels and schools constituted a section, and several sections comprised a local group. The Central Office comprised all the sections, local groups, and parish districts. Delegates were elected within the communities to form the Assembly of Representatives. These assemblies took place during Catholic Congresses, which occurred approximately every two years.

Establishing the Central Office in 1925 allowed its subsidiaries to increase membership and get supporters beyond the church. The Central Office sought to expand credit unions in the region. It was responsible, according to Pagnussat (2004, pp. 22-23), "for providing legal-regulatory supervision, support and management of the resources to the affiliated cooperatives".

It should be noted that the Volksverein União Popular of Santa Cruz do Sul had organised with other actors to achieve this collective goal following the Raiffeisen System principles before the Central Office was established. The efforts of these leaders to create an institution that would centralise the activities of all cooperatives from the State are documented in the minutes of the 1922 Board of Directors meeting — three years before the Central Office was established. According to this report, on December 31, 1922, the Board of Directors sent the treasurer, João Werlang, to a Volksverein event in Porto Alegre. This gave him representation to discuss centralisation and changes in the statutes with other specialists.[[58]](#footnote-58).

At this point, I make a parenthesis to describe the profile of this leader designated to represent the local cooperative in the meetings that would create the central office in 1925. João Werlang, the cooperative's treasurer[[59]](#footnote-59), had a brief political career with elected terms as a city councilman in 1904, 1917 and 1920. His appointment to represent the local cooperative in the formation of the central office was a strategy of the board of directors, as the treasurer simultaneously held the position of city councilman and enjoyed a high political reputation in the city and good access to national leaders. In addition, João Werlang was the brother of José Werlang, who at that time acted as a fiscal council in the cooperative and had also been appointed by the Federal Republican Party leadership in 1912 and 1916 for the position of city manager, the highest level of the local executive branch. José Werlang was also president of the *Aliança Católica*, the institution that hosted the activities of the *Volksverein* from Santa Cruz. He had easy access to the president, who ruled the State of Rio Grande do Sul for 25 years under the old Republic, Borges de Medeiros. He even influenced the appointment of local political leaders (Krause 1991, 173–74).

Furthermore, the father of these political figures, Johann Wilhelm Werlang, made his fortune during the colonisation period (from 1847) by participating in the land distribution with the engineer Francisco Augusto de Vasconcelos Almeida Pereira Cabral to new settlers (IBGE 2021). This evidence allows us to test the hypothesis that group actors were essential in establishing the Central Office. It has been observed that during the imperial period and up to the establishment of the First Republic, the Werlang family participated economically, culturally and socially in several events of the community of Santa Cruz and were important actors that represented the affiliation of the cooperative to the second level of entities.

The trust placed by the cooperative in the treasurer motivated the initiative to create a Central Office with regional scope, which would include the State of Rio Grande do Sul. Representatives were selected for decision-making positions among individuals belonging to certain social strata (state elite, as in the case of the Werlang family), who had good relations with the main government authorities, and some support from economic groups, legitimised by their technical knowledge. They discussed actions of centralising the rural banks because of the financial and bureaucratic difficulties they were facing, and joining forces was the chosen decision (Barth, Spindler, and Kist 2014).

Another example of self-organisation was a meeting of the Board of Directors with representatives of other Volksvereins. At a Congress in the city of Santa Maria, the city of Porto Alegre was chosen as the headquarters of the Central Office of Rio Grande do Sul. The choice for this city was a challenging one. The representatives voted for different places of operation: 14 voted for Porto Alegre, 3 for Santa Maria, and 1 for Novo Hamburgo (Wihlem and Schneider, 2013 p. 36). Hence, Porto Alegre was elected by consensus as the location of the Central Office. This decision pleased the managers of the Santa Cruz do Sul enterprise, who saw it as an opportunity to expand their business, given that the distance between them and the capital by only 153 kilometres.

Figure - Central office of the rural savings and loan associations of the People's Association in Rio Grande do Sul



Wilhelm and Schneider (2013, 34) [[60]](#footnote-60).

Other cooperatives were integrated into this second-level institution shortly after creating the Central Office. Wilhelm and Schneider (2013, 33) found, through their research in the St. Paulus Blatt newspaper, that the number of cooperatives belonging to the Central Office had increased by 19 affiliates in 1927 and included the municipalities of Agudo, Alto da Feliz, Arroio do Meio, Boa Vista (Santo Christo), Colônia Selbach, Harmonia, Novo Hamburgo, Picada Café, Poço das Antas, Porto Alegre, Rocca Salles, Rolante, Santa Cruz, Santa Maria, Santo Ângelo das Missões, São José do Herval, Serro Cadeado, Serro Azul e Taquaral, and at the end of 1928, the municipalities of Bom Principio, Estrela, Sobradinho, and Tres Arroyos joined, bringing the total number of members local cooperatives to 23. By 1934 at least 36 cooperatives were registered, including the municipalities of Arroyo Grande, Bella Vista, Dois irmãos, Erechim, General Osório, Itá (Santa Catarina), Lomba Grande, Monte Negro, Nova Petrópolis, Parecy Novo, Santa Clara, Tamandaré and Thesoura.

Figure - Central Office of the rural savings and loan associations of the União Popular in Rio Grande do Sul



Source: St. Paulus Blatt 1932, Ovídio Hillebrand archive

The central office played an expressive role in the financial system of the State of Rio Grande do Sul. During the first republic and until the beginning of the military regime, this second-level entity met the needs of several local credit unions and brought together 66 cooperatives by 1964 (Araujo, Flavio Silva de 2014 p.31). The range of activities reached the neighbouring states of Santa Catarina and Paraná, proving the collective organisation system an efficient solution to market failures and lack of state responsibilities. In general, it fostered the economic assistance of its members, integrating and directing their activities, as well as facilitating the reciprocal use of services. Also, it helped many small family producers obtain credit so they could operate permanently in the sector.

The initiative increased the exchange of resources among different regions, and affiliated cooperatives could raise funds for larger projects, like construction of schools, churches or even expanding its service structure. For example, the Volksverein of Santa Cruz received enough credit from the Central Office to finance the construction of the São Luiz high school (*Liceu São Luiz*) building and contributed to the expansion of the school system in the municipality. Given the financial difficulties and the impossibility of finding more significant funds from other sources, the private school had to rely on the cooperative's resources to establish itself. In 1950, the managers of Liceu São Luís sent the cooperative board an application for a loan of up to one million Cruzeiros to finance part of the construction of its school building. This request, according to the cooperative's law and statutes, could not be carried out since it exceeded the established monetary limits. Thus, President Bruno Agnes contacted the Central Office in Porto Alegre, which proposed one deal. It was agreed that the cooperative would deposit an amount equivalent to the credit to be granted to the school in the Central Office. The Central in Porto Alegre would charge a fee of 1% of the loan for the service, and it would be possible to finance the building.[[61]](#footnote-61).

This document offers at least two analytical interpretations. First, the cooperative, even though it had sufficient credit to finance more extensive projects, complied with its articles and respected the loan limit imposed by its members, refusing to lend large sums to the managers of the São Luiz school. Second, it shows that they relied on the support of a second-tier institution to carry out more significant and less risky operations. Thus, its members' resources were less exposed to the risk of large loans.

A second level of interaction also gave the cooperatives room to negotiate with the national government. The central State soon recognised local cooperatives, including the Volksverein from Santa Cruz, which joined the system in 1925. It should be noted that in 1926, one year after the creation of the Central Office in Porto Alegre, the State entity SER - Serviço de Economia Rural of the Ministry of Agriculture was replaced by the Agricultural Credit Section. This organ was responsible for the registration, control, statistics and supervision of the cooperatives, and the affiliation to the Central Office open access to the cooperatives for politics of the national and State agencies of the Rio Grande do Sul. This is evidenced by the minutes of the board of directors held on October 22, 1947, when the cooperative of Santa Cruz was visited by an inspector authorised by the Confederation of the State of Rio Grande do Sul, following the rules of its by-laws. According to the inspector's report, the cooperative complied with its obligations concerning balance sheets, lists of employees and other mandatory documents, which, through the central office in Porto Alegre, were officially handed over to the Minister of Agriculture, the controlling body of credit cooperatives in the State.[[62]](#footnote-62).

By having a second-level structure, the local cooperatives achieved visibility and legitimacy in front of the public eyes and standardised their procedures and accountability. Also in 1925, the same year that the Central Office was created, the Volksverein of Santa Cruz obtained the authorisation to legally change its name to "Cooperativa de Crédito Caixa Rural União Popular de Santa Cruz" and to move its headquarters to a central address (Rua Ramiro de Barcelos, 1086) into a modern building.

The Central Office acted as an advisor to ensure that the cooperatives complied with national legislation. Questions on legislation and the drafting of statutes and regulations were regularly addressed for this instance. Several documents mention consultations of Santa Cruz do Sul managers with the Central Office, asking for clarifications on legislation, concessions, loan approvals, and tax doubts. See, for example, the report of January 9 1951, at the meeting of the Board of Directors and the Supervisory Board, responding to the request of the correspondent of the credit union in the neighbouring town of Sinimbu (RS), and the directors forwarded a request to the Central Office in Porto Alegre to find out whether it would be legal for the correspondent to carry out accounting of deposits in this area.[[63]](#footnote-63). Also, on April 8 1952, to reform its statutes following the new cooperative legislation and the rules of the Banco Nacional de Crédito Cooperativo (BNCC) recently created by the Getúlio Vargas government, the Board of Directors again consulted with the Central Office in Porto Alegre, which immediately became available to assist in the reform of the statutes in due course[[64]](#footnote-64). That same year, the central office sent instructions to the Santa Cruz Cooperative to change its hours of operation, which involved the creation of two shifts for its staff. [[65]](#footnote-65) This change was discussed at a board meeting and approved by the directors on February 2, 1952.

This exchange of information between the cooperative and the central office allows us to point out at least two essential elements for analysing the self-organisation of the Cooperative from Santa Cruz do Sul regarding the creation of internal regulations, especially concerning the reform of the cooperative's statutes. Firstly, the management of the cooperative in Santa Cruz consulted with the Central Office in Porto Alegre to make the necessary legal changes in its internal rules. In this sense, the second-level organisation was legitimised in amending these statutes from 1925 on. They also solved Doubts and legal problems, who had specialised staff for that. Although the local cooperative has the autonomy to create its own rules, it chose to consult the Central Office in Porto Alegre so that its internal regulations would be under the national legislation, thus avoiding any problem with the State. Secondly, there was an alignment between the Central Office and State policies which reached the local cooperative through the relationship between these actors. The affiliation of the local cooperative to the Central Office enabled operational advantages, the management was standardised, and the influence of the Catholic Church diminished, as orders no longer came directly from the *Bauernvereins and* the *Catholic Alliance*. This was seen in Santa Cruz do Sul in 1925 with the change of the cooperative's headquarters from the Catholic Alliance to a modern, centralised building to serve its public.

Figure - First headquarters from 1925



Source: CEDOC UNISC (~1940-50)

It is possible to state that the Central Office aimed to alleviate the structural deficiencies of the Brazilian financial system at the time, which had undergone an intense process of centralisation since the Vargas administration. It centralised the deposits and earnings from rural members in each locality and poured resources into industry, commerce and infrastructure since the resources provided by the State were still very limited.

In short, the documents examined in this section demonstrate how the leaders of the cooperative were innovative and committed to strengthening their institutional path. The headquarters of the Volksverein Santa Cruz was moved from the Catholic Alliance to a building in the city centre at the same time the Central Office in Porto Alegre was established in 1925, indicating a close relationship between the two institutions. Additionally, the Catholic Church lost control over the cooperative, leading to the hiring of trained professionals to manage the organisation in a more rational and effective manner. This helped to solidify the cooperative's path and strengthened the system as a whole.

## 4.7 The first institutional design: challenges and early developments

During the initial period of the cooperative organisation, the leadership was characterised as family-oriented, focusing on fostering intergroup relations. Specifically, the actions of these leaders were primarily directed towards a German community residing in Santa Cruz do Sul and nearby municipalities, thereby legitimising their status through the establishment of bonds of trust, friendship and personal relations. A pattern of sustained economic and political alignment exists between the cooperative's top leadership and the local political elite. These characteristics result from a favourable and inclusive environment for the German-speaking population, achieved mainly by the election of the first generation of children of immigrant cooperative members to state-level positions.

The political and institutional environment of the cooperative enterprise has been closely related to the state apparatus since its collective formation: José Werlang, before assuming the secretary position of the cooperative from 1922 to 1925, was at the head of the city's executive power in 1912 and 1916, and his brother João Warlang, treasurer of the cooperative from 1919 to 1922, was a member of the Legislative Assembly of Santa Cruz in 1904, 1917, and 1920. Relations with state institutions also occurred in the 1950s and 1960s, when the first generation of the cooperative's immigrant sons took up positions in the state administration. Edmundo Hoppe, president of the cooperative between 1945 and 1946, was elected mayor of Santa Cruz do Sul in 1959 and 1968 and councilman in 1963; Bruno Agnes, president of the cooperative between 1946 and 1961, was a councilman in 1947, 1952, and 1959.

In this topic, it is argued that the creation of mechanisms to organise the financial market through cooperative enterprises created by German immigrants in Santa Cruz do Sul assisted in developing political and economic activities in the region. Analytically, actors in leadership positions constitute the basis for establishing governance structures and, because of their proximity to state apparatus, guided actions rationally to achieve their objectives.

A distinctive feature of the Sicredi Vale do Rio Pardo credit union is that its business direction was guided, to a greater or lesser extent, by the self-management of the German community in the interior of Rio Grande do Sul during the 20th and 21st centuries.

The minutes of installation and constitution of the "Caixa Economica e de Empréstimo Rural 'União Popular Volksverein de Santa Cruz - Sociedade de Responsabilidade Limitada" were written on September 21, 1919. Dr Pedro José Koelzer, a prominent lawyer, chaired this first General Assembly [[66]](#footnote-66) Who made his name in the public sphere as a member of the local legislature in 1897 for the Centre Party in the republic's early years (Schmidt 2002, 5). The statutes of the association were read, approved, and the signatures of the founding members were recorded: José Werlang, Felix Hoppe, Mathias Melchiors, José Kroth, Cristovão Agnes, Jacob Kohler, Henrique Melchiors, Germano Karl, Pedro Frolich Filho, André Back, João Werlang Sobrinho, João Etges, José Nicolau Werlang, Guilherme Kuhn, Hugo Jungluth, Frederico Rech, Guilherme Werlang, Leopoldo Kraether, Luiz Wirker, Arthur Jaeger, Humberto Eick, João Melchiors, João Etges Filho, João Morsch, Bernardo Urbano Stein, João N. Kliemann, Fernando A. Azambuja, Joaquim Pedro da Silva Branco and Antônio Eick registered themselves as residents of Santa Cruz, Nicolau Mahle, Leonardo Melchiors and João Rabuske, as residents of Alte Pikade, Pedro Müller and Henrisch Müller, as residents of Cerro Alegre, José Sehnen as resident of Linha João Alves, Frantz Halfer, as resident of São João da Serra, Humberto Haesker, José Miguel Frantz, João Pritsch, José W. Koelzer and Jacob Putzke, as residents in Villa Thereza, Julio Klafke, as resident in Arroio Grande. Gustavo Theiemann, José Mossmann, José Frantz, A.A., Guilherme Kliemann, Ervino and João F. Klafke did not inform their respective places of residence.[[67]](#footnote-67).

The members of this Assembly then proceeded to the election of the first board of directors, which took effect with Felix Hoppe as president, José Werlang as treasurer, and Bernardo Urbano Stein as secretary. José Wohlgemuth Koelzer, Pedro Fröhlich Filho and Henrique Melchiors were elected to the fiscal council.[[68]](#footnote-68). These elections begin a process of continuous decision-making and institutional design characteristic of companies with collective organisation models. Notice that a restricted group received ownership and incentives that owners have to care about the long-term value of their asset. A distinguishing feature of this association is that the management and staff were composed of native-born Germans immigrants and their children, supporting the composition of the top level, which has close ties to the local community. While in other local related enterprises like *Spar- und Darlehenskasse Santa-Cruzense*, leaders were recruited outside Santa Cruz do Sul, usually in Porto Alegre.

Once the association was established, it needed more resources and structure to support the needs of its members. The first years were difficult and associated with low financial resources. In the following paragraphs, I report on this group's challenges in entering the market and getting social and State recognition.

In 1922, the treasurer, José Werlang, explained at the general meeting that the cooperative did not achieve satisfactory results due to low cash balances and regional controls by the provincial banking supervision — *Inspetoria de Fiscalizacao de Bancos.*[[69]](#footnote-69). The difficulties caused by the regional banking inspection and the inappropriate quota imposed by them were one of the main problems that directly affected the association's finances. The treasurer stated that legally, the cooperative was not obligated to pay the inspection fees and made efforts to legalise this situation. The solution was to hire a lawyer, Pedro Jose Koelzer.[[70]](#footnote-70), who would receive 1.000$000 cruzeiros to regularise the process. Legally, cooperatives were exempted from inspections and inspection quotas, so regularising that situation would have reduced costs.[[71]](#footnote-71) Also, to reduce the high administrative costs created by inspection bodies, members unanimously approved a proposal to raise the tax on loans made within the municipality from 7.5 per cent to 8 per cent.[[72]](#footnote-72). It is worth noting that on December 31, 1922, the tax rate was further changed to cover the organisation's expenses and again raised to 9%[[73]](#footnote-73).

But these financial difficulties were not a reason to limit new membership since the minutes of the cooperative record at least 23 new members during the first two years, including José Müller, Guilherme Albrecht, Pedro Thomas, Mathias Schmidt, Emilio Schmidt, Frederico Kops, Wilhelm Hammes, Alberto Klafke, João Frederico Werlang, Jacob Müller, José Carlos Spald e João Müller.[[74]](#footnote-74), Júlio Alberto Klafke, Carlos Miguel, Fernando Schulte, Algusto Herzog, Albino Eisenhardt, Ernesto Frey, Emilio Willms, Lindolpho G. Kath, Paulo Stertz e Theodoro Klafke[[75]](#footnote-75), Fernando Werlang[[76]](#footnote-76), Felippe Jacobs, Carlos Fengler[[77]](#footnote-77) Guilherme Müller[[78]](#footnote-78) que passaram a fazer parte da sociedade. In October 1922, the company admitted J. Theodoro Friedrich and Maria Bergel*[[79]](#footnote-79)*, who was probably the first woman to join the cooperative. However, some members, like José Carlos Spald, asked to leave, and he received $50,000 as a refund of his admission fee[[80]](#footnote-80).

Notably, the composition of women in these and other social spheres was not legally guaranteed, and their presence in decision-making was in the minority, with little representation. Maria Bergel joined in 1922 as the only woman among the members — a significant challenge to include a female element in the composition of the association. Restrictions on women were also common in other social, political, and economic structures. In Brazil, women began participating in national elections only after the Election Act of 1932 — which guaranteed women's suffrage. Still, this right was only granted to married women with their husbands' permission and to widows with their own income. The restriction was not removed until 1934, and the Federal Constitution finally included women's suffrage. Compulsory voting rights for men and women existed only by 1965 (Limongi, Oliveira, and Schmitt 2019) — when both sexes had a legal obligation to exercise citizenship by voting. In the first half of the twentieth century, women in Brazil, like in other Western countries, were kept away from socially privileged positions. The empowerment of Maria Bergel as a partner in this venture in 1922 is a symbol of outstanding achievement for the women of Santa Cruz.

Despite the difficulties reported, the increase in the number of members since the first years of the company allows us to say that the association aimed for growth and that its members had faith in this project, even without guarantees for the future. Cooperatives in similar municipalities, such as the Volksverien of Serro Azul, also registered many members in their first 15 years of existence and accumulated a good amount of money for the period, contributing to the sector (Wilhelm and Schneider 2013)*.*

Looking at the names and surnames of the founders and first members of the organisation, there is evidence of a process of immigration and settlement of immigrant families established in the Santa Cruz do Sul society. The members were Germans or children of Germans who came to Brazil looking for better living conditions. Note that the spelling of the names was similar to workers' and peasants' families from the Prussian Empire (1871 to 1918). The language, dialects, and family names were maintained. In addition to the ethnic characteristics of this group, the locals have left traces of their cuisine, practices, and religion.

A closer look at the membership of the Volksverein shows that the cooperative had ties to at least 15 communities within a 37 km radius of the city centre. The concentration of members in the urban area of Santa Cruz indicates at least two characteristics of this organisation. Firstly, the capital invested in the enterprise was limited to Santa Cruz and its neighbouring towns, as there is no indication that members were coming from other parts of the State or the capital, Porto Alegre. Secondly, the concentration of members in the urban perimeter is evident since almost 70% (69.8%) of the members in 1922 lived in the city. This concentration in the metropolitan area does not disqualify the cooperative as an actor responsible for financing rural development since the income of those members is concentrated in agriculture, occupying productive land on the outskirts of the city. The following chart shows the location of cooperative members in 1922.

Table - Distribution of members by region in 1922

|  |  |  |
| --- | --- | --- |
| **Member Location** | **Number of Members** | **Distance from Santa Cruz** |
| Santa Cruz | 74 | 0 km |
| Linha St. Cruz | 4 | 7 km |
| Villa Thereza | 4 | 7 km |
| São João da Serra | 4 | 8 km |
| Linha Paredão | 3 | 37 km |
| Linha Borges de Medeiros | 2 | 35 km |
| Alte Pikade | 2 | 7 km |
| Cerro Alegre | 2 | 12 km |
| Arroyo Grande | 2 | 3 km |
| Rio Pardinho | 2 | 21 km |
| Dona Josefa | 2 | 14 km |
| Linha Sinimbu | 1 | 26 km |
| Linha Nova | 1 | 14 km |
| Faxinal Velho | 1 | 2 km |
| Linha J. Alves | 1 | 6 km |
| Linha Andreas | 1 | 12 km |
| **Total** | 106 |  |

Source: Adapted from Sicredi Vale do Rio Pardo (1922).

Moreover, national laws required the cooperative to be accountable to its members — documents available in the archives show that the cooperative adopted these rules. Its financial transactions have been recorded in all its annual reports since its establishment, thereby giving transparency to its activities and improving the relationship with its members and inspection bodies. Furthermore, members were informed about the firm's activities through general meetings and annual reports published in the city's newspapers. At least one general meeting was held annually, and extraordinary meetings were held whenever necessary. These examples of self-organisation and control contrast with the lack of financial institutions and state support at the beginning of the first republic.

Until 1925, meetings and operations were held in the hall of the *Catholic Alliance*, provided by the local Catholic congregation. According to the by-laws, the firm worked to support economic activity and focused on promoting the well-being of its members through its financial products. There was no government assistance or support to finance their activities. Its organisational structure had a simple level hierarchy consisting of staff, a supervisory board, a secretary, a manager and a president. In the early years of its existence, the association sought legitimacy from regulatory agencies, particularly the Rural Economy Service (SER) of the Secretary of Agriculture of Rio Grande do Sul. The table below lists the first two presidents of the cooperative.

Table - Presidents from 1919 to 1946

|  |  |  |
| --- | --- | --- |
| **Presidents** | **Period** | **Years in office** |
| Felix Hoppe | 1919 – 1925\* | 6\* |
| Edmundo Hoppe | 1925 – 1946\* | 21\* |

Source: Minutes of Sicredi Vale do Rio Pardo

It is necessary to examine the biographies of some actors who held leadership positions in the cooperative to understand the relationship between the immigrant community established in Santa Cruz and the leaders of the enterprise, as well as their relationship with the State. In this topic, I explore the management characteristics and backgrounds of the leaders up to the first family change at the head of the company, namely Felix Hoppe (1919) and Edmund Hoppe (1925) to the replacement by Bruno Agnes (1946).

When observing the generational leadership changes in the credit cooperative's history, specific characteristics stand out — especially the family structure and their political and economic engagement. We can say that the administration and the capital led by the Hoppe family between 1919 and 1946 were endogenous.[[81]](#footnote-81) And it was characterised by the same family group at the highest levels of the organisation for 27 years. It is not known how many years Felix Hoppe served as president nor the exact date when his son took over. But it is known that the family was in charge of the organisation. The Hoppe family Hoppe can be considered an example of successful German immigrants in Santa Cruz do Sul who had a great impact on the immigrant community.

The first president of the cooperative, Felix Hoppe, a German born in Lower Silesia[[82]](#footnote-82) (West Germany) on December 7, 1888, he arrived in Brazil in 1911 (at the age of 23) and devoted himself to cultivating irrigated rice. He later established a brick factory and, in 1924, founded Hoppe&Jordan, a company of construction materials. This company, which changed its name to Hoppe&Cia and later to Hoppe S.A., has lasted for 70 years and employed over 300 people (Barth, Spindler, and Kist 2014, 49). Felix Hoppe became a naturalised citizen of Brazil and was involved in many activities in cooperation with local community organisations. For instance, he served as president of the Catholic Alliance Association and helped build the city's cathedral in 1928. He married Bertha Kipper Hoppe, and they had four children, Carlos Aloisio Hoppe, Edmundo Hoppe, José Albano Hoppe, and Romana Thies. His impact on the community and his pioneering entrepreneurial spirit are imprinted in the community's collective imagination; as a symbol of Santa Cruz's development, he was posthumously honoured, and his name became the name of a street and school in the city (ibid).

Edmundo Hoppe followed in his father's footsteps and has become a well-known actor in the local community. Besides being the cooperative president and devoting himself to growing wheat and soybeans, he was an avid participant in the cultural, economic, recreational, and religious life of the community, serving many times on the boards of clubs and associations such as the Chamber of Commerce and Industry, the Hoppe S.A., the Catholic Alliance Association, the Santa Cruz Soccer Association, the Catholic Community, and the association for the support of the poor (ibid. p.54). Edmundo Hoppe studied at *Marista São Luiz College* in the city's heart and graduated as an expert accountant. He took on the challenge of being one of the first immigrant children to receive higher education in the interior of Brazil. It was his initiative to organise the meeting that gave birth to the *Associação Pró-Ensino de Santa Cruz do Sul (APESC)*, an entity that established higher education in the region and that, until today, is the maintainer of Unisc - Universidade de Santa Cruz do Sul, also studied as an example of self-organisation (ibid.).

Due to this extensive social network, Edmundo Hoppe was the first president of the cooperative to hold a political position in a state institution. Son of Felix Hoppe, a german Immigrant, Edmundo was elected mayor of Santa Cruz do Sul by the Libertarian Party in 1959 with 7.619 votes and municipal councillor by the Social Democratic Party (PSD) in 1963 with 889 votes**.** With the hardening of the military regime in 1964 and the enforcement of the AI-2[[83]](#footnote-83), Edmundo joined ARENA[[84]](#footnote-84) In 1968, and won again election for mayor with 9,829 votes, serving his second term until 1973 (Noronha 2012, 222–23). Edmundo was also the municipal secretary of urban planning. As city mayor, he promoted urban and rural improvements, including paving and planting trees in urban areas, expansion of the public lighting network, stormwater channelisation, construction of public parks, organisation of industrial regions, enlargement of the municipal school network, and plans for urban and rural electrification and telephony (Barth, Spindler, and Kist 2014, 54). For statutory reasons, he withdrew from the activities of the cooperative to pursue his political career.

These passages indicate that the first presidents have gained control and significant influence over collective organisations in certain areas, especially in local politics and economics. Their consolidation of power allowed them to obtain electoral votes and political positions within the local Brazilian state structure and represent the interests of the German community from Santa Cruz do Sul. The investment logic of the cooperative business was long-term, and we can see that the legitimacy of its leaders depended on their reputation in the community settled in the area and their relationship with the Catholic Church and other social groups.

A closer relationship between cooperatives and local and regional political elites allowed a type of institutional link that guided the scope of action of the organisation's path. Their efforts were relatively dependent on the public institutions of government, especially the Secretary of Agriculture and the Ministry of Agriculture of the State of Rio Grande do Sul, the Cooperative Support Office, and the inspectors and regulators of activities.

The Hoppe family ruled the cooperative for nearly 30 years. Still, there was a change in the organisation's management: in 1946, Bruno Agnes, who would later become a well-known politician, took over. As the cooperative acted competitively in the marketplace and started to create mechanisms to strengthen its trajectory, a new pattern of business conduct emerged. Its affiliation with the Central Office in 1925 is an element that supports this hypothesis. Membership in the Central Office gave the cooperative a new opportunity to become more competitive and market-oriented and increase its contacts with similar cooperatives. This point is discussed in more detail in the following chapter.

## 4.8 First financial reports

União Popular de Santa Cruz emerged in a rural and immigrant community with limited access to financial resources. The organisation began modestly, with only 50 members operating from a borrowed space from the Catholic Church. Despite its humble beginnings, the credit union provided financial services to its internal members, helping them to develop their businesses even in a weak state context.

As the organisation expanded its services and membership base, it grew into a financial institution with an essential role in fulfilling the needs of the local population. This was particularly relevant given the State's lack of capacity to provide such services. The growth of União Popular de Santa Cruz do Sul can be seen in Charts 4-6, which highlight its reserves, member deposits, and member loans from the organisation's first years. These charts depict the steady accumulation of financial resources, reflecting the organisation's commitment to local self-regulation and member control.

Chart - Nominal and adjusted reserves (1919-1931)

|  |  |
| --- | --- |
| *Nominal reserves C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\857B3DB8.tmp* | *Adjusted reserves C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\5D767E9E.tmp* |

Source: adapted from Freitas (1990, p. 245). The first graph displays nominal values, while the second presents values adjusted to 1964 currency in Brazilian reis.

Freitas (1990) collected data that shows that the cooperative achieved an impressive annual average growth rate of 68.7% in reserves, demonstrating the organisation's adeptness in the nascent local financial market. The organisation's success resulted from its ability to provide essential financial services to immigrant settlers who the state and private sector had previously neglected. By meeting the needs of this underserved population, the cooperative substantially increased its membership and deposits. Additionally, the organisation's close relationship with the rural economy played a crucial role in its growth trajectory. As the rural economy and commercial ventures in Santa Cruz do Sul expanded, the cooperative provided much-needed financial support, resulting in a strong correlation between deposit growth and rural economic growth.

Chart - Nominal and adjusted member deposits (1919-1931)

|  |  |
| --- | --- |
| *Nominal member deposits*C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\E37F8732.tmp | *Adjusted member deposits*C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\14CF9E10.tmp |

Source: adapted from Freitas (1990, p. 238-239). The first graph displays nominal values, while the second presents values adjusted to 1964 currency in Brazilian reis.

Between 1919 and 1931, the cooperative witnessed a remarkable growth in member deposits, with significant annual increases in 1923 and 1924. This was facilitated by a statutory reform 1923, which expanded the group of depositors from local members to anyone, consequently increasing their ability to raise credit within the community. However, this upward trend faced fluctuations in deposit levels during 1926 and 1931 due to factors such as internal issues that, due to a lack of documentation, prevented a more detailed analysis. Nonetheless, the period from 1919 to 1931 was characterised by deposit growth, with an average annual rate of 32.97%.

Similarly, the União Popular de Santa Cruz do Sul saw a significant increase in member loans during the same period. This growth can be attributed, in part, to the expansion of the cooperative's membership base and the consequent increase in available funds for lending purposes. As the cooperative expanded its membership base and operational activities, its capacity to provide loans grew. It is worth noting that the institution adopted prudential measures to ensure that the financial resources of its members were not lent to individuals who could represent a risk. Two primary efforts can be highlighted: the obligation to lend only to internal members and the duty to have a guarantor assume financial responsibilities if the loan recipient fails to pay. Such measures ensured the cooperative's financial stability and safeguarded its members' interests.

Chart - Nominal and adjusted member loans (1919-1931)

|  |  |
| --- | --- |
| *Nominal members loans C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\E348FBB6.tmp* | *Adjusted members loans*  *C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\BD189962.tmp* |

Source: adapted from Freitas (1990, p. 233-234). The first graph displays nominal values, while the second presents values adjusted to 1964 currency in Brazilian reis.

When looking at the loans, one realises that the cooperative followed an internal financing strategy by lending exclusively to its local members. Loans have grown at an average annual rate of 45.75%, with substantial peaks in 1923 and 1924, with an increase of 202.7% and 113.9%, respectively. The logic behind this strategy was to foster a sense of community and belonging among members, which would foster trust and strengthen group solidarity. While lending loans only to internal members created a sense of community and confidence, it also generated a client list and paternalist structure. Clientelist because the lending group or members with resources only lends to members needing money, and paternalist because a few individuals with significant power over lending decisions and borrowers depend on their discretion to obtain credit. By limiting loans exclusively to internal members, the organisation established a mutual obligation among them, which generated a sense of internal reciprocity, with little access to external people and groups (lack of social capital - bridging).

## 4.5 Concluding remarks

This chapter presented local strategies an immigrant community employs to overcome social, economic, and political obstacles and gain access to financial resources. One effective solution was establishing a local credit cooperative, the União Popular de Santa Cruz do Sul, in 1919. This institution allowed members to pool their resources, creating a foundation for pursuing opportunities that may have been difficult to achieve individually. The União Popular de Santa Cruz do Sul provided economic resources and acted as a hub for social and financial support, offering a broad range of assistance to its members. However, despite its immense benefits, the organisation was initially restrictive, with limited membership, and it took some time to gain acceptance among a wider immigrant community.

The support from the Catholic Church facilitated the broader acceptance of the cooperative. As shown in the chapter, the members initially organised themselves in a space borrowed from the church. With assistance from this institution, they were able to establish themselves and foster a sense of community. Additionally, the church's promotion of cooperation and solidarity helped legitimise the União Popular de Santa Cruz and promote trust among its members. It is worth noting that the presence of an economy focused on small properties and the absence of slave labour in the colonisation region fostered the formation of collective institutions that strengthened social capital and a sense of belonging. União Popular de Santa Cruz, in particular, emerged as a significant generator of social capital (bonding) among individuals seeking to secure and improve their livelihoods in the context of limited state support and scarce financial resources.

During this chapter, we have demonstrated that the cooperative had a restricted membership policy, favouring Catholics and members of the Bauerverein. In addition, the organisation imposed a high membership fee, which impeded other citizens and communities to join. Nevertheless, after the reform of the statutes in 1923, the organisation gradually began to receive deposits from other people and serve other nearby locations through its banking correspondents. Indeed, while effective for some members, emphasis on internal growth excluded those who did not share the same background or affiliations. From 1919 to 1930, União Popular de Santa Cruz do Sul was limited to a significant portion of the population. Those without financial means or collateral were excluded from access loans, thereby restricting the benefits of collective organisation to those with broad networks and resources. Additionally, only members could participate in the assemblies and exercise the right to vote, leaving those without a membership as passive attendees with no say in crucial decisions.

The organisation's leadership exercised considerable influence over recruiting new members, favouring individuals with similar religious, political, and economic affiliations. A review of the organisation's reports indicates that its leaders served voluntarily without receiving any compensation. The leadership structure comprised a president, secretary, treasurer, and fiscal council. In contrast, managers and assistants received salaries and were responsible for the organisation's day-to-day operations.

Financial records of the Popular Union of Santa Cruz do Sul show that the organisation adapted to the evolution of the local market. An examination of its finances between 1919 and 1930, including its funds, loans and deposits from its members, shows a significant increase in these accounts during this period. Such a finding suggests that the cooperative was aware of the evolution of the local market and sought to adapt to the dynamic economic environment and meet the needs of its members.

As noted by Krause (1991), Scmidt (2002), and Vogt (2006), the commercialisation of tobacco was essential for the industrialisation of the Vale do Rio Pardo region. Building on this existing literature, this chapter has shown that credit cooperatives and other local initiatives facilitated the acquisition of capital by members to invest in machinery and technology to increase their productivity. Given the limited access of small producers to traditional banking, these institutions emerged as essential intermediaries of financial resources, providing loans and savings accounts that enhanced production capacities. Such efforts demonstrate how locally led initiatives enable communities to overcome common challenges and meet their specific needs without relying solely on external actors such as public or private institutions. Agricultural cooperatives have also supported small producers' negotiations and bargaining power in the marketplace. In particular, production cooperatives facilitated the sale and exchange of farming inputs, provided technical assistance, and ensured access to agricultural products (Silveira 2007). Credit cooperatives, meanwhile, acted as intermediaries in raising funds for production and commercialisation, thereby improving the material lives of their members. The União Popular de Santa Cruz and the Spar- und Darlehenskasse Santa Cruzense, both rural credit cooperatives, were examples presented in this chapter. The first remained as a cooperative, while the second did not.

Throughout its history, the União Popular de Santa Cruz do Sul faced various challenges related to its legal status and regulatory framework. As we have shown, the cooperative was limited to serving only its members, primarily composed of the German immigrant community in the region. However, as it grew in size and scope, the cooperative faced legal barriers preventing it from serving a more extensive population. The upcoming chapters will delve into the União Popular de Santa Cruz do Sul's development through different historical periods, such as the Vargas government (1930-1945), the democratic interval (1945-1964), the military dictatorship (1964-1985), and the new Brazilian democracy (1988-2022). Our analysis will specifically focus on the cooperative's ability to self-regulate locally and cater to a broader audience, as well as the legal limitations that prevented it from serving a more extensive population. We will also examine the impact of internal rules on the local economy, with a particular emphasis on the União Popular de Santa Cruz do Sul's role in promoting the development of the immigrant community in the region.

# 5 The operation during Vargas government (1930-1945)

## 5.1 Introduction

This chapter explores the historical and political context of the first decades of the twentieth century and laws that regulated credit cooperatives in Brazil and, consequently, influenced the decision-making of members of the *União Popular de Santa Cruz*, or, in other words, enabled an institutional lock-in (North 1990). In brief, this period is characterised by the centralisation of political power in the country and by a change in the traditional local oligarchy, which was replaced by new strategic actors during Getúlio Vargas administration. In the case of the *Volksverein União Popular de Santa Cruz do Sul,* it resulted in an opportunity for an institutional and stable environment, as specific rules were established and the organisation was directly controlled and recognised by the government and regulatory bodies.

Our main objective is to discuss the role of the State in its relations with cooperatives, especially credit cooperatives. For this purpose, we sought to analyse constitutional and legal provisions in order to understand the development of these activities. The focus is the assimilation of the rules by the members and their institutional changes. We start from the assumption that the management of the *Volksverein* has acted in accordance with national legislation and that the cooperative association (Central Office) has gained certain facilities through the actions of national and regional political actors, as indicated in the previous chapter. It is argued that since 1930, the self-regulated cooperative had strictly followed the laws enacted by Getúlio Vargas government, otherwise it would have lost its licence to operate. In addition, despite being a voluntary movement that emerged from a *bottom-up* initiative in Santa Cruz do Sul, where immigrants comprised the majority of the population, the organisation's operations (both credit and services) depended on the State *top down* decisions for its expansion and regional integration, especially on a common legal framework that would provide legitimacy to act in the service of the population.

Since no documents were found at the cooperative's headquarters between 1924 and 1945, perhaps an initial analysis of this question could be a problem. However, the lack of documentation leads us to seek alternative ways to understand its institutional trajectory. In particular, legislations involving cooperatives and unions were reviewed and information was gathered on rules adopted by the central office and affiliated entities. The time frame used in this chapter includes two periods, the first from 1930 to 1937, from the provisional government of Getúlio Vargas to his indirect elections, and the second from 1937 to 1945, an authoritarian regime established in Brazil known as *Estado Novo* (New State).

If an analysis of legislation can reveal the intentions of the legislator, i.e., what a group had in mind, and the reasons for enacting the law, the assimilation of a community can allow us to discover how, in fact, an immigrant cooperative may have been organised to meet these requirements. By interpreting the legislation that regulates a sector, we take note of these considerations. Indeed, when we consider the temporal patterns in the formal rules adopted by collective organisations, we gain important insights into the process of its organisational transformation.

It is suggested that State intervention in the *União Popular de Santa Cruz Credit Cooperative* became more evident after the 1930s, with greater federal regulatory intervention in the industry, particularly from 1937 onwards, with the actions of the Ministry of Agriculture. During the *Estado Novo* administration, members of the *Volksverein*, through their self-organisation, managed to avoid considerable restrictions by maintaining their rural cooperative status. During this period, we observed specific *top-down* actions by Vargas administration related to the regulation and enforcement of credit services provided in rural and urban financial institutions. We assume here that the cooperative, or rather its leaders and members, chose to follow these rules imposed by the President to ensure the stability ('governability') and political support ('legitimacy') by operating in a rural environment. This decision was crucial to the maintenance of the *União Popular de Santa Cruz Credit Cooperative* in the following decades. In this sense, we will note that between 1930-37 and 1937-45, cooperatives were recognised and used by the Central Government as a fundamental tool in a bigger national plan for the organisation and development of rural society (Falkembach et al. 1988).

We consider the premise that as more actors act according to established rules, the more attractive those rules become to other actors and the more "expensive" deviations from the rules become (R. Werle 2007), that is, path dependencies and increasing returns are created. Thus, the institutional stability achieved explains why even low-performing organisations, as was the case in the early years of the *União Popular de Santa Cruz*, have survived over time. Many uncertainties and risks surrounding the credit cooperative are directly related to its institutional instability and leadership's orientations. However, these "uncertainties" seem to be diminishing as legislation begins to regulate more vigorously the sector and the Central Government starts to use cooperatives to promote agricultural activities and finance industrial production (Falkembach et al. 1988).

The legislation described in Table 8 guides our analysis in this chapter, with the aim of highlighting the organisational changes. Thus, we studied the evolution of the national legal framework governing credit unions through the decrees and laws that regulated the sector, as well as the central government's control over the sector's activities in Brazil, particularly in the state of Rio Grande do Sul, where the *Voksverein União Popular de Santa Cruz* (*Sicredi*) is located.

Table - Laws that regulated cooperatives during Getúlio Vargas (1930-1945)

|  |  |
| --- | --- |
| **Vargas Provisional Government (1930-1934) and Indirect Election (1934-1937)** | |
| **Decree 19.770 of 1931** | Regulates the formation of unions in Brazil. Establish rules regarding rights of labour unions, federations and confederations and their respective bodies to establish cooperatives. |
| **Decree 22.239 of 1932** | It deals with fundamental rules for the organisation of cooperatives in accordance with the *Rochdale* *principles*. It was abolished in 1934 and revitalised in 1938. |
| **Decree 23.611 of 1933** | Allow the organisation of a consortium of professional cooperatives, federal unions and labour federations. Subjects the operation of rural unions under the approval of the Ministry of Agriculture. |
| **Decree 23.611 of 1933** | It established basic rules for formation of cooperatives, regulated their field of activity and creates new norms and principles — a presidential decree is required for the operation of credit cooperatives. |
| **New State - *Estado Novo* (1937-1945)** | |
| **Decree 581 of 1938** | Reinforced the Decree 22.239 (with *Rochdale Principles*), however, imposes rules on registration, inspection and assistance of cooperatives. Placed rural credit cooperatives under the supervision of the Ministry of Agriculture. |
| **Decree 1.202 of 1939** | Laws on the administration of the States and Municipalities, restricts the operation of cooperatives and agricultural credits to the approval of the President of the Republic.. |
| **Decree 6.980 of 1941** | Establish rules for the supervision of cooperative societies established in Decree Law no. 581 of August 1, 1938. Create rules for State intervention in cooperatives. |
| **Decree 5.893 of 1943** | Establishes more strict rules on the organisation, operation, and inspection of cooperatives. |
| **Decree 8.401 of 1945** | Changes to the law were made in response to the demands made by the First Conference on Cooperatives, which highlighted the urgent need to revise existing legislation. |

Source: Author elaboration

By assessing the legislation to which the cooperative was subject, we hope to find the extent to which the legal structure - including the organisational, tax and regulatory laws - guided the path of the organisation. And also see if and to what extent organisational change controls, or is controlled by formal measures. In general, the inquiry reveals that public authorities were interested in establishing a legal framework for reorganising agricultural and credit activities and therefore encouraged such initiatives in a National Program.

These legislative acts helped to identify distinctive features of the Brazilian cooperative movement in contrast to other forms of association. Thus, the role of cooperatives in local development and the role of the state in creating and conducting cooperatives are part of the question addressed in this chapter: how did cooperative self-regulation (at the local level) looks like and how it was influenced by the modern bureaucratic-corporate state legislation of the Vargas era of 1930-1937 and 1937-1945?

## 5.2 Economic and political background

Considering that members and main leaders of *Voksverein* União Popular de Santa Cruz were immigrants or descendants of German families, it is very likely that when this group moved to a new region; they assimilated a new social, economic and political reality, but at the same time they did not lose ties to their homeland. This issue provides some background information on the political and economic changes in Brazil between 1920 and 1930. This period is important to understand the organisational development and trajectory of this collective organisation. In Brazil, this period was also characterised by political-institutional changes. The 1920s and 1930s constituted a rupture of agreements established by the Brazilian agrarian oligarchy in the late nineteenth century. In particular, the rise of Getúlio Vargas into power through the revolution of 1930 ended an era of political domination of São Paulo and Minas Gerais in national politics. For many years, these two states ruled Brazilian politics by adopting a system of rotating presidencies, known as the *"República do Café com Leite*", alluding to the fact that coffee and milk production were the economic roots of these two states, respectively, and for many years the country was ruled by representatives coming from these oligarchies. With this alliance, the regional oligarchs ensured their economic interests through agricultural export policies - especially coffee. In the case of Rio Grande do Sul and other Brazilian states, economic policies were secondary, which led regional leaders to oppose the traditional oligarchy and break the political system through the armed movement known as the *1930 Revolution*, where Vargas was the main representative.

The nexus between the Vargas administration and the end of the Old Republic is deeply intertwined with the global crisis of 1929, which jolted the Western world. The underlying cause of these momentous events can be traced to the Brazilian economy's reliance on coffee and agricultural products for export. The confluence of economic and political institutions within the capitalist system meant that the failure of the coffee and agricultural sector had profound ramifications for the political structure governing Brazilian society. In effect, the insolvency of the nation's primary economic group portended the bankruptcy of the political system itself. According to certain scholars, the temporal interregnum between the early 1930s and late 1940s denotes a transitional epoch marked by historical incidents stemming from a process of capitalist realignment among disparate elite factions into a novel institutional framework (Codato 2008).

## 5.2 The Vargas legacy: challenges and opportunities for cooperatives

In fact, the 1930s represent a crucial period in Brazilian history, or in the literature terminology, one critical juncture. During this period, several changes took place in the political, economic and social structure of the country. It was in this context, after the first republic - *república do café com leite*, that the country started its late industrialisation process, as analysed by Celso Furtado (2005), while also constituting a centralised authoritarian regime with strong *patriarchal* and *clientelistic* character, as described by Raimundo Faoro (2001) and Holanda (1995). Although additional analyses of the country's political path exist, it is nonetheless evident that the changes brought by those in charge were driven by the movement known as the "*1930 revolution*", which made Getúlio Vargas a symbol of a revolutionary leader.

The Vargas era signalled a break with the institutions of the old republic - President Washington Luis was deposed; the Constitution of 1891 was revoked; a new constitutional order was established; the National Assembly was dissolved; there were a number of federal interventions in the state and municipal governments, and the political scenario changed dramatically, with the hegemony so far exercised by the agrarian oligarchs of São Paulo and Minas Gerais being suppressed.

At the political level, the 1930s saw the state bring in interventionist and regulatory policies, inspired by nationalist ideas coming by various social forces (Leopoldi 1999), and not surprisingly interfering in the practices of cooperatives and labour unions. Once Vargas assumed the presidency in 1930, the provisional government transformed the Ministry of Agriculture, Industry and Trade into a unique Ministry of Agriculture, creating a new Ministry of Labour, Industry and Trade (Decree No. 19.448/1930). The functions of these ministerial departments were clearly separated: the Ministry of Agriculture became the main authority responsible for agricultural cooperatives and credit activities, while the Ministry of Labour and Industry and Trade was given the special function of organising the urban working class. It is noteworthy that the country was facing a process of urbanisation, and clashes concerning labour rights in both rural and urban centres were in dispute.

From 1930 to 1934, the country was ruled by a president coming from a revolutionary background, with full powers and no opposition from Congress or political parties. From 1934 to 1936, Getúlio Vargas was indirectly elected by the Constituent Assembly, where he had a majority of seats, from 1935 on, and specially from 1937 on, he gradually established himself as president of an authoritarian rule (Lassance 2020).

At the economic level, the end of the oligarchic coffee hegemony and the beginning of a period of great changes in the State's action led to a more centralised, interventionist and industrialisation-oriented approach (ibid). Government intervention increases (e.g., exchange rate reductions, expansion of monetary supply, import substitution industrialisation), the dynamic centre of the economy shifts toward industry and the domestic market, and private investment and government spending dominate aggregate demand (Furtado 2005). Economic measures adopted were also centralised with the aim of enforcing greater control over the production and commercialisation of agricultural products (Pandolfi 2003).

At the administrative level, an era of regulation has started, with democratic institutions assuming *corporate structures*. In Brazil, in particular, one sees a re-organisation of the State' intervention in the economy, and a gradual transformation of the traditional relationship between urban entrepreneurs, rural workers and the State (Leopoldi 1999). In addition, *paternalistic* and *authoritarian* relations affected the operation of various associations, including labour unions and cooperatives (which is the interest of this work), as the Central Government, through the Ministry of Labour and the Ministry of Agriculture, gained strict supervision and control, as will appear in the legislative analysis.

At the juridical sphere, labour and union rules assume a very strong *corporatism* character, inspired by the "*Carta di Lavoro*" of the Italian dictatorship Mussolini (Bak 1983). The new constitutional order established in Brazil in 1934 introduced an electoral system (direct elections) with a secret ballot and maintained the Republic under Federalist principles — but with a clear reduction in the autonomy of the states. One segment of the Congress would now consist of elected representatives of professional organisations: agriculture and livestock; industry; commerce and transportation; liberal professions and public servants[[85]](#footnote-85). The new Constitution guaranteed freedom of association and recognised the existence of collective associations operating in the form of the law (Article 20). It also made the vote compulsory for all men over the age of 18 and for women occupying remunerated positions in the public service.

At the cultural level, there is an increasing emphasis on the construction of values and ideas that define the "Brazilian nation" and the "labour' ideology" (*ideologia do trabalhismo*) (Paranhos 1999), with extensive state control over the living conditions of the population. At stake were workers' identities, nationalist ideas, and the legitimising values of the new social and political order. There was a gradual process of rationalisation of the work of public and private organisations in Brazil from the 1930s onwards, especially based on the precepts of Taylorism, and a strong interest of the State and corporate sector in the intensification of the industrialisation process and the formation of groups interested in the rationalisation of production (Rebechi 2012).

At the international level, the crisis of 1929 exacerbated the economic situation of a country that practically relied on agricultural exports. With the economic depression caused by the collapse of the *New York Stock Exchange*, foreign prices of coffee plummeted, and the crisis spread to the entire Brazilian economy. Firms were closed, increasing unemployment and misery. To overcome that, the central government tried to attract investments in industry and agriculture, the latter being the basis of the national economy. For this reason, Vargas adopted protectionist measures, encouraged domestic industry, aligned agricultural production with industrial interests, with a policy of occupying Brazilian territory, combining colonisation and industrialisation.

In the cooperative sector, the incorporation of bureaucratic structures into these collective organisations had a central role in local community organisation. The "interference" in cooperatives was Vargas's government's response to the difficulties of the agricultural sector, which lacked productivity and dynamism. Through legal instruments, farmers were basically encouraged to organise and seek alternatives for their organisation and industrialisation. Pinho (1989), points out that agriculture was the condensing element of many forms of rural organisation, and the central government linked the management of these initiatives through state commissions that dealt with management of these enterprises in a bureaucratic manner. In the case of credit cooperatives, there was a need (on the government side) to integrate their activities into what would become the "future national financial system" by linking local self-organised initiatives to market dynamics. Thus, these special-purpose organisations, influenced by *state corporatism*, were imposed out of a *top-down* initiative to mobilise resource transfers and exchanges, rather than developing from below as a collective response to socioeconomic and political changes.

That was a moment when the State came to intervene in economic relations in an increasing way, from labour relations to cooperative organisation. It is not wrong to say that it was necessary to create a better environment for cooperatives to expand and diversify their activities. And this was achieved through a number of interventions; development of cooperative policy, revision of cooperative laws and regulations; reform of deposit and commodity trading systems; support for financial services cooperatives; agricultural extension services; support for adding value; extension activities, diffusion principles; and building competences for cooperatives.

Immediately after taking office, Getúlio Vargas set out to put a new actor in the local and regional spheres to promote central government interests: the federal intervenors (*interventores federais*). This was the title given to a politically appointed state governor, who also had legislative responsibilities. Vargas often relied on these local leaders during his administration (Skidmore 1988).

It was also in this context that the interests of the traditional oligarchies moved away from the interests of the State, allowing for an internal readjustment of forces, and subsequently an emerging industrial middle class took over from the old agrarian oligarchy, or in the words of Adriano Codato (2008), employing Gramscian terms, there was one "*process of transformismo of the agrarian elite (*exogenous change*)*," that is one "*transformismo of the elite*" that made possible an alignment between industrials and the working class, allowing a new urban industrial formation in Brazil. Vargas' provisional government itself identified with these social-political forces, drawing on the aspirations of an emerging urban-rural middle class that struggled against the monopoly of power in the hands of the traditional political elite, composed mainly of landowners and merchants linked to the production and commercialisation of coffee, milk and sugar in São Paulo and Minas Gerais, or cattle breeding and trading in Rio Grande do Sul, retaining power under the appearance of a formal-liberal democracy.

In Rio Grande do Sul, this sociopolitical force stands to the ideas of the Republican Party of the Rio Grande (PRR), which sought to expand its electoral network to support Vargas, seeking adherence of the urban middle class and settlers (Pesavento 1996). The PRR proposed a broad program that considered issues beyond the interests of the dominant cattle producers in the southern part of the state. Specifically, in Santa Cruz do Sul, the development of tobacco and industrial and commercial activity was part of this background, which integrated the colony into the capitalist market and disrupted the oligarchical nature of the colonial economy, confronting the cattle-raising elite in the southern part of the state. This context of capital accumulation and industrialisation emerged also with the advent of the first commercial banks and, to some extent, by the support of credit unions that had been operating in the region for at least 25 years.

Several residents of Santa Cruz do Sul supported the movement led by Getúlio Vargas. As investigated by Krause (1991), there was a revolutionary group (*junta revolucionária*) in the city, with several members involved, including Jacobus Filho, José Koelzer, Fernando Werlang who were also affiliated to the Volksverein, which allows us to assume that cooperative was in agreement with the newly appointed government. It is worth mentioning that the cooperative in Santa Cruz do Sul was established by the initiative of German immigrants coming from different waves of immigration, starting in 1849, with greater autonomy in terms of government policies, and at first remained strongly self-regulated and self-organised, focusing on the internal market, without the involvement of the central government, as highlighted in the previous chapter. However, this situation gradually changed with the direct intervention of the Vargas government, which expanded State supervision on the economic and social (labour) issues.

We assume that at this point, there was a critical juncture in the cooperative structure. Once they become supervised and used by the State as an instrument for local development, the members enable a rational organisation of services, which was required to integrate the regional economy into the accumulation model proposed by the Central Government, that is, on a new political and economic framework. In the following topic, looking at the national legislation, we seek to demonstrate this issue. We affirm that the Volksverein of Santa Cruz do Sul and other credit cooperatives, as well as agricultural and agro-industrial collective organisations, have achieved an institutional lock-in, by operating according to the model of State corporatism advocated by Vargas.

## 5.4 Legal framework for cooperatives in the Vargas Era (1930-1937)

With regard to the organisation of labour unions in Brazil, the first measure taken by Vargas' provisional government was the establishment of rules for recognising labour unions by public authorities through Decree No. 19.770 of 1931. This law modified the syndicate structure and established a single union model, that is, one syndicate per category with the need for recognition by the Ministry of Labour, Industry and Commerce (Pandolfi 2003). It should be noted that prior to this law, labour unions and cooperatives acted side-by-side and many workers' rights functions were supplemented by cooperatives and vice versa[[86]](#footnote-86). For example, the *Volksverein União Popular de Santa Cruz* had two statutes: one as a rural labour union and the other as a loan savings bank — the competence of the cooperative to deal with labour matters was hindered by this decree. In addition, the new law required the union's statutes to be approved by the newly created Ministry of Labor as well as giving only native or naturalised Brazilians the benefit of joining it, limiting the participation of foreign workers in the labour market. Due to the lack of documentation during this period, it is not possible to state the exact date on which the Cooperative discontinued the official provision of labour union affiliation to the community. But the restrictions of the decree indicate that many foreigners sought to obtain Brazilian citizenship in order to legitimise their situation with the State. As seen in the previous topic, Vargas' intention in creating the Ministry of Labour was to control and discipline the organisation of workers in unions, something that affected the organisation of the *Volksverein*, which had many immigrant and rural workers on its activities.

From a regulatory point of view, it was Decree 22.239 of 1932, established during the provisional government of Getúlio Vargas, that gave new direction to the *União Popular de Santa Cruz* and guided the actions of its members and leaders, allowing an *institutional lock-in*. The decree granted broad autonomy to cooperatives, which could (for a short time) enjoy freedom and recognition by the State. Inspired by Rochdale's principles, this national legislation established rules to be applied, i.e.: the recognition of central offices, special characteristics it's of members, limits on the share of social capital, quorum for deliberations at general meetings, distribution of profits, maximum value of interests. However, it also required all cooperatives to mention in their statutes:

1), the company's name and headquarters of business; 2), its economic purpose, activities or its programs; 3), the duration of the company, which may be fixed or indefinite; 4), the area of activity or the perimeter of its activities; 5) the minimum amount of share capital and the form in which it is paid up or will be subsequently paid up for associations dealing with credit; 6), methods of admission, dismissal and exclusion of members; 7), the rights and obligations of the members, listing them precisely and clearly, to ensure and guarantee absolute equality; 8), conditions for withdrawal of capital share value belonging to members who have resigned, been removed or died; 9), the way in which the company's business is managed and supervised, the establishment of the respective bodies, and the clear and detailed definition of their attributes; 10), the method of holding the General Assembly and the majority required for decisions to take effect. 11), the way in which profits and losses are allocated among members and the percentage to be deducted for the reserve fund, which shall not be less than 10%. 12), cases of voluntary dissolution of the company, and the ways' that the reserve fund will be destined after the company's commitments have been met; 13), if members, are liable or not for the company's obligations, and if so, the nature of this liability 14), who represents the company, actively and passively, in judicial and extrajudicial proceedings; 15), whether and how the statutes can be reformed; 16), the fiscal year (which may or may not coincide with the calendar year) and the date of the company's annual statement of assets and liabilities (Brasil 1932. Author translation).

In addition, the decree established responsibilities and obligations for managers, the functions and controls of internal regulatory bodies, such as the Fiscal Council, the form of its election and their term of office (one year, without re-election). Article 16 indicates the intention of Vargas and the members of the Ministry of Agriculture to inspect members of the cooperatives, their name, occupation, civil status, nationality, residence, date of admission, the amount of shares and the percentage of participation in the quota. [[87]](#footnote-87) Article 30 in the same ordinance, regulated credit operations and established rules for loans and return of capital. Additionally, paragraph 3 established specific norms for *Raiffeisen type* cooperatives, as is the case of *União Popular in Santa Cruz do Sul*. Therefore, the members and managers of the *Volksverein* must formally prove: a) that there is no share capital and that any profits among the members are indivisible, b) personal, joint and unlimited liability, for the obligations of the company, shared by all members; c) that the members, through the General Meeting, controls the formalities of such liabilities by determining, at least annually, the maximum amount of the company's commitments, the maximum value of each member loan and the maximum sum of the loans. d) that operations are limited to a small rural network, preferably a municipal district, and in any case no more than the territory of a municipality.; and that e) loans are granted only to members, farmers or breeders with good credit and standing, who are domiciled or have agricultural property within the operating area of the cooperative - intended to be used for their agricultural activities - and for specific purposes declared by the applicant and considered useful and renewable by the Board of Directors, with an absolute prohibition of loans for mere consumption. [[88]](#footnote-88) It is interesting to note that the cooperative followed most of these rules even before the Decree 22.239 of 1933, as observed in the first statute of 1919 and the second of 1923, showing its initiative of self-organisation and regulation.

Giving formal recognition of cooperatives, in 1933 the Department of Assistance to Cooperatives (DAC) was created, subordinated to the Secretariat of Agriculture, Industry and Trade, with the objective of encouraging society compliance with the new law. DAC was the first official body in Latin America to deal exclusively with cooperatives. This initiative was first adopted by the State of Sao Paulo and then by other Brazilian states, such as Rio Grande do Sul, enabling a new state actor to enter the game. It was through appointed Governors (*interventores federais*) that the central government obtained legitimacy to implement the DACs in the federal states. These institutions were present in the Brazilian administrative structure and their corresponding bodies were responsible for implementing the DACs in the states accompanying rural cooperatives of producers, credit, consumers and others (J. O. Schneider 1999). In addition to advocating and assisting in the day-to-day work of cooperatives and their communities, the DAC acted as a centralised body to bring cooperatives under inspection by the Ministry of Agriculture or its representatives for compliance with legal requirements, constitution and adherence to cooperative principles.

Considering the "separation of the Ministry of Labour, Industry and Commerce, and the Ministry of Agriculture" in 1930, and the need to "legalise the situation of the labour unions", Vargas' government also opened the path for the implementation of professional-cooperative consortia with the publication of decree number 23.611 of 1933. The idea was to "allow a mix of cooperatives and labour unions to control production and labour organisation". This law defined the professional categories in which associations could be formed (in a *corporative-oriented* perspective) and focused on organising members of Brazilian society into professional unions or cooperatives according to their respective professions. Researchers have pointed out that Decree 23.611 of 1933 also affected the religious association nature of the existing Volksverins in southern Brazil (Schallenberger 2001), as the legislation prevented any religious or political manifestations within cooperatives and unions. In addition, through this decree, the Central Government gained the legitimacy to act in coordination with existing unions and cooperatives, intervening in their autonomous community organisations (Vogt 2006).

The operation of these organisations was dependent on the approval of the Department of Organisation and Protection of Production of the Ministry of Agriculture, allowing individuals of similar or related professions to organise among themselves professional cooperative unions for the purpose of studying, maintaining and developing common interests of the profession, the economic-professional interests of its members, and the achievement of its economic purposes in consumer, credit, production and derivative models of cooperatives (Brasil 1933) [[89]](#footnote-89). For the purposes of this decree, only the following occupations were considered professionals in the "rural class" - the owner, grower, lessee, partner, settler, cattle raiser, farmworker and any person employed in rural services. However, this attempt to link unions to cooperatives was also short-lived, and the lawmakers themselves recognised the radicalism of the act and the imperfections in its use in practice.

What is visible in Santa Cruz do Sul is that since 1925, when the *Volksverin* moved its headquarters from the *Catholic Alliance* to a new central independent building, and affiliated itself with the central office in Porto Alegre, ethnic and religious identity has no longer a fundamental point of existence for the association. However, it was Decree 23.611 of 1933 that formalised this rule, as the *Volksverein of Santa Cruz do Sul* was prohibited from carrying out ethno-religious and political-social activities, so its members had to limit their organisation to a restricted space and subject their activities to state control and supervision. In practice, in order to operate, the cooperative should have a legal personality, which was achieved through formal contracts with the Department of Organisation and Protection of Production of the Ministry of Agriculture, and only Brazilians or naturalised immigrants could enjoy union benefits or assume management positions. Therefore, the central government, through various measures, ensured the control of the cooperative association and local communities. Members of the Volksverein, such as its first president, Felix Hoppe, born in Germany, had to fight to obtain Brazilian citizenship and labour rights as well other members had to prove their connection to rural activities.

However, the situation became increasingly unstable with the promulgation of Decree 24.647 of 1934, in which Vargas' government established that the existence of credit cooperatives, as well as the Raiffeisen Banks, had to be authorised by presidential decree; that is, local initiatives came to be true only by concession of the central government. The government justified its decision in order to "using, transforming and improving cooperatives that already existed". This presidential decree revoked the law 22.239 of 1932, which was considered a point of reference and a victory for the defenders of the *Rochdale* model. Nonetheless, switching back or adopting another path was not an option for the *Volksverein Santa Cruz Sul* since its members were already affiliated to a central entity and subject to national legislation. Therefore, an unavoidable *lock-in* exists for those who operated in the industry. It was up to the members and stakeholders to fight to get the decree 22,239 recognised again, something that would not be easily achieved.

Central Government control did not end there; in addition to revoking the guarantees of Decree 22.239 of 1932, the presidential decree 24.647 of 1934 established that cooperatives could only be formed by individuals of the same or related professions (art. 1) and, in the case of credit cooperatives, it allowed only industrialists, merchants or capitalists to legally associate. With regard to women's participation, it permitted access of women to associations only with the authorisation of their husbands or fathers. All the restrictions of the decrees of the early 1930s created a kind of legislative crisis that brought a setback to the cooperative movement, making it almost impossible to apply this large number of rules.

As these laws centralised and set up rules for operation of cooperatives, they also opened up space for these organisations to operate and spread throughout the countryside with broad government legitimacy. The institutional conditions, that is, the rules of the game, now incentivised the creation of "legal cooperatives," leading to a significant increase in new organisations of this type (Taniguti 2016). In spite of the self-regulation that came with the first credit unions created in 1902, it was only from the 1930s that this type of organisation was distributed throughout the country, although they remained concentrated in the South and Southeast (Pinho 1989). Until then, the government recognised the role of cooperatives but not their legal form as distinct from other institutions. The revolution of 1930 and the new legal framework provided the conditions for the cooperative movement to be recognised as a national necessity. Being a "legally established" cooperative, with up-to-date documentation, had some institutional advantages: the public authorities were interested in developing this type of organisation, since its activities were directly related to the agricultural economy, the organisation of the working population and local development; public programs for rural credit, education and technical training were other advantages offered by the state; for members, there was an opportunity for self-organisation and growth and accordance with the law - a *window of opportunity*. It would not be incorrect to say that cooperatives caught this wave, individually felt the effects of the institutional lock-in that resulted from the process.

In this vein, the cooperative in Santa Cruz do Sul during 1930-1945 can be understood as the result of interactions between State policies to stimulate the sector and the self-organising capacity of its members. As a contribution to the debate, this thesis points out that the organisation's self-regulation in its initial stages was beneficial — both for the members and for the central government. On the one hand, the Vargas government has succeeded in using existing structures of cooperatives to impose government policies on communities that were taking their first steps toward capitalist development. On the other hand, it should be noted that as the process of control and rationalisation of the sector became clear, members benefited from these public policies and the cooperatives were legitimised as formal organisations, which otherwise would have been difficult because new interests and (formal) actors were at stake. As a result, both members of the association and the State benefit from this relationship, which we emphasise here as a *complementary model of self-regulation* (Pfeilschifter et al. 2019) — partly by the State and partly by the members themselves, to their mutual benefit.

In our example, when examining the 1930-1937 legislation, one can see the interest (of the Government) in using pre-existing self-organised structures to expand capitalism in small rural properties (making it difficult to maintain the traditional oligarchy), however, one can also see an interest of small owners (rural producers) in to operate and negotiate through a legally recognised cooperative. Thus, a *bottom-up* movement, originating from a class of small rural producers with German origins and residing in Santa Cruz do Sul, used the State to recognise their activities. In general, the effects of this institutional *lock-in* served as a mechanism for the introduction of new social agents into the political game, who gained access to the financial market.

From an economic perspective, the interest of the State to organise rural producers in cooperatives is linked in a context of a broader policy of *import substitution* (Furtado 2005), thus stimulating the internal market and the development of national agriculture through regional bases, by inserting new actors in the process, in contrast to the existing agricultural oligarchy (Diniz 1999). The Volksverein União Popular de Santa Cruz do Sul illustrates this example, as it has been formed along similar paths to those recommended by the legislation established by the central government. In this way, this organisation, which already had its own structure, implemented the agricultural and credit policies recommended by the central government.

From the perspective of the *Volksverein*, the incentive to participate was aimed primarily at serving the interests of immigrant families located in both urban centres and rural areas, as the State officially recognised them through legal mechanisms. As a result, not only the *Volksverein of Santa Cruz do Sul*, but several other cooperatives have sought legalisation, aiming to meet the needs of their members and local communities.

From the perspective of the State, by putting into practice a project different from that of the traditional oligarchy, the central government transformed the cooperatives into an instrument of state intervention in agrarian society and the legislation has given self-organised groups the opportunity to act with complementary functions. With a corporate stance, the central government was guided "by promoting class organisations and incorporating class into society (Bak 1983). In other words, the state begins to get interested in the operation of cooperatives and includes measures to plan a new Brazilian economic model, very close to the Italian fascist *corporative law*. Thus, between 1930 and 1937, the central government transformed the cooperative organisation into a corporatist institution because it incorporated it into a model of social organisation very close to that advocated by corporatist theory.[[90]](#footnote-90) The Ministry of Agriculture was responsible for controlling the activities of the cooperatives and the Ministry of Labour for organising the working class.

It was in this context that the União Popular de Santa Cruz do Sul (later Sicredi Vale do Rio Pardo), founded on the initiative of German immigrants coming from a settlement system, joined a secondary entity that had both greater access to credit possibilities and the ability to negotiate on behalf of its members in state-recognised negotiations. However, the *Volksverein,* which was born from a popular initiative to solve the problems of local (rural) producers and to create financial support for the local population that started its activity in the emerging urban and industrial centres, was dominated by a national policy in the 1930s.

## 5.5 Oppression and control: characteristics of the Estado Novo (1937-1945)

*Estado Novo* or New State, refers to the period of Vargas' dictatorship, which began with the abolition of presidential elections and the establishment of an authoritarian rule. To support the authoritarianism a new constitutional bill was drafted, the Constitution of 1937, known as "*Polaca*" because of its Polish inspiration - which dissolved the Congress (Chamber of Deputies and Federal Senate) and state and municipal legislative assemblies, giving the President of the Republic "the power to issue decrees on all matters within the legislative competence of the Union".[[91]](#footnote-91)

The new regime favoured the centralisation of decisions in the executive branch, while abolishing other democratic institutions. On the new constitutional order, political parties were banished, the oppression was institutionalised, and official censorship emerged. The press, through special legislation, received public roles, and was used as an instrument of propaganda and the official vehicle of theNew Stateideology. The main institution was the Press and Propaganda Department, which had extensive authority over the media and was responsible for organising official propaganda and controlling information (Capelato 1999).

In this system, the state governors (called *interventores*), appointed by Getúlio Vargas, were responsible for appointing mayors in the municipalities. This political engineering was known as "Federal Intervention System" (*Sistema de Interventorias Federais*) organised administrative powers at regional and local level.[[92]](#footnote-92) Thus, governors and city mayors were linked with the central government, which sought to identify new socio-political forces and support the aspirations of the emerging middle-class and urban workers against the monopoly of power of the traditional political elite. At the same time, the legislative power, which was originally exercised by regional and national legislative assemblies, was now exercised by one Administrative Department. (*Departamento Administrativo dos Estados* - DAE) whose members were also appointed by Getúlio Vargas or his interventors. The Administrative Department was responsible for examining all legislative decrees issued by governors or mayors, as well as state and municipal budgets. Decrees issued by intervenors and mayors could be revoked by the administrative departments, and appeals against such decisions would be directed addressed to the President of the Republic, who had discretionary authority over such decisions (Codato 2005).

In fact, the intervention system, combined with a number of other measures, has contributed to neutralising the power of local groups that were until then controlled by state governments on the basis of the traditional representative system[[93]](#footnote-93) — the classic examples are the coffee elite in São Paulo and the cattle elite in Rio Grande do Sul. Appointments to administrative departments were a way of favouring old dominant groups or encouraging the formation of new ones - a clientelistic policy. Thus, several interventors created bases of support in their states, establishing themselves as great regional leaders loyal to Vargas.[[94]](#footnote-94)

Moreover, the relationship between state and civil society was also transformed by state corporatism, which acted through a set of formal institutions, agencies, and councils and made it possible for the political integration of entrepreneurs and workers to be regulated and controlled by state agencies (Diniz 1999).

The decision-making process was controlled by a top bureaucracy or, as Eli Diniz (1999) puts it, by a powerful executive that clearly interfered in the economic and social order. As part of the expansion of the decision-making capacity within the federal executive, strategic decisions on national development have moved to this institution. National development focused on the main economic aspect of the Vargas government. There was a project of industrialisation and modernisation of the country, with the creation of national companies, such as the *Siderúrgica Nacional* (1941); *Vale do Rio Doce* (1942) São Francisco Hydroelectric Power Plant (1945), and the Brazilian petrol industry *Petrobras* (1953).

The economic policy of the Vargas government was thus nationalist in the sense that, in order to achieve its goals, it demanded the concentration of decisions and economic resources on the national level, despite the internal opposition of certain political and economic groups. Foreign banks, national banks, as well as credit unions, were also affected by the development plans and the nationalisation of the financial system, as provided for in the 1937 Constitution.

Nevertheless, despite the repression and interventions, cooperatives and unions continued to exist during the New State. However, the relative autonomy that these organisations had from any governmental authority regarding the regulation of their activities prior to the Vargas government, and even during the provisional government and indirect election (1930 1936), ended with the New State (1937). Vargas's support for unions and cooperatives, after a brief period of autonomy, assumed a strongly paternalistic and centralised character, making the creation and activities of these organisations dependent on state inspection, control, and registration through the Ministries of Labor and Agriculture (J. O. Schneider 1999).

Overall, the New State excelled in offering the conditions considered necessary for the modernization of the nation: a strong, centralised and interventionist state, a fundamental factor in economic production and development. In the next topic, we try to highlight the outcomes of the authoritarian regime in the activities of the *Volksverein União Popular de Santa Cruz do Sul*. We argue that the relative autonomy (self-regulation) of the members in their day-to-day activities was weakened with the provisional government in Vargas and reached its maximum limit during the authoritarian regime of the New State in 1937.

## 5.6 The cooperative organisation in an authoritarian regime

Especially due to the authoritarian and centralised nature of the country since the "New State", freedom to organise and operate cooperatives was limited by new legal provisions that set rules for the sector and gave the presidential ministries the power to monitor and exercise local interventions.

Legislative Decree 581/1938 abolished the controversial Decree 24.647 and revived Rochdale-inspired Decree 22.239, but imposed some additional difficulties. Thus, Raiffeisen-type cooperatives, such as the one in Santa Cruz do Sul, limited their activities to a small rural district, extending at most to neighbouring municipalities. Under the new legislation, however, urban credit cooperatives were supervised by the Ministry of Finance, while rural credit cooperatives and producer cooperatives remained under the supervision of the Ministry of Agriculture. Insurance, labour, industrial-production, and construction cooperatives became audited by the Ministry of Labour. For the members of the organisation in Santa Cruz do Sul (which operated on the Raiffeisen model), this change in practice implied strict management responsibilities of the board of directors, which was obliged to maintain links with the local agricultural economy, given that if ties with other activities (industrial, labour, consumer) were found, the organisation would be inspected by another government authority, and therefore subject to new specific rules. In case of non-compliance, the State, through the Directorate of Organisation and Protection of Production, an official body affiliated with the Ministry of Agriculture, and other supervisory bodies, had the right to establish or call general meetings and to preside over them when violations of the law were proved to have occurred.

The *Volksverein União Popular de Santa Cruz do Sul* continued to be supervised by the Ministry of Agriculture, since until 1958 it operated on agricultural funds produced by its own members (endogenous financing), which meant that for nearly four decades the company was basically financially independent of the national government.[[95]](#footnote-95) It is also worth noting that since 1937 the organisation had the possibility to rely on external aid from a state bank to finance policies aimed at Brazilian agriculture development, through the Banco do Brasil Agricultural and Industrial Loan Portfolio — *Carteira de Crédito Agrícola e Industrial do Banco do Brasil*, but its members, acting in a self-regulatory manner, chose not to contract with this fund.

Being supervised by other public institutions and having its capital tied to other banks did not appeal to its members, which preferred to be self-sufficient under the supervision of the Ministry of Agriculture, obtaining more benefits and fewer costs[[96]](#footnote-96). However, even without borrowing funds from the Brazilian state, the cooperative faced enforcement of the *New State* rules. Giving enforcement to Decree 581 of 1938, Getúlio Vargas issued Decree No. 6,980 of 1941, which dealt with the rules of state intervention in cooperatives, but this time imposing sanctions that ranged from fines to suspension of the licence if the cooperative failed to comply with the rules. A penalty may be imposed on an organisation that fails to submit the following information to the regulatory authority: a) monthly, a copy of the balance sheet of the previous month; b) monthly, a list of credit transactions made during the previous month; c) every semester, a list of members' names with their citizenship, age, occupation, marital status, place of residence, and their respective percentages of shares; d) annually, the report on the annual accounts, a copy of the balance sheet with the profit-and-loss statements, the report of the (internal) Fiscal Council and a copy of the annual report.[[97]](#footnote-97) This regulation demonstrates the interest of government authorities in monitoring the sector.

The Decree No. 6,980 of 1941 also expresses the obsessive nature of government action to control and supervise cooperative organisations. The supervisory authorities were empowered to order the dissolution of the cooperative if a breach of the law was proven. The legislation also provided that the police force, at the request of the state authority, must provide the necessary assistance to the departments to achieve the effectiveness of the prescribed legal measures. In this way, "illegal" cooperatives were revoked, and the police force received legitimacy to use violence in the name of State interests, even in the cooperative sector.

With regard to state and municipal administration, the Vargas government established that all laws concerning agricultural credit and cooperative-farmer relations must go through its approval (Decree-Law No. 1,202 of 1939). This legislation imposed by the federal government in the middle of the *New State* shows a change in the country's credit policy, which after this decree depended mainly on the approval of the President of the Republic to become valid[[98]](#footnote-98). Article 32 of this ordinance states that all laws on agricultural credit, farmers cooperatives shall be subject to presidential approval, like other matters such as public welfare, communications, natural resources, energy, education, health, administrative and judicial departments[[99]](#footnote-99) — and not for governors and mayors. In addition, this law gave the President of the Republic authority to overturn any act or decree issued by governors or mayors in violation of this rule. It also prohibited state and local governments from obtaining loans, whether external or internal, without the approval of the chief executive.[[100]](#footnote-100) The decree also established that only native-born or naturalised Brazilian citizens could hold public offices, responsibilities, or positions in national, state, or local governments, public institutions, or whose activities were consequently in the public interest.[[101]](#footnote-101) Which affected the management of the cooperatives, seen by civil society as institutions with a public purpose to serve the community.

Although there was no institution in charge of controlling national monetary policy, administrative agencies, from the Ministry of Finance, Ministry of Agriculture, and Ministry of Labour, cooperated with stakeholders acting in a supervisory and administrative role, regulating the financial system as a kind of central bank. This fact in the cooperative universe is evident with decree 5.893, enacted in October 1943, which created more rules concerning the organisation, operation and inspection of cooperatives and their respective regulatory agencies. However, in operational aspects, the financial institutions were still subject to "decentralised”[[102]](#footnote-102) supervision and regulation, concentrated in the presidential ministries, subordinate to Vargas.

To overcome this problem and have a single institution to control the national financial system, Vargas and his ministers created SUMOC - Supervision of Credit and Currency in 1945, entrusting this institution with the supervision of banks, banking houses, credit, finance and investment companies and credit cooperatives. This apex body would be responsible for reviewing licenses for operation, reforming statutes, polices for raising capital, and opening branches, among other duties. Many authors have considered SUMOC as the embryo of a future Brazilian Central Bank, and in fact, the nightmare of many cooperatives.

Finally, in 1945, Legislative Decree 8,401 revoked Legislative Decrees 5,893 (of 1943) and 6,274 (of 1944), except for the provisions of sections 104 and 118 and their respective paragraphs relating to the credit cooperative funds, and renewed Legislative Decree 581 (of 1938) and 22,239 (of 1932), with Rochdale principles. The government justified this step (back) by the recommendations of the First Brazilian Cooperative Congress concerning the need to modify the current cooperative legislation, as well as by multiple similar requests from different regions of the country (Pinho 1989).

The overall analysis of the legislation shows that from 1937 onwards, that is, during the New State regime, the central government interfered excessively in the dynamics and functioning of cooperatives and unions adopting strategic and operational control measures aimed at intensive planning of the country's new economic model. We do not deny that the state intervened in the management of cooperatives between 1930 and 1937; in fact, when we look at the legislation of this period, we discover various types of intervention, even non-intervention, but in the last case limited to bureaucratic formalities and often legal support. However, from 1937 onwards, during the new state regime, the initiative to organise and operate these organisations was governed by more stringent legal provisions aimed at centralising decision-making, clearly punishing those who did not follow the rules. In addition, begins a period of state funding and the adoption of a number of legislative provisions for new players to enter the financial market — not just cooperatives.

Indeed, the Constitution introduced in 1937 also indicates the country's interest in controlling its national financial system and the entry of new players in the sector. The new ordinance gave the president the power to issue decrees on federal finance, currency, credit, stock exchange, and banking[[103]](#footnote-103), as well as to control cooperatives and institutions designed to serve and employ the people's economy.[[104]](#footnote-104) The central government was also empowered to pass laws on labour, agriculture, industry, commerce, transportation, and credit in order to increase, coordinate, and improve national production.[[105]](#footnote-105) The federal government eliminated regional particularities and assumed a significant portion of the responsibility, particularly in the area of finance, shifting it from the municipalities and states to the federal sphere. In this respect, major sections of taxation were transferred to the Union, which tied the states and municipalities capacities to the central government (F. E. Freitas 1990).

What also manifests in the New State is the significant influence of the central government on local organisation and self-governance of cooperative enterprises, not only by establishing a legal and bureaucratic structure but also by integrating them into a national development model, or, as Schneider (1989, p. 332) puts it, by using cooperatives as an alternative that would help to develop the country. Thus, the New State regime brought aspects of centralisation, regulation, and intervention by ministries and other official bodies to the local and regional level and changed the way these institutions operated, imposing heavy penalties in case of non-compliance. So the public policies created by Vargas financed the capitalisation process in cooperatives through official subsidised loans, allowing for a rapid increase in investment; that is, the internal accumulation of many cooperatives was replaced by formal State credit. And by looking at these issues in Santa Cruz do Sul, one can say that the government has pursued a corporate welfare policy with professional associations, trade unions, and cooperatives. However, the members of the *Volksverein* resisted this external debt at least until 1958, preferring to work on their own funds until that date. The use of an official bank loan as a means of development is discussed in the next chapter, in an episode in which Banco do Brasil (State Bank) itself approached the cooperative to offer it an external loan.

In any case, the analysis of the cooperative in the first two Vargas governments is interesting not only because it illustrates a basic sense of the relationship between the State and the cooperative that was unfolding, but also in terms of historical and political insights concerning the change of the cooperative institution, mainly because it deals with one of its lowest periods of autonomy, local self-regulation, as well as the incessant struggle for survival in the market.

Thus, while expressing their needs to serve its members: protect the local manufacturing industry (tobacco), organise the market of the main agricultural products and promoting local trade, the leaders of the enterprise sought legal measures for its operation and approached, through their representative bodies (central offices) and the policies of the decision-making bodies of the state. In the process of national bureaucratic centralisation, we must acknowledge that many cooperatives created by the autonomous initiative of immigrant descendants, such as in Santa Cruz do Sul, eventually adapted to government policies to develop, rationalise and bureaucratise its services in order to develop locally and regionally.

It is, therefore, in the context of 1937 - in the political and legal spheres - that the broad and systematic control of the state over Brazilian corporate sectors was opened up, and this was also reflected in Santa Cruz do Sul and its local institutions. Notably, the *Volksverein União Popular de Santa Cruz* (the future *Sicredi Vale do Rio Pardo*) developed as an institutionalised opportunity for a sector that initially had very little regulation, but which was nevertheless fundamental to protecting local commerce and small farms in its early years. The relationship between members and the state was regulated by a legal and centralised bureaucracy, where the government, through legislation enacted since 1930, recognised the specificity of these enterprises, but began to exercise paternalistic leadership and patronage over them, in particular by promoting these institutions as effective agents for developing the sectors of production, credit and local commercialisation necessary for the economy and politics.

## 5.7 Concluding remarks

This chapter addressed the relationship between the State and the *Volksverein União Popular de Santa Cruz do Sul* credit cooperative between 1930 and 1945. Aiming to verify organisational changes and the role played by the central government in structuring membership organisation, we analysed the national legislation introduced in the sector during this period. Certainly, due to the lack of internal documentation, it was not possible to fully prove the capacity and motivation for self-regulation at the local cooperative level, but in order to understand this gap, we looked at the legislation regulating this sector and drew on similar studies dealing with this problem.

Before drawing conclusions, it is necessary to highlight some limitations and to point out future prospects for analysing self-regulation efforts under State corporatism and authoritarian rule. First, it would be valid to conduct a study in a cooperative with complete documentation for comparative analysis, especially during the administration of Getúlio Vargas, since neither the Volksverein União Popular de Santa Cruz nor its Central Office in Porto Alegre kept internal documents from this turbulent period. Second, it would be useful to understand this problem in cooperatives from sectors other than credit, such as agriculture, transportation, education, labour, and housing. Finally, other methods of obtaining data, such as interviews with family members about the period and comparative analyses in other countries with populist and authoritarian regimes, may contribute to the understanding of self-regulation and state intervention in members' activities. Not only Brazil but also Argentina, Chile, Ecuador, Paraguay, Bolivia and Mexico have had authoritarian regimes and populist crises, and their cooperative organisations bring contributions to the theme.

Having said that, now back to the question guided this chapter: how and why did the cooperative organisation transform during the Getúlio Vargas administration, and what was the outcome of autocracy and centralisation to local self organisations? We conclude that it was certainly a necessity to serve the members and community, but its political solution complied with the bureaucratic rules of the new regime. Therefore, the cooperative acted as an alternative institution at the service of the authoritarian rules, which governed the process of allocating financial resources and retained control over the finances and workers' rights at national, regional and local levels.

We have highlighted that from the 1930s onwards, the Brazilian government tried to organise and provide an alternative to cooperatives and labour unions from the succession of international and domestic crises, in particular by positioning themselves towards the dynamism and professionalisation of the sector, by appointing commissions to manage the specificity of these associations. Shortly after the beginning of the provisional government, specific legislation has stimulated the creation of cooperatives and labour unions, i.e. Decree. 19.770/31 or the labour union law; Decree 22.239/32 or the cooperative Law - the last under rochedalean principles. After that, laws like Decree No. 6,980/41 and Decree No. 1.202/39 diminished the movement's autonomy and centralised the oversight and organisation of these organisations under the rule of government ministries.

It was stressed that the role of the legislator was often contradictory. Sometimes it favoured some local requests, as in the decree 22.239 giving autonomy to members and managers, while at other times it imposed restrictions and used state control over labour unions and cooperative activities. The legislative crisis created by a succession of decrees opposing what had been built up and adopted by the self-organised movements lasted until 1938, when the cooperative sector began to be driven by state interventionism. Certainly, the *bottom-up* self-organisation movement initiated by immigrants in Santa Cruz do Sul was also affected in the process.

In this chapter, we show how corporatism overcomes instances of state management and acts on local collective structures by influencing the decisions of its leaders. In particular, it is clear from the legislation that this was the mechanism by which workers and entrepreneurs interacted with the New State through their cooperatives and labour unions. In analysing the legislation, we confirm the thesis that centralisation and authoritarianism were distinctive features of this regime (Pandolfi 1999). It is possible to affirm, that the cooperative, with the help of secondary institutions such as its Central Office in Porto Alegre, had functions similar to that of the estate administrative departments, *departamentos administrativos* *dos estados* described in Codato 2008, p. 110, created by Vargas to bureaucratically control the oligarchy, activities and malpractices stemming from governors of the old republic's policy. When looking at legislation since the 1930, one particular point that might be highlighted is that cooperatives couldn't exist in the country in opposition to governmental structures that were being established. In this way we argued that the Volksverein of Santa Cruz do Sul and its managers sought peaceful coexistence, with some local contributions in very limited social and economic areas, operating in a *complementary mode* (Pfeilschifter et al. 2019), otherwise they would be extinct. By submitting themselves to the rules, members of the Volksverein had opportunities for growth and consolidate its path.

Reinforcing and organising rural small property rights was one of the reasons given by the central government to increase agricultural productivity and expand the domestic market and the dynamism of the sector, resulting in the organisation of labour relations in both rural and urban areas. At the same time, the city of Santa Cruz do Sul shows us an example of the urbanisation and modernization process in Brazil, distinguished by its main economic activity: tobacco. Thus, it is observed that the market growth opportunities for this product, as well as the intermediation of the production, commercialisation and distribution processes through financial institutions (collective or private and state banks), offered a basis for the city's economic development. Nevertheless, it is not denied that tobacco was the main commercialised product in the locality and that it allowed the accumulation of capital and the industrialisation of the region (Krause 1991; Vogt 2006). However, the role of the cooperatives and banks was essential to consolidate the flow of finance and to allow the installation of new enterprises in Santa Cruz do Sul, especially industrial firms.

This chapter also shows that autonomy, which is the basis for self-regulation in cooperatives, was also expressed in finance, and were mainly controlled and supervised by the authoritarian regime implemented in Brazil after 1937. The supervisory bodies and the authorities of the new regime, have got competences to control cooperatives and to dissolve them in case of proven violations. If a cooperative did not prove that it was operating in compliance with the provisions, it was subject to fines, control and even interventions with a police force. In this way, the centralisation of the cooperative in the Central Office, and this subordination to the rules of the New State, dismantled the autonomy of the associative movement of the members of Santa Cruz, which, since the beginning of the twentieth century, constituted as a collective form of political-administrative organisation that functioned in the local economy by capturing the work of the small colonial economy.

In general, the period described in this chapter (1930-1945) consolidated the disintegration of self-governing cooperatives, except for Decree No. 22.239 of 19 December 1932, the first fundamental law which set out the main characteristics of cooperatives based on Rochdale principles guaranteeing them a reasonable margin of freedom in their formation and operation, subsequent decrees have weakened the autonomy and self-regulation in local sphere, especially the ones approved after 1937.

Due to the authoritarian nature of the state, freedom to organise and operate was conditioned on presidential decrees. An analysis of the legislation shows that individual and collective rights were restricted, and that corporatism was the means used by Vargas to centralise such decisions. This mechanism has reflected in the actions of the members of the group, who were more strictly controlled and supervised by the Ministry of Agriculture and later by SUMOC, an entity designed in order to form a national financial system capable of integrating different market players, such as the credit cooperatives. In this sense, we have found that the participation followed a National Program with dynamics of the agricultural sector, reproducing the interests of the state in projects aimed at meeting the needs of local communities. Finally, we pointed out that social control was affected, and "irregular organisations" lost their legitimacy or experienced great difficulties in functioning — and this was an opportunity for the growth of "legal" cooperatives to operate following authoritarian rules.

With the end of regional oligarchies, a broad administrative and political reform occurred in Brazil through the new 1934 Constitution and the Vargas dictatorship imposed by the Estado Novo. This was a period of great centralisation and greater state participation in public policies, led by actions that primarily aimed to co-opt the workers who were organising, rather than addressing the structural problems affecting the population's life. The members involved in the organisation's decision-making had to adapt to the impositions of national laws. Immigrant members, like many Volksverein members, acquired Brazilian citizenship in order to continue in their administrative positions. And many others had to prove their status as rural workers to the cooperative's control bodies and state agencies. At the height of the regime, the state's political repression of foreign groups residing in the country intensified (Gertz 1991), and cooperatives began to receive incentives through state policies offering a financial and legal framework to support this type of activity. Financially, the group was self-sufficient in terms of external capital until 1958, operating with the community's own savings - especially in rural areas.

We have considered that the analysis of the legislation revealed the intentions of the legislator and the reasons for its creation, thus, looking for patterns of operation, we tried to understand how in fact the rules (created by the central government) were assimilated by the members of the Volksverein in Santa Cruz do Sul and what this meant for their institutional change.

If for the legislator, and for the regime's supporters, the reform of the cooperative and labour system focused on providing policy guidelines to orient the operation of these social organisations following a national project whose focus was the insertion of national policies at local and regional levels (Gomes 1999), for the Volksverein members the assimilation of these rules meant their institutional survival. In fact, the regulations enacted by the top-down Vargas dictatorship were assimilated by the group and influenced the decisions of the managers. From this perspective, the trajectory of the institution was not supported by the local population, but justified by the rules of the regime without taking into account the particularities of each case. With the departure of Vargas and the beginning of the democratic era, more participation of the local community became possible, which will be reported in the next chapter.

Despite this, the cooperative and labour system reform implemented by the Vargas dictatorship was not without its challenges and controversies. Many criticised the top-down nature of the reform, arguing that it imposed a one-size-fits-all approach on a diverse range of social organisations without taking into account the specific needs and realities of each group. Additionally, the focus on aligning these organisations with national policies can be understood as an attempt to exert greater control over local and regional level decision-making. Despite these criticisms, however, the reform was supported by many, including some members of the Volksverein, who saw it as a necessary step for the institutional survival of their group. Ultimately, the success or failure of the reform (for the group) was depending on its ability to adapt to the changing needs and circumstances of the organisations it affects, and its ability to balance the demands of national policy with the needs of local communities.

# 6 Democratic interval / Populist period (1945-1964)

## 6.1 Introduction

The period traditionally known as the democratic interval — *intervalo democrático* (1945-1964) marks an important transition in Brazilian society, finishing the New State regime and starting a deep process of change.[[106]](#footnote-106) Greater political participation, emergence of new national political parties, trade unions, social movements, and the emergence of multiple forms of social organisation arises.

Brazil experiences the expansion of social participation, electoral competition, legal and political reinforcement of local municipalities and the recovery of state autonomy. While in the 1930 national election, only 7.5% of the population is eligible to vote and only 2.2% exercises their right to vote, in 1945 the proportions rise from 16.1% and 13.4% respectively (Limongi, Oliveira, and Schmitt 2019). For Ferreira and Gomes (2019), this is a period of institutionalisation of political parties, growth in the number of voters, and increased electoral competition. The country experiences liberal democracy and political growth, acquiring national and mass (*catch all*) political parties; and systematic elections for the executive and legislative branches -- in federal, state, and Municipal level (Gomes 2009). Not only is this happening in urban centres but also in the hinterland cities of the country, which face rural-urban migration and enter a transition process from a rural, backward society to a modern urban-industrial space.

Urban workers and their organisations have grown significantly and play a leading role in local politics. The end of World War II, ‌in different parts of the world and in Brazil, triggered a renewal of democratic practices and the involvement of workers in trade unions.

With the end of the Estado Novo, a cycle of democratisation emerged, lasting until the military coup of 1964. During this period, the economic base, the State, and popular movements shifted. Significant divisions exist within the civilian and military elite, including those pro and against Vargas (Gomes and Ferreira 2019).Widespread authoritarian ideas in the country during the Vargas dictatorship have now been widely criticised. Parties are organised, and they held elections, leading to two decades of democratic rule. For Schmidt (2003), this is the first stable democratic period experienced by Brazilians, with multi-party system and elections organised and regulated by the electoral justice system. In Santa Cruz do Sul, the following parties emerges: Partido Social Democrático (PSD), Partido da Representação Popular (PRP), Partido Libertador (PL), União Democrática Nacional (UDN), Partido Trabalhista Brasileiro (PTB) and Partido Comunista do Brasil (PCB) (Schmidt 2003).

Santa Cruz do Sul enters ‌a context of economic outreach driven by ideas that seek to place it on the path of modernization. Its local political actors acquire importance as they ensure continuity or breaks with the previous regime. For example, the political and economic plurality, prevents the state apparatus from concentrating its repressive capacity and control over the credit cooperatives. The União Popular de Santa Cruz do Sul succeeds, by itself, to build mechanisms to maintain its role.

This chapter explores the possibilities of local self-regulation in the quick *democratic interval* between 1945 and 1964, when the União Popular de Santa Cruz do Sul takes important steps for the development of its activities, ensuring its legitimisation in the local political and economic arena. The aim is to characterise the local organisational structure and to identify the main actors in this context.

The first part of this chapter analyses the biography of Bruno Agnes, the president of the cooperative and a local politician highly active in the community. Surrounded by bonds of trust and kinship, this actor promotes himself through the organisation as a relevant political actor in the state apparatus. Then, the increasing State autonomy and mechanisms adopted by members. We highlight how the União Popular de Santa Cruz do Sul creates mechanisms to access the financial markets and get political and economic governance structures through the participation of its members in elections, council meetings and the members' assembly. Even in times of macroeconomic crisis, the organisation displays satisfactory results: it has increased its reserves, assets, loans and deposits, and even shows territorial expansion. Agreement with the Public Banks marks an institutionalisation of a financing model that allowed the continuation of services to the rural and urban sectors, so operations could normally run during the country's economic crisis. In addition, social connections and proximity to the grassroots ensure the legitimacy of the process. Finally, the last part of this chapter considers the organisation's social actions and donations to the community, emphasising the importance of the institution's solidarity with the local culture. Donations, volunteer work, and social engagement, such as the Centre for Training in Agriculture (CTA) construction and Sao Luis High School funding, are socially significant.

Although the organisation has modernised, it remains faithful to its founding image, based on trust among its members and adopting the democratic voting principle of "one person, one vote." This is possible because throughout its history, members have built a collective identity - understood as a set of characteristics or situations that make a member recognise himself or herself as part of a group or social movement.

## 6.2 Main Actors in the cooperative

This topic analyses the behaviour of Bruno Agnes, president of the cooperative União do Popular de Santa Cruz do Sul between 1946 and 1961, and his trajectory as a political actor in the immigrant community of Santa Cruz do Sul. It is argued that the organisation in the *democratic interval* allows the formation of new local groups' spaces that acquire positions in the state. Agnes is an example.

Bruno Agnes shares similar trajectories, like other members of the organisation. Born into a family of German immigrants, he joined the cooperative as a bookkeeper at ‌20 and endured numerous positions until becoming president in 1946.

By presiding over the organisation for 15 years, he ensured the continuity of the management of the Hoppe family (Felix Hoppe and Edmundo Hoppe). His first election as president was on March 11, 1946. On the same day, José Augusto Mergener was elected director and Leopoldo Morsch secretary. They all have professional experience and are elected by a majority vote at a general meeting. Agnes would be re-elected four more times until passing away prematurely during his term of office (Barth, Spindler, and Kist 2014, 57).

He has a long professional trajectory on the organisation's structures and acquires notorious recognition in the political sphere of the city. At the State level, Bruno Agnes is elected to the city council with the Social Democratic Party (PSD) in 1947 with 297 votes, and re-elected in 1952 with 411 votes; he tried unsuccessfully to return to the legislature in 1955, but was finally elected for a third term in 1959 with the highest number of votes, 595 (Noronha 2012, 244–45). He is also the last executive mayor of the Estado Novo regime (Schmidt 2002, 22). After his term of office, the elections for city mayors were held by popular vote[[107]](#footnote-107).

Agnes does not leave the cooperative to exercise his political mandate in the local legislative/executive branch — there was no ban on accumulating political mandates in the State and holding elective positions in the cooperative. Internal statutes and regulatory agencies now forbid such practices.

His father, Cristóvão Agnes, is a founding member, along with its first president, Felix Hoppe, as mentioned in chapter x, thus marking a family succession in command positions.

Merchant, dealer of the brand of vehicles and machinery General Motors, Agnes holds mandates as mayor and councillor of Santa Cruz do Sul and leader of the ACI - Association of Commerce and Industry of Santa Cruz do Sul (Noronha 2012). With good influence in the local media, he becomes a partner in the Santa Cruz newspaper and a member of its editorial board (op cit).

Agnes is a member of the PSD, a political party that supports the government of Vargas. In his role as a representative of the party, he works with interventors and other supporters of the government, such as rural landowners, industrialists, merchants, and civil servants. As editor of the Gazeta newspaper, Agnes writes articles and editorials that reflect the ideals of the PSD. This newspaper helps to promote the election of candidates for governor and mayor.

Ideologically defining itself as a party of the center, the PSD of Bruno Anges supports many of the modernising measures of the period, but opposes those that threatened its clientelistic bases. The party stands for state oil monopoly and state intervention in the economy, supports any initiatives taken by the populist government of Juscelino Kubitschek, fights to expand illiterate people's right to vote and the state's nuclear energy policy. On the other hand, it opposes administrative reforms, extension of labour legislation to the countryside, and radical agrarian reform, presenting alternative projects .

During his term as president, he established closer contacts with political authorities and ensured ‌representatives of class organisations (agricultural and industrial sectors) such as the rural workers' union, commercial and industrial associations in the governing boards. The actor has a great influence in the Santacruzense community, as Noronha (2012) pointed out.

*Bruno was born on July 30, 1913, and had been working as a business executive, accountant, industrialist, professor, and politician. His schooling followed an elite pattern; he graduated as an accounting technician at the Colégio Marista São Luis. After graduating, he began his professional career as an accountant at União Popular de Santa Cruz S/A and later became the director-president. This bank, the future Sicredi, is the Catholic equivalent of the Caixa de Crédito, which, although founded by Jesuits, ended up being an investment space for the Protestant elite. Bruno worked as a professor at the Colégio São Luis Technical School of Commerce. In the business area, he was the owner of Agnes, Frantz & Cia. Ltda., local dealer of General Motors. He increased his investments by buying stocks in Indústria de Laticínios Santa Cruz S/A, the future Polar S/A - Indústria, Comércio e Agricultura, where later he would become a director.*

*Bruno had an outstanding performance in civil society, he served on the board of the Gymnastics Society, of the Catholic Community, he promoted of the construction of the bishopric; he was active in the foundation of the Rotary Club Santa Cruz, of which he was the first president, and he was president of the Parents and Teachers Circle, and of the Association of Former Students and Friends of the Associação dos Ex-Alunos e Amigos dos Irmãos Maristas do Colégio São Luis. Although being catholic, he was active in the Clube União, reaching the executive board, a fact that proves a high level of articulation between Protestants and Catholics in the city's social life. Bruno held distinguished business leadership, as he was president of the ACI (Industrial Commercial Association), member of its fiscal council, and secretary in the 1940s/50s. After the Second World War, he joined the commission for the city's centenary, where he emphasised the need to change the celebration of the 100th anniversary of the German immigration to defend the National Tobacco Festival, which would better represent the city in the regional and national scenario, as most of the city's entrepreneurs wished. He died on March 25, 1961.* (Noronha 2012, 244–45)

These characteristics suggest the qualities of an articulate political actor who has influenced the organisation and community of Santa Cruz do Sul. Under his administration, the União Popular de Santa Cruz do Sul has modernised and expanded its territorial base. There is also the insertion of new members expanding entrepreneurs' and local farmers' political and social participation in the decisions. His political insertion in the PSD and Gazeta newspaper makes this person an outstanding leader for the credit cooperative.

Although the União Popular de Santa Cruz do Sul has its origins in the rural areas, new governance forms have formed in the urban areas, thanks to its political actors who move easily between these two sectors. Agnes is an outstanding example. The organisation under his leadership shifts toward local autonomy, and elected leaders become key players in the local economy and politics. The *democratic interval* offers opportunities for members to extend their leadership and disseminate ideas and values unprecedentedly. The following topic provides data on the growth of the organisation.

## 6.3 Business growth in the democratic interval 1945-1964

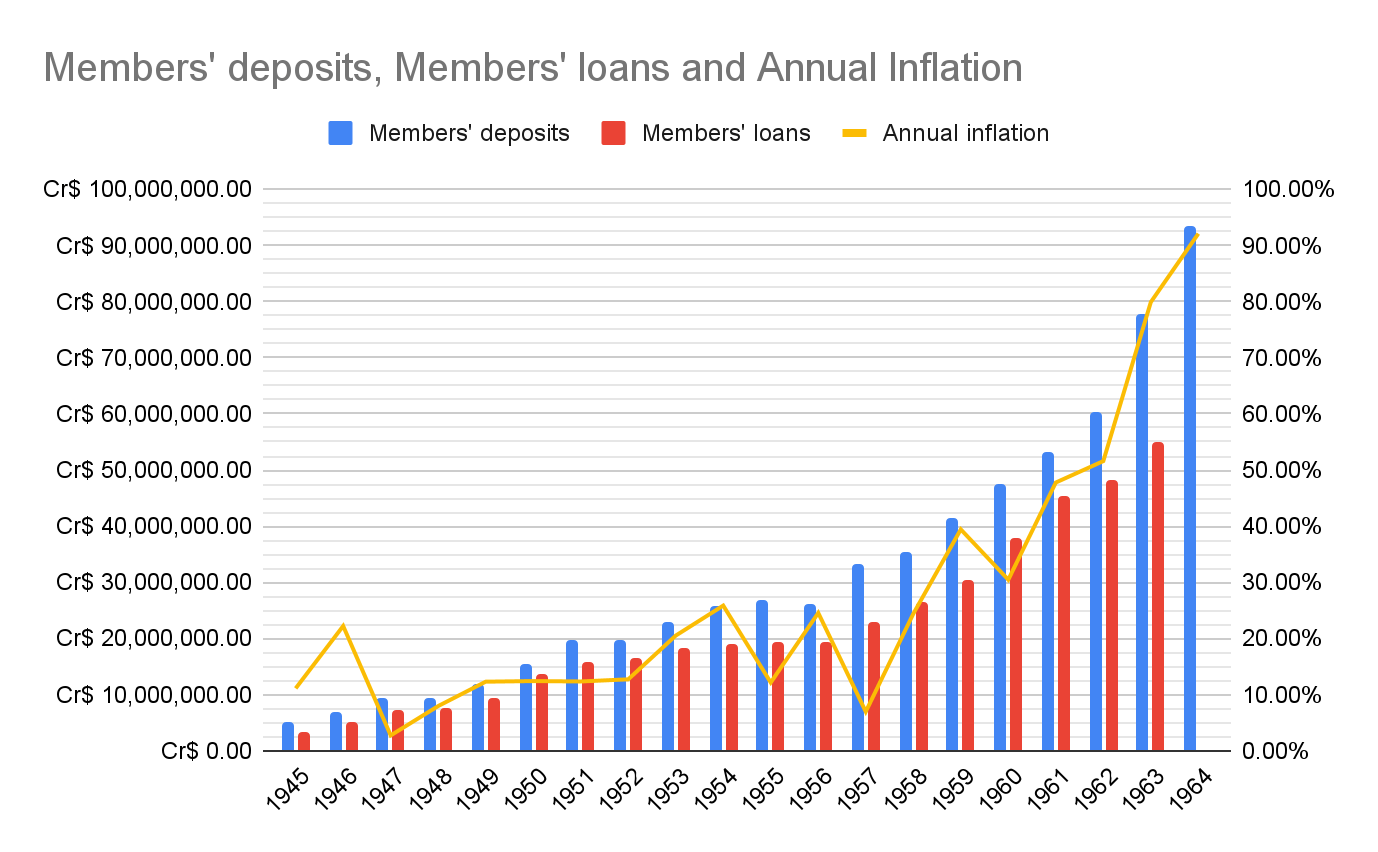
One historical economic analysis of União Popular de Santa Cruz do Sul from 1945 to 1964 shows company growth and demonstrates that the Board of Directors managed the business in a rational and technical perspective. This is because of a legal framework created during the Vargas administration, allowing the business to operate in the local and regional financial market, be recognised as an official financial agent, and have the recognition of the communities in which it operates.

The organisation produced positive results during the four elected national governments (Dutra in 1945, Vargas re-elected in 1950, Kubitschek in 1955, and Goulart from 1961 to 1964) and expanded its presence in the community. Its groups gradually became recognised and integrated into the local political, economic, and cultural spheres.

The policies adopted by the government and cooperative leaders have transformed the sector, strengthening national cooperation at the economic, political, and cultural levels. Some companies in Santa Cruz do Sul are nationalised, and large foreign corporations enter the market. The banking sector receives the entry of large financial agents, like Caixa Econômica Federal, Banco Mercantil, Banco da Província do Rio Grande do Sul, Brasilianische Bank für Deutschland (Banco Alemão), o Banco Pelotense, Banco Nacional do Comércio and others.

However, despite ‌competitors, the cooperative continues to grow and remains active in the market. The increase in numbers occurred especially from the 1940s when deposits and loans reached a sequence of nominal growth. It was in 1945 that the business received "the greatest impulse since its inception, with an increase in deposits of over 50%". According to management, this growth "has appeared on our balance sheet for the first time since our founding in 1919".[[108]](#footnote-108) The following years would be even better in economic terms.

Chart - Members deposits, members loans an annual inflation (1945-1964)

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Source: Compiled by the author based on data from balance sheets and annual reports.[[109]](#footnote-109)

Although legally oriented toward farmers, in the 1950s, the board notes ‌contributions come two-thirds (⅔) from urban and suburban areas and only one-third (⅓) from rural areas. According to the board, it "is a consequence of the exodus from rural areas and also related to the increase in jobs and ‌national and international companies in Santa Cruz do Sul." The regulator during this period does not prohibit urban members from joining the organisation.

These numbers also indicate the power of fundraising, especially the annual nominal growth rate, which exceeded 2800% at the end of the period (1945-1964), even though similar institutions had already emerged in the city .

The reports show periods of stability between 1945 and 1955, ‌just after the authoritarian regime of Getúlio Vargas. This period also coincides with the departure of President Edmundo Hoppe and Bruno Agnes as head of the organisation in 1946.

An important feature is that member deposits were always higher than the loans, a shred of evidence ensuring the company's financial health. In addition, both the volume and value of transactions increase, suggesting that the company seeks to acquire market share over competitors. Therefore, management directs credit to serve the rural production sector and urban commercial and industrial facilities. The increase in the number of members, the expansion of activities to other regions such as Rio Pardinho, Sinimbu, Gramado Xavier, Sitio, General Osório, São Martinho, Monte Alverne, Ferraz, Dona Josefa, Linha Trombudo, and the relationships with the government and other banks are also reflections of this new period.

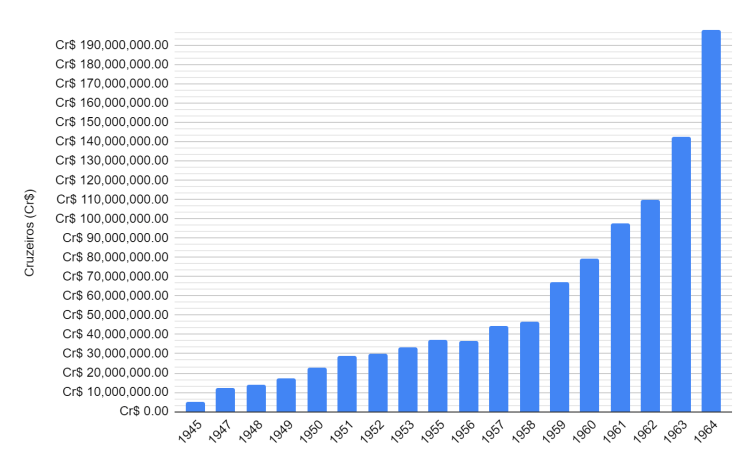
In 1952, the associates revised the bylaws to allow new members to join without paying monetary amounts (Article 7). This measure reduces the barriers for new participants and, as a result, União Popular increases its membership, especially in rural areas, where the enterprise can legally operate.[[110]](#footnote-110) The organisations growth can also be seen in the number of employees. In order to adequately meet the volume of transactions, the management authorises the hiring of new employees, all residents of the city .[[111]](#footnote-111)

As the cooperative establishes itself and improves its structure, the need for bureaucratic internal communication and highly qualified professionals capable of meeting the needs of the direct and indirect members in a reasonable and demanding manner also increases. Reports from this period are more detailed and formal due to two inherent factors: the modernization of activities and state regulation. The challenge lies in bringing accessible information to its audience, especially farmers and members of the urban sector that acquire a space in the organisation.

Not only are the deposits and loans growing but also business assets. (see Chart 9). These values represent the assets and rights of the business that can be converted into monetary means, indicating the market value of the business. This account includes real estate, cash, bank balances, investments, loans, inventories, raw materials, reserves, office equipment, automobiles, commodities, short-term investments, and securities receivables. Until 1957, the cooperative owns at least five properties, one of which is the Hotel Santa Cruz in the centre of town[[112]](#footnote-112), besides 34 hectares of land in Linha Santa Cruz, where the Technical School of Agriculture (CTA) operates.[[113]](#footnote-113)

In addition to financial products, furniture, and real estate, the company's assets include an inventory of seeds, fertilisers, and implements, which are acquired to support the activities of its members.[[114]](#footnote-114)

Chart - Assets (1945-1965)

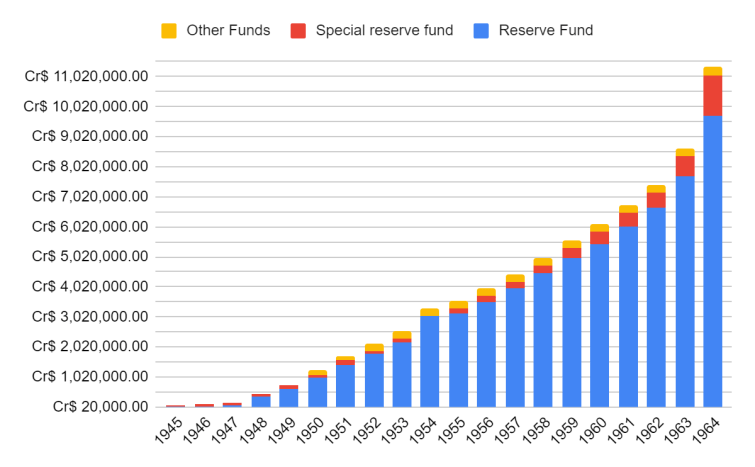
Source: Compiled by the author, data from balance sheets and annual reports

To "publicise" the increase in assets and the relevance of the services provided to the community, the board of directors and the fiscal council allowed the Gazeta de Santa Cruz newspaper to publish reports in the local news with notes on the cooperative's activities. Reports indicate their organisation in "financing crops or other ventures, " enabling members to purchase land or build their own houses.”[[115]](#footnote-115)

The reserve fund is another important element that shows the company's stability. In 1948, the leaders adopted a rule for the distribution of surplus capital, which was invested in the proportion of 80% for the reserve fund and 20% for the special reserve fund[[116]](#footnote-116) and two years later, they created an additional fund called "miscellaneous fund" which has a fixed value of 150,000 Cr$ in the first two years and 250,000 Cr$ in subsequent years. With this, the cooperative has three accounts to allocate its additional resources. In 1952, this decision was ratified by the General Assembly and implemented in the reform of the statutes (Articles 8 and 9), which define the criteria for establishing the balance sheet, the statement of accounts, the proportionality, and the distribution of the surplus generated.

The reserve funds ‌compensate for any losses. They are indivisible, belong only to the company, and their distribution to excluded members, heirs, or creditors of deceased members is prohibited. Because of its indivisibility, in the event of dissolution of the company, the National Cooperative Credit Bank (BNCC) is the institution chosen to receive the funds that will be used promptly in creating another Raiffeisen cooperative in the municipality or another institution, according to a decision of the dissolving general meeting. The chart below shows the growth of the organisation's funds.

Chart - Cooperative funds (1945-1964)



Source: Compiled by the author, data from balance sheets and annual reports

The resources are allocated in specific accounts and are used only with the authorisation of the fiscal council, being destined for emergency purchases, investments in the construction of the headquarters, purchases of machinery, vehicles, and equipment, only for the institution.

The administration of reserve funds is also an example of self-regulation, as its rules indicate that members are concerned about the results of the surplus and its application in the community. Although local cooperatives are controlled by national legislation and linked to regional offices and federations, the allocation of funds is an exclusive task of the members and, thus, a self-regulated activity independent of external regulators. Through these funds, the cooperative's profits are returned to the community through rules established by the members' meetings. Members allocate funds to cultural, sporting, social, educational, and environmental projects in the areas where the cooperative operates and assist the organisation in overcoming difficulties in times of crisis. By reserving funds for emergency expenses and the education of its members, the cooperative follows the principles established by the ICA at the Paris Congress (1937), which encouraged cooperatives to establish funds for the education of their members and the public.

In the early years of the *democratic interval*, there is a constant struggle for internal autonomy and the insertion of new actors in the financial market. From the 1950s on, it is valid to say that the company enters the market dynamics and acts to expand its base and territorial scope.

## 6.4 The inflation and economic problems of the 1950s and 1960s

Due to the intense modernization of activities, the economy's core shifted from agrarian to industrial and urban sectors. However, from the end of the 1950s, a serious problem affected the União Popular de Santa Cruz and the whole Brazilian economy: high inflation.

Freitas (1990) finds that inflation-adjusted loans and deposits behave differently from their nominal value and do not overcome the price inflation spiral in the economy. The author points out that loans substantially increased until 1951, reaching the sum of 727,023,421.23 (adjusted values), but after this date, there is a visible decline (see Chart 11). This effect is related to the economic problems faced by Brazil in the early 1950s.

Chart - Loans between 1944 and 1964 and inflation-adjusted loans

|  |  |
| --- | --- |
| Nominal *members* loan **Gráfico** | Adjusted *members* loan **Gráfico** |

Source: Compiled by the author, data from Freitas (1990) and IPEA IGP (2022)

The depreciation is accentuated and follows the inflationary spiral, assuming alarming proportions at the beginning of the 1950s. A scenario of instability is established in the Brazilian economy, causing a crisis of confidence among the economic agents.

In the cooperative, this process is clear because the business cannot serve all members. In its reports, the board states that "not all loan requests were granted due to lack of funds. The directors give “preference to small loans, resulting from our members' savings." However, they point out that "the applications ‌reach members in rural and urban areas, with purchases of agricultural products and projects of collective interest".[[117]](#footnote-117)

Not only does the purchasing power of the loans decrease but also the deposits cannot meet the group's needs. According to the directors "it is not possible to have an increase in deposits because of the serious lack of resources in the region as a result of the natural financial situation of the country and price increases in all products", as well as "credit restriction and consequent intervention in the financial market by speculators".[[118]](#footnote-118)

Macroeconomic factors affect the dynamics of the local organisation. Chart 12 shows that the depreciation of deposits also becomes more accentuated from 1951 on, coinciding with the inflationary spiral.

Chart - Deposits between 1944 and 1964 and inflation-adjusted deposits

|  |  |
| --- | --- |
| *Nominal member deposits Gráfico* | *Adjusted member deposits Gráfico* |

Source: Compiled by the author, data from Freitas (1990) and IPEA IGP (2022)

There is a decline in household consumption due to rising unemployment and a sharp decline in the confidence of financial agents, especially in the agro-industrial sector. The annual inflation rate rises from 7 percent a year in 1957, to 24 percent in 1958, reaching 80 percent in 1963 and 92 percent in 1964. (BRUM, 2003). During the end of his administration, President Juscelino Kubschek's plan is questioned by the population - especially due to the loss of purchasing power of salaries, which are undermined by inflation. After a tumultuous process of ideological clashes and legislative discussions, the then vice-president, João Goulart, takes over the presidency. However, his administration cannot overcome the crisis, which escalates to a military coup in 1964.

From 1950 to 1964, several changes occurred in the banking system, including the steady increase in inflation. To compensate for the rise in inflation, the União Popular adopted increasingly high-interest rates on deposits: 5% per year (for 90 days), 5.5% per year (for 120 days), and 6% per year (for 180 days).[[119]](#footnote-119) They increase the demands on monetary and fiscal policy, and their actions include tight control of spending and wages ‌to restore finances, overcome inflation, and achieve economic and financial stability. Financing and loan contracts satisfy only short and medium-term interests. Long-term financing and, in larger volumes, disappear from the cooperative's activities. For example, there are no more financing lines for land purchases.

Due to the inability of the cooperatives to provide long-term credit and the lack of members with the capacity to carry out such operations, the high expansion of the urban industrial sector from the mid-1950s onwards was financed mainly by private and state-owned banks, which had better conditions. In order to serve this segment and conduct long-term business, the cooperative sector did partnerships with the state financial sector and tax incentives. In União Popular de Santa Cruz do Sul, this is when members and leaders opt to accept partnerships with state banks, getting subsidised credits from Banco do Brasil's agricultural credit portfolio (CREAI) as a survival strategy. The contract with Banco do Brasil and the establishment of financing lines is described in the following topic.

## 6.5 Banco do Brasil's CREAI funds: one strategic decision - 1959

As mentioned in the previous chapter, actions to promote national industrialisation and modernization of Brazilian agriculture are adopted during the first Vargas government, among them the creation of the Banco do Brazil's Agricultural and Industrial Credit Portfolio (CREAI) through Law No. 454 of July 9, 1937, at the beginning of the New State. The CREAI is the first step towards the institutionalisation of the government's rural credit policy in Brazil, which is operated by Banco do Brasil — state bank (R. F. Santos 1998). The Credit portfolio enables contributions to private banks and cooperatives and results from the union's efforts to ensure the country's agricultural and industrial production through permanent financial aid to these financial agents. In the 1950s, lending lines of Banco do Brasil's agricultural portfolio are ‌active in the equity of private banks, cooperatives, rural properties, and loans aimed at modernising agricultural production methods and building schools on rural properties (op cit.). These resources are intended for long-term, low-interest financing for agricultural and industrial activities.

In ‌the União Popular de Santa Cruz do Sul, this source of public funding is only used in 1959 because until that year, the operations are carried out with its own resources, that is, the organisation had financial autonomy from the Brazilian State for almost 40 years since its foundation (endogenous funding). Even after CREAI was established (in 1937), members chose not to contract with the public bank, remaining self-sufficient for at least 20 years since the creation of the law.

However, the process of depreciation of the real value of the Brazilian currency, as shown in Chart 11 and 12, makes it financially unfeasible for the cooperative to continue with its credit operations, especially in its long-term transactions. The members decided to get help through credit lines offered by public agencies, such as Banco do Brasil, since the inflationary spiral threatened the deposits (the main funding source). The State Bank, conscious of the difficulties of the cooperatives, approaches the cooperative in Santa Cruz do Sul.

"A few years ago, the Bank of Brazil offered credit lines to our cooperative for financing small farmers in the city. We refused the offer because we had sufficient financial resources at the time. However, this is not the case today. We cannot meet the financial needs of many of our members. Therefore, we negotiated with the bank to explore the possibility of obtaining extra loan contracts for our small farmers. We received a positive response. According to the Banco do Brasil manager in our city, this type of financing through cooperatives is ‌common, and we have all the necessary conditions to launch this operation.[[120]](#footnote-120)

Thus, an Ordinary General Assembly is held on June 17, 1959, to deliberate on the matter. The members unanimously accepted the proposal and approved the contract with Banco do Brasil to obtain the loan. In the following years, this operation became routine also because the country's economic-financial situation worsened in the early 1960s, when Brazil plunged into an economic and political crisis, culminating with the coup on March 31, 1964. Nevertheless, this contract allows the modernization of the facilities and provides the necessary liquidity to continue short, medium, and long-term operations and, consequently, increases the number of members.

This contract alleviates some of the impacts of currency fluctuations affecting the country's financial markets and economy from the 1960s. It is worth noting that many cooperatives ceased to exist during this period. In the Rio Grande do Sul state, more than 55 cooperatives closed their activities in this decade. The closures are certainly related to the period of crisis in the Brazilian economy and the inability to maintain financial commitments with external sources. The table below shows the evolution of the contract with Banco do Brasil and its participation in the enterprise's capital:

Table - Evolution of the loan contract with Carteira de Crédito Agrícola Industrial (CREAI) of Banco do Brasil between 1959 and 1964

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Loans granted by the organisation** | **Loans from third-party capital (CREAI Banco do Brasil)** | **Percentage of third-party capital** |
| 1959 | 30,536,474.00 | 2,549,731.40 | 8% |
| 1960 | 37,839,169.80 | 4,250,814.90 | 11% |
| 1961 | 45,277,732.20 | 6,103,068.80 | 13% |
| 1962 | 48,104,401.30 | 7,627,296.50 | 16% |
| 1963 | 54,889,138.20 | 10,488,491.40 | 19% |
| 1964 | 67,378,134.00 | 19,279,733.00 | 29% |

Source: Prepared by the author using data from annual reports

In 1959, a total of 594 loan contracts were signed reaching Cr$ 30,536,474, at an average of Cr$ 51,408.20 per member. Of these, 123 contracts (Cr$ 2,549,731.40) used credits from Banco do Brasil, an average of Cr$20,700 per member.[[121]](#footnote-121) According to the 1959 annual report, all members meeting the required agricultural production prerequisites have been granted credit. Farmers who received funds from Banco do Brasil were inspected by the bank's supervision and achieved satisfactory business results.[[122]](#footnote-122)

In the same year, Banco do Brasil also registered its highest demand for agricultural and industrial credit in the last two decades in the country (Banco do Brasil 1959). The interest in rural expansion and mechanisation motivates the greatest demand for credit, and the Santa Cruz do Sul organisation is an example of this case. Table 9 also highlights that in 1959, there are ‌92% of the loans coming from the community itself, and only 8% came from the state bank. Gradually, however, state financing takes up increasing amounts of the cooperative's capital. In 1964, almost a third (29%) of the loans came from CREAI of Banco do Brasil. These loans help farmers work by facilitating the purchase of machinery, tools, vehicles, animals and helping with the mechanisation of agriculture. They contributed to purchasing machinery for small to large industries such as the industrial sector, tobacco processing, storage, transportation, and export. Especially during this period, State resources have been used to provide long-term loans for industrial and rural activities.

## 6.6 External control vs. autonomy: SUMOC and SER supervisions

With the diversification of the Brazilian economy and the dynamism of the financial market, the supervision of banking activities is transferred to the Superintendence of Money and Credit (SUMOC), an agency created within the Ministry of Finance by Law 7.293 of February 2, 1945, at the end of the Vargas administration. This body receives the task of supervising banks, banking houses, credit, financing, investment companies and credit cooperatives, processing applications for operating licenses, reform of statutes, capital increases, opening of branches, etc.

Previously, Brazilian rural credit unions, such as União Popular de Santa Cruz do Sul, operated under the supervision of the Ministry of Agriculture (initially through the Seção de Crédito Agrícola and later through the SER, Serviço de Economia Rural). It is no coincidence that supervision is exercised in these bodies. During this period, the Brazilian economy focused mainly on agricultural production to meet domestic demands and the growing foreign market for agricultural products. The members of the cooperative sector have adapted well to the State policies. In this way, the financial market's production, control and operation remained under these agencies' supervision. Only after 1945, with the diversification of the Brazilian economy, especially in the Southeast/South, that state supervision of financial institutions and credit unions moved to the centralised agency within the Ministry of Finance - SUMOC.

SUMOC executes the national monetary policy between 1945 and 1964 and precedes the creation of the Brazilian Central Bank. Control of the national financial market is a requirement of the World Bank (WB) and the International Monetary Fund (IMF), which require a single formal entity to represent the Brazilian government towards other international financial institutions, such as the International Bank for Reconstruction and the Inter-American Bank (Bulgarelli 1962). Besides overseeing commercial banks, this regulator is empowered to supervise rural credit cooperatives, including mixed cooperatives with a credit section.

This regulatory body affects the operation of financial institutions and their entire governance structure. Although it was designed to have exclusive control over national financial policy, provide assistance to the banking system and use the instruments of control over monetary and credit policy, the creation of Sumoc has not had the expected result. Small banks and credit unions often do not feel represented by this authority.

Knowing the effects of this new regulator (SUMOC), the rural micro-credit sector organises itself to request its demands and guarantee its existence. The first Cooperativism Congress in Brazil and the innumerous requests from various parts of the country to meet the demands are considered decisive factors in the drafting of Decree Law No. 8,401 of December 19, 1945, which allows credit unions to continue under the supervision of the Ministry of Agriculture even in the face of the existence of SUMOC.

As a result, supervising rural credit cooperatives is delegated to two regulators, SUMOC and SER, which simultaneously act on behalf of contrasting classes (banks and small financial institutions). These two regulators often have overlapping problems and disputes over central authority, a problem identified by government authorities and international bodies. Two regulators regulating the same issue reflect the state's inability (weak state) to create a good policy environment, i.e., failing to develop effective policies and coordinate conflicts between large banks and small financial institutions such as credit cooperatives. The dual regulatory system overseeing rural credit cooperatives in this case highlights the government's failure to effectively address conflicts between large banks and small financial institutions. This demonstrates a weakness in the government, despite its reputation as a strong state. The presence of two regulators on the same issue highlights the lack of strong, coordinated policies in maintaining a fair and stable financial system.

By analysing the documentation of the Board of Directors and the Fiscal Council of União Popular de Santa Cruz do Sul, it can be seen that there is a strong interest among the members to keep the Ministry of Agriculture and not the Ministry of Finance supervision. There is a movement of members, especially the board of directors, together with other cooperatives and regional offices towards a permanent struggle to convince monetary authorities of agendas for the survival of the cooperative system.

The first time "SUMOC" appeared in União Popular de Santa Cruz reports was in 1952, still during the second Vargas government. In January of this year, the manager was invited to join the Regional Office in Porto Alegre in a "review board to meet the requirements of the Superintendence of Money and Credit (SUMOC) and seek new measures in defence of the cooperative”.[[123]](#footnote-123)

In 1953, the directors pointed out the SUMOC requirement (Resolution No. 4) at their meetings, requesting a list of the names of all depositors, in all types of accounts, with balances, interest rates, and operating conditions. Also, the names of the main debtors, the amounts, the terms, and mandatory deposit rates. Internally, the members decide to "reach an agreement with other credit institutions in order to find a common solution to local demands and to facilitate operational continuity of cooperatives.”[[124]](#footnote-124)

In the following meetings, a local committee elected Bruno Agnes (president of the União Popular de Santa Cruz do Sul) to attend a meeting in Rio de Janeiro with authorities of the Ministry of Agriculture ‌to ensure that the supervision of the credit cooperatives is not only carried out by the Superintendence of Funds and Credit (SUMOC) of the Ministry of Finance, but also by the Rural Economy Division (SER) of the Ministry of Agriculture.[[125]](#footnote-125)

Another report from the board of directors in the year 1957 shows that the regional office requests the President of the Santa Cruz Cooperative to travel to the federal capital with the purpose of composing a specially appointed committee to contact authorities of the Ministry of Agriculture and the SUMOC, to obtain a response on implementing Federal Decree No. 41,872, of July 16, 1957, which put the cooperative to the supervision of SUMOC.[[126]](#footnote-126)

These documents indicate the collective effort of the different actors (Board of Directors, Fiscal Council, Regional Office, and members) to raise the authorities' awareness of local needs, demanding different treatment from traditional banks. However, the supervision of SUMOC, with strict control suppressed any competition in the system. During this period, many credit cooperatives, such as Raiffeisen and Luzzatti, as well as small and mixed cooperatives, were eliminated.

## 6.7 Donations and social actions for the Santa Cruz do Sul community

While donations and social activities are not part of the daily routine of many traditional companies, they are ongoing at União Popular de Santa Cruz do Sul. Social action brings prestige to the organisation and guides management's behaviour, aligning philanthropic initiatives with corporate goals. Besides the religious ethos that guided its emergence, social action, and financial contributions are facts of the organisation's historical existence, which aims to benefit the local community and finds relative support in internal legislation and statutory regulations.

In the 1940s, 1950s and 1960s, donations to the Santa Cruzense community occurred during a Board of Directors and Finance Council meetings, on weekdays and Saturdays, with contributions deriving their surpluses. These initiatives focus primarily on unassisted populations and have been restricted to specific contributions to help religious representatives, social organisations, educational institutions and student groups, natural disasters, and health programs.

It is essential to highlight that between 1945 and 1964, no project or program deals systematically with donations and social actions within the community. For example, donations are designed for good practices related to the cultural and spiritual aspects of the members participating in these meetings. These practices are acts of assistance, donations and the provision of material and financial assistance to solve the immediate problems of local families, charitable work, social activities and events to address community needs. Always spontaneously, without specific rules.

Although activities aimed at serving the people, including support for social projects and NGOs, donations and participation campaigns, respond to the immediate needs expressed by organised civil society, they are not organised by professionals or appointed committees, but are carried out in a seasonal and non-systematic manner in the deliberations of the Board of Directors itself. Structured social programs only appear in 1995, when a systematic program called *União Faz a Vida* is implemented in all cooperatives of the Sicredi system (see Chapter 7).

However, social responsibility is historically present in the executives' speeches and the company's reports and includes philanthropic practices, assistance, donations and participation in community events. Within this vision, the União Popular-SCS have an outstanding performance in the social sector, providing effective financial collaboration to social, educational, recreational, cultural, and agricultural sectors. The evidence of the Cooperative's commitment is illustrated in table 10.

Table - Donations to the Santa Cruz do Sul community between 1945-1964

|  |  |  |  |
| --- | --- | --- | --- |
| **Area** | **(Cr$)** | **Donation for** | **Meeting date** |
| Social | 200.00 | Construction of the Santa Cruz Football Club stadium | August 20, 1947 |
| Church activity | 2,000.00 | Aid to fight hunger in Europe after the 2 world war | August 20, 1947 |
| Church activity | 1.000,00 | Help with the cathedral's expansion | July 27, 1948 |
| Church activity | 2.500.00 | Aid to fight hunger in Europe after the 2 world war | August 24, 1948  October 13, 1948 |
| Education | 500.00 | Building of "Santo Inácio de São Salvador" school | July 15, 1949 |
| Church activity | 500.00 | Local church | July 15, 1949 |
| Church activity | 500.00 | Religious institutions that serve the poor population | July 15, 1949 |
| Church activity | 1,000.00 | Seminary of the Archdiocese of Porto Alegre to be built in Viamão (RS) | July 12, 1950 |
| Education | 5,000.00 | Construction of the new São Luís high school | November 9, 1951 |
| Church activity | 2,000.00 | Construction of buildings for religious activities (Casa irmãs de Maria) | November 9, 1951 |
| Church activity | 2,500.00 | Formation of young seminarians/population in need | February 18, 1952 |
| Education | 2,000.00 | Education expenses for rural teachers | February 18, 1952 |
| People in need | 2,000.00 | Help for children in need | April 22, 1952 |
| Education | 2,500.00 | Support to the organizing committee of the congress on rural social action in the municipality of Venâncio Aires (RS) | April 22, 1952 |
| Social | 12,000.00 | Manager's burial and funeral expenses | October 18, 1952 |
| Education | 2,500.00 | Travel expenses for students at the Gravataí (RS) seminar | Feb. 11, 1953 |
| Education | - | Expenses for training educators in the normal school in Cerro Largo | February 11, 1953 |
| Education | 5,500.00 | Aid for the enrollment of two students at the Rural School La Serlle | April 18, 1954 |
| Education | 3,000.00 | Purchase of 120 copies of the book "Conservation and improvement of the soil" for school teachers and farmers | July 23, 1954 |
| Church activity | 1,000.00 | Donation to local church (floor installation) | August 17, 1954 |
| People in need | 1,000.00 | Aid at Christmas for children in need, organised by SAN | August 17, 1954 |
| Social | 1,000.00 | Aid in the construction of the Corinthians club | September 17, 1954 |
| Church activity | 1,934.00 | Donation to local church | July 23, 1955 |
| Education | - | Donation of maps for private and public schools | April 28, 1956 |
| People in need | 2,000.00 | Aid for children in need | April 28, 1956 |
| Church activity | 1,000.00 | Aid for the construction of a church in a working-class neighborhood (Rua São José) | April 28, 1956 |
| Church activity | 2,000.00 | Aid for the construction of the Casa Loyola of Christian formation | June 16, 1956 |
| Church activity | 1,000.00 | Catholic Church events | October 27, 1956 |
| Education | 1,500.00 | School construction | October 27, 1956 |
| People in need | 1,500.00 | Aid at Christmas for children in need, organised by SAN | October 27, 1956 |
| Education | 3,000.00 | Publication in the daily newspaper about the 5th congress of rural action | May 3, 1957 |
| Education | 50,000.00 | Travel assistance for the President's study in Europe | July 20, 1957 |
| Education | 1,000.00 | Travel expenses for students from rural schools | August 23, 1957 |
| Health | - | Expenses for medical treatment of agricultural training centre students | August 23, 1957 |
| Church activity | 10,000.00 | Donation to the Loyola Foundation, the future headquarters of the Jesuit priests | April 29, 1958 |
| Social | 5,000.00 | Purchase of a typographic device for advertising and propaganda | April 29, 1958 |
| Church activity | 10,000.00 | Heritage building for the bishopric of Santa Cruz do Sul | July 7, 1958 |
| Disasters | 2,000.00 | Donation to the municipality of Aratiba, to help the victims of the catastrophe that devastated the city | August 8, 1959 |
| Church activity | 29,500.00 | Purchase of a portable typewriter for the bishop, Alberto Etges, from Santa Cruz | October 28, 1959 |
| Social | - | Publication in the local press about the 20th Catholic Congress | December 12, 1959 |
| Church activity | 10,000.00 | Aid for the construction of the Loyola Foundation House | December 12, 1959 |
| People in need | 2,000.00 | Financial aid for children in need / Christmas donation | December 12, 1959 |
| Church activity | 2,000.00 | Donation to a church in the city of Várzea | October 21, 1960 |
| Workers' group | 3,000.00 | Donation to the workers council | October 21, 1960 |
| Church activity | 10,000.00 | Aid for the construction of the Loyola Foundation House | October 21, 1960 |
| People in need | 2,000.00 | Aid at Christmas for children in need, organised by SAN | April 1, 1961 |
| Church activity | 3,600.00 | Kermese pavilion | April 1, 1961 |
| People in need | 2,500.00 | Aid for children in need | April 1, 1961 |
| Social | - | Financial aid for the burial of president Bruno Agnes. | April 1, 1961 |
| Peeple in need | - | Rental of a warehouse to store food donated by the American community to be distributed to the needy in Santa Cruz, through the city's Diocese (Caritas Program) | April 1, 1961 |
| People in need | 5,000.00 | Aid for children in need | July 20, 1963 |
| Education | 5,000.00 | Financial assistance for students to a trip to Chile | July 20, 1963 |
| People in need | 10,000.00 | Help for children in need | July 22, 1964 |
| Social | 25,000.00 | Donation to the library of economical sciences | July 22, 1964 |
| Social | - | Old typewriter donated to the agricultural workers union | November 12, 1964 |
| **TOTAL** | 248,734.00 |  |  |

Source: Author, based on board of directors and fiscal council meetings (1945-1964)

Community donations between 1944 and 1964 (Cr$ 248,734.00) correspond to 0.03% of the total contributions of the cooperative members during the same period. An insignificant amount, but in the social, religious and educational areas, it met some of the local community's needs. Although it is impossible to know the real motives and intentions of the Board of Directors for the contributions made between 1944 and 1965, it is possible to say that the donations were concentrated in 37% for religious activities, 33% for education, 17% for social activities, 11% for helping the poor and 1% for helping workers and natural disasters.[[127]](#footnote-127)

The segment that receives the most resources is the religious activity, where contributions consist mainly of donations for the construction, renovation or maintenance of churches or similar projects. There are three main assumptions for that: the historical roots of the Raiffeisen system, the Christian immigrant community in Santa Cruz do Sul, and the pioneering spirit of the Rio Grande do Sul cooperative led by Priest Teodoro Amstad - it is not surprising to find interest in projects related to Christian religiosity. It should be noted that monetary donations and goods belonging to the cooperative are donated to local entities and the community: office equipment, chairs, agricultural tools, seeds and school materials, maps and national flags are some ‌items distributed in the community.

In terms of social action, they have a wide range of activities and participate in almost all community sectors. These include donations of funds, provision of loans, donations of seeds and agricultural tools to farmers, donations of educational materials for public and private schools, donations for the purchase of public goods, and financial cooperation for the development of the socio-cultural sector. Table 10 confirms this by indicating that even in difficult times, the cooperative often contributes to social activities in its area.

One should note that during periods of crisis, high inflation, unemployment and national economic problems, the organisation has proven its legitimacy as an economically and socially actor by supporting social activities for religious organisations, the poor, small-scale farmers and educational institutions.

Another example of self-regulation and community participation in organising social actions is the initiative for Dutch potato distribution as a strategy to encourage farmers to plant food crops and reduce dependence on tobacco plantations and tobacco industries. In order to "encourage the cultivation of a product increasingly absent from the immigrant's table, our cooperative has purchased Dutch potato seeds to be distributed free of charge to our farmer members". In 1952, the cooperative distributed 150 boxes of potatoes and accompanied the crop with state agricultural technicians. The farmers who received the seed were successful and committed to returning the amount received at harvest time so that the cooperative could give more seed to new farmers.

The community received the initiative well; the following year (1955), members purchased another 1,000 boxes through the Porto Alegre Regional Office. In 1956 another 1,500. In addition, agricultural demonstration areas are set up on an experimental basis by members of the São Alves, Ferraz and Trombudo lines to guide other members in growing food crops.[[128]](#footnote-128)

As Freitas (1990 p. 199) points out, members organised farmers' excursions to visit efficient properties, such as the plantations in the Cristo Rei College in São Leopoldo, Rinaldo Umann's farm in Rincão Del Rei, plantations of the Vale do Taquari, cultivated by Italian immigrants, and participation in agricultural exhibitions in Rio Pardo and the capital, Porto Alegre. It should be noted that public authorities have not approved all initiatives. One example is the ban on the distribution of potatoes to members in 1955. On this occasion, the Ministry of Agriculture forbids the distribution of seeds, resulting in a loss of $22,304 to the Special Reserve Account[[129]](#footnote-129)

In some cases, community leaders reach out to request assistance for acquiring goods in their areas. This was the case for the Capão da Cruz and João Alves schools, where the community, through its representatives, like the pries Lúcio Reis, requested flags and national maps[[130]](#footnote-130). This shows that the community is proactive in seeking ways to address challenges and improve their local resources. These initiatives also demonstrate a sense of ownership and responsibility within the organisation to create positive change. Another example is a demand for assistance from private schools in negotiations with the government. Due to the bureaucratic nature of private schools receiving public funding, mainly provided by the state government, the board was requested to draft documents helping private schools to send applications to the state, especially for tax incentives. And in some cases, self-regulation reaches international proportions.

In response to the appeal of Rev. Balduino Rambo, a contribution of 2000 Cruzeiros was approved for the subcommittee *Socorro à Europa Faminta* for the relief of hunger in post-war Europe.[[131]](#footnote-131)

While helping the community, these actions also contribute to an excellent institutional image. Community engagement and social incentives are indicators of business growth and sustainability highlighted in the company reports.

At meetings held in various communities throughout the year, with many people involved, we had the opportunity to connect with our local farmers. (…) These meetings reinforced our belief that it is crucial to help our communities meet their credit needs. Also, helping them develop knowledge for new initiatives is just as important as providing credit.[[132]](#footnote-132)

(…)

The following visits were made to our rural districts: Linha Arlindo, Linha Passo do Sobrado and Linha Formosa. These meetings, held by our leaders on Sundays, were accompanied by the Reverend Priest Wendelino Junges, our ecclesiastical assistant in the CTA, and dealt with issues and problems of our small farmers, the CTA, our cooperation and also, when appropriate, our organisational re-arrangements. The visits were well attended, having 120 people at once. They will continue in the coming months for an ever closer contact with our rural members.[[133]](#footnote-133)

(…)

Following our program in the rural area, more meetings were held: on 05.07.1959 in Boa Vista with the participation of 100 people, on 05.10.1959 in Linha General Osório with 120 people, on 05.24.1959 in Sinimbu with 60 people, on 06.13.1959 in Ponte Andreas, with 30 people, on 07.26.1959 in Cerro dos Italianos and Trombudo, with 100 people. Like the previous visits, they were also greatly beneficial, since they provide closer contact with our customers, getting to know their problems and seeking solutions.[[134]](#footnote-134)

(…)

More visits were made to the rural area: Linha Antão, on 08.09.1959 with 70 people present, Linha Araca also on 08.09.1959 with 96 people, Linha Paredão on 08.25.1958 with 50 people. During the year, 11 meetings were held in different places, and about 1000 people attended them, demonstrating interest in such events. Due to the proximity of the municipal elections, other visits and meetings in the rural area have been suspended for this year. We will continue the visits next year.[[135]](#footnote-135)

Participation in events, credit donations and, in some cases, donations of materials to support the activities of residents can be understood as important factors for accomplishing organisational projects and integration. Therefore, this is a key factor in building relationships to attract resources, support and partnerships with private and public spheres. Thus, social actions are the object of prestige and are widely publicised.

In order to give a better understanding of the relevant services that our credit cooperative provides to the community, whether by financing crops or other businesses or by allowing the purchase of land or the construction of homes for our families and thus achieving our social goals, we authorise the publication of an article in the Santa Cruz newspaper.[[136]](#footnote-136)

Traditionally, social responsibility is present on the cooperative's agenda, and its decisions made by the board of directors through individual, philanthropic, and patrimonialism (client/patron) actions are some evidence. Indeed, the "social sector of the company" is characterized by the lack of a systematic budget structure, the absence of clear metrics for evaluating the social impact, and the concentration of decisions in the hands of the board of directors and the fiscal council. Structured programs only appeared systematically in the 1990s with the implementation of a broader program — Programa União Faz a Vida (PUFV). However, the leaders have historically shown themselves to be open to social demands given its growth and geographical expansion.

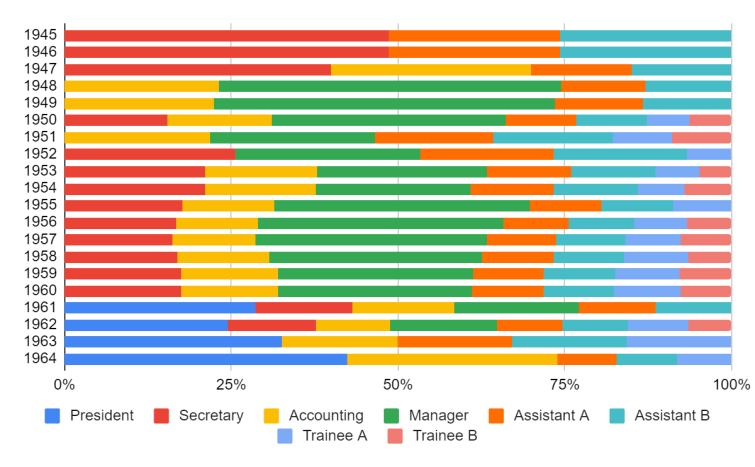
## 6.8 Career, positions, and salaries: the cooperative as a vocation

União Popular de Santa Cruz do Sul was a self-help organisation that addressed the needs of farmers and city residents in a remarkable manner. Guided by Christian values, the cooperative engaged in philanthropic and charitable actions, reflecting a strong commitment to solidarity among its members. Its adherence to Raiffeisen's principles, such as geographic restrictions, singularity of member votes, and the absence of share capital and surplus distribution, reflected its commitment to fostering a strong sense of community among local residents.

Regarding the remuneration of its leaders, while the Raiffeisen model placed great emphasis on volunteer work, the União Popular de Santa Cruz do Sul found it necessary to provide compensation to its personnel, particularly its leaders, given the need for full-time commitment and responsibility for daily duties. A review of the cooperative's historical documents and payroll records reveals that directors and presidents received salaries and bonuses, although such information was not initially made clear to the members. In the following years, however, such payments were recorded in the cooperative's balance sheets, indicating a shift towards greater transparency and accountability.

As the cooperative expanded geographically, engaged in more activities, and pursued a closer market approach, the need for compensation for its leaders became increasingly necessary. With institutional consolidation, standardisation of products and services, and an increase in the number of member-customers, the remuneration of leadership became a useful tool for ensuring organisational efficiency. Accordingly, the cooperative began to offer staff salaries for specific services and started paying directors and presidents for their elected positions. These payments were aligned with market prices, having into account the leaders' experiences and hierarchy. Analysing the distribution of employee salaries from 1945 to 1964 sheds light on the critical role that the cooperative's payroll policy played in shaping the behaviour of its agents, from strategic and executive staff to lower-level employees and trainees.

Chart - Organisational payroll distribution between 1945 and 1964



Source: Author, based on Sicredi Vale do Rio Pardo bylaws from 1945-1964

Chart 13 illustrates the company payroll during the period 1945-1964. The hierarchy of job roles and wages depicted in the chart resembles a modern company, where job positions and wages are determined based on experience and job function. This indicates a structured mode of production and organisational forms adopted for conducting business activities.

It is worth noting that, in contrast to the Raiffeisen system, the União Popular-de Santa Cruz do Sul remunerated its presidents. They received a salary and a 5% bonus on the "surpluses" verified in the balance sheet, although these payments did not appear on the company's payroll.[[137]](#footnote-137)

From the 1950s onward, all employees' wages increased significantly to avoid the inflationary erosion of wages. The reason for the readjustment of salaries appears in the meetings of the Board of Directors and the Supervisory Board, "taking into account the increasing cost of living, as well as the new salary levels".[[138]](#footnote-138)

Decisions on employee wages are taken at meetings of the Board of Directors and the Fiscal Council. There is no documentation showing that representatives of workers' movement or trade unions are present at these meetings — although some information shows that some members are active in worker's organisations (see Appendix 1). Questions about how the remuneration policy is developed, the changes in wages, who implemented them, and why can arise. In order to clarify how these questions are addressed, transcripts of the 1953 meetings are presented.

(…) the following wages will be adopted for the employees of the cooperative starting this month:

* 4,200 cruzeiros (an increase of 700 cruzeiros) for the manager
* 3,300 cruzeiros (an increase of 500 cruzeiros) for the bookkeeper
* 2,500 cruzeiros (an increase of 400 cruzeiros) for the assistant
* 2,500 cruzeiros (an increase of 400 cruzeiros) for the assistant
* 1,400 cruzeiros (an increase of 300 cruzeiros) for the assistant
* 1100 cruzeiros (an increase of 300 cruzeiros) for the assistant”'.[[139]](#footnote-139)

It is always the same individuals who determine the company's remuneration policy and even their own salaries: the board of directors. The following table shows the increase in employees' wages in 1953 and the variation in relation to the previous year; notice that some of the wages exceeded annual inflation of 20.5%.[[140]](#footnote-140)

Table - Staff salary growth in 1952 and 1953.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Job title** | **Wage in 1952** | **Wage in 1953** | **Yearly increase** | **Real growth** |
| **Manager** | Cr$ 3,500 | Cr$ 4,200 | 20% | 0,5% |
| **Bookkeeper** | Cr$ 2,800 | Cr$ 3,300 | 18% | -2,5% |
| **Assistant** | Cr$ 2,100 | Cr$ 2,500 | 19% | -1,5% |
| **Assistant** | Cr$ 2,100 | Cr$ 2,500 | 19% | -1,5% |
| **Assistant** | Cr$ 1,100 | Cr$ 1,400 | 27% | 6,5% |
| **Assistant** | Cr$ 800 | Cr$ 1,100 | 30% | 10% |

Source: Author, based on minutes of Sicredi Vale do Rio Pardo board and fiscal council meetings, 1953.

The readjustment indicates that not only do workers' wages evolve but also that the level of inequality in job earnings decreases. Some rises are below the official inflation level giving a loss of their purchasing value. The evolution of salaries in occupations with lower average earnings has been faster than in those with higher salaries, which has helped to reduce inequalities between occupational groups. That is because workers who have seen the most significant increases in earnings over the past decade are those whose earnings are close to the minimum wage - typically, employees in lower-level positions or with less job tenure.

Another point of note is the authorisation given in 1949 by the Board and Fiscal Council to provide managers with additional semi-annual compensation of Cr$ 5,000. Thus, in addition to the 12-month salaries and the 13th extra, executives now receive two additional remunerations (July and December), totalling 15 annual remunerations. Extra compensation is only applied to all employees from the year 1964.

## 6.9 The professional career path

Analysing the careers of individuals can shed light on the structure of an organisation's governance. This topic analyses the career development of individuals who have held positions of influence in the União Popular de Santa Cruz do Sul. A chart attached to this thesis reconstructs the career of individuals, showing interesting variables such as gender, time in the organisation, professional qualifications and political affiliations.

Leopoldo Morsch's professional carrier is a great example that illustrate the hierarchical structure presented in many traditional and bureaucratic organisations. Beginning as an assistant at the age of 15 in 1932, Morsch spent the following 29 years ascending the organisational ladder until he was appointed as president. Notably, Morsch held a range of internal promotions, including tax consultant in 1946, secretary-general in 1947, managing director in 1951, and finally, president in 1961. Leopoldo Morsch succeeded because he demonstrated competence, which was a requirement to move up to higher positions in the organisational hierarchy. Additionally, the ability to navigate through complex social dynamics within the organisation and establish relationships with influential people contributed to his professional path. The appendix contains other career examples.

In general, only men have occupied upper management and presidency roles, either by dedicating an extensive time to the organisation or by focusing solely on their professional growth. For instance, Leopoldo Morsch and Olívio Hefer were both secretaries who rose to managerial positions after several years of work. On the other hand, some individuals, such as Jose Mergener, were directly appointed as managers (see appendix). Promoting internal employees who have worked for a long time was a way to recognise their loyalty and commitment, and promotion was deemed a natural event. However, the direct appointment of external specialists, like manager Jose Mergener, who had experience in commerce and local political reputation (e.g., he was elected councilman in 1935 and a candidate for mayor), was also common.

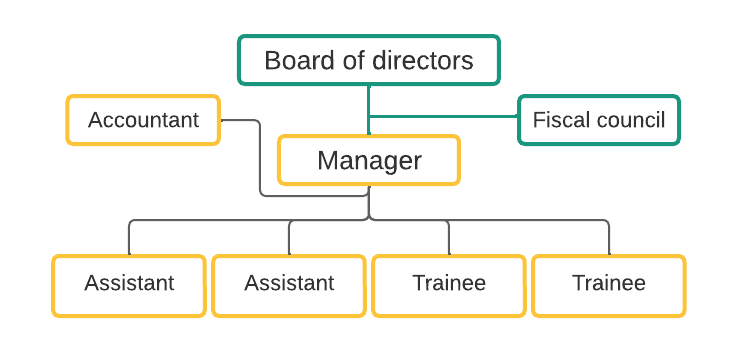
It is important to highlight that high-level positions in the organisation had little turnover, only being replaced in case of death or departure of the incumbents. This led to a certain stability, but also to a limited diversity of ideas, since professionals remained in their positions for too long and, as a result, there was no renewal. This prolonged tenure of professionals in high-level positions created an environment that was comfortable with the status quo, leading to inertia and resistance to change.

Between 1945 and 1964, women were only employed as assistants and support staff, and none of them were promoted to higher positions such as directors, managers, or accountants. Furthermore, women were not selected or elected to serve on the Board or the Fiscal Council. This situation highlights the slow progress of women's emancipation and their integration into the senior leadership roles of Brazilian organisations during that period.

An additional aspect of the career progression lies on the fact that all presidents, directors, and board members had affiliations with social or class groups, political parties, or made noteworthy contributions to the local media, unions, and businesses, which were esteemed by the community of Santa Cruz do Sul. In this context, career progression was not only based on merit but also on these affiliations and connections, leading to a lack of diversity and limiting opportunities for those who did not have these connections.

The hierarchical structure of career progression in the União Popular de Santa Cruz do Sul is closely linked to the company's organisational chart.

Chart - Organisation chart from 1945 to 1964



Source: Author elaboration based on Vale do Rio Pardo by-laws (1945-1964).

During the 1945-1964, the governance structure exhibited a combination of continuity and change. While the company continued to rely on a Board of Directors for strategic decision-making and a Fiscal Council for oversight and accountability, it introduced formalised governance practices. These practices included remuneration for Board members and increased autonomy for the manager, which reflected a shift towards a more structured approach to corporate governance. Notably, the company began to offer remuneration to elected members, such as the President, Manager, and Accountant, and bonuses for meetings of the Fiscal Council.

Table - Presidents from 1961 to 1971

|  |  |  |
| --- | --- | --- |
| **Presidents** | **Period** | **Years in office** |
| Bruno Agnes | 1946 – 1961 | 15 |
| Leopoldo Morsch | 1961 – 1971 | 10 |

Source: Minutes of Sicredi Vale do Rio Pardo

The Board of Directors shifted their focus to strategic issues, while the manager gained more operational decision-making power. This change was driven by factors such as the growing complexity of the banking environment, the need for specialised expertise, and the aim for greater operational efficiency. The manager, (*diretor gerente*), was responsible for controlling the accounting and business information, and was assisted by a designated accountant who was required to remain at the cooperative headquarters during business hours.[[141]](#footnote-141) It was common for the manager to also hold positions on the board, and no formal rule was in place to prevent such overlapping of roles.

The Board of Directors was in charge to decide on administrative acts involving the company, including assigning management positions and salaries, establishing loan conditions, setting interest rates on deposits and loans, and deciding on the admission and exclusion of members.[[142]](#footnote-142) The manager was in charge of the accounting control and business operations. Which includes monitoring finances, managing risks, improving operational efficiency, and achieving business objectives.[[143]](#footnote-143) In case of impediments, replacements operated in the order of the stated positions, and the Supervisory Board filled temporary vacancies.[[144]](#footnote-144)

In 1953, the structure of the fiscal council was reformed to include three full members and three alternate members, who were elected annually by the General Assembly. With that, this body had a significant number of community members and underwent frequent changes. Leadership selection was based on a voting process, taking into account the candidate's experience, technical background, and community bonds. It is worth noting that the staff under the board also maintained regular contact with the community, fostering bonding and social capital (Woolcock and Narayan 2000).

The analysis of age distribution among actors reveals interesting insights. Actors assuming secretarial, directorial, or presidential roles for the first-time have an average age of 33, suggesting extensive technical experience. Moreover, the average duration of employment was around 24 years, with a substantial increase observed for individuals occupying higher positions. These observations highlight the importance of early-career and long-term commitment for obtaining prominent roles within the organisation.[[145]](#footnote-145)

Another interesting point to note is their destiny after leaving the presidency; for example, Edmundo Hoppe, president of the company until 1946, joined the Supervisory Board in 1947-1949 and 1954-1956 - after having launched his political career. The same is true of former presidents Leopoldo Morsch and Aloisio Rech.[[146]](#footnote-146) These situations demonstrate, on the one hand, the existence of an exchange of power guided by rules, typical agreements, and community aspirations, and on the other hand, the ties and dependence of institutions. Thus, "natural changes" of presidents took place along the cooperative's path by the vote of the members in the general assemblies, except for 1961 when President Bruno Agnes died of natural causes and Leopoldo Morsch (former manager) took over the presidency of Caixa União Popular Santa Cruz do Sul on April 1, 1961, following the statutes.

## 6.10 The hierarchy of the organisation: how careers are established.

People leave leadership positions in organisations for various reasons: death, disease, promotion, coup or resignation. When it comes to death or illness, inevitable changes hit the organisations. During the period 1945-1964, two losses occurred in the organisation. The manager, José Augusto Mergener, died on October 3, 1951, and less than ten years later, the president Bruno Agnes died on March 25, 1961. Both situations, even when involving different hierarchies, lead to moments of institutional instability and internal crisis.

Due to the vacancy in the manager's position caused by the death of Mergener in 1951, the Board and Fiscal Council met to choose a new manager (interim) until the next General Assembly, following the Association's bylaws. At this meeting, the current Secretary, Leopoldo Mosch, is appointed to replace the deceased manager. Arnaldo Zimmer, a member of the Supervisory Board, replaced him as Secretary, while Francisco Frantz, an alternate member of the Supervisory Board, became effective.[[147]](#footnote-147)

Also, on April 1, 1961, a special session of the Board of Directors and Fiscal Council was held to fill the position of President Director, vacant due to the death of Bruno Agnes. "After paying tribute to the board member, Francisco Franz asked for the floor and explained to attendees that the replacement of the vacant position should be handled according to the statutes, Article 22 and its paragraphs, and the proposal was unanimously accepted". Consequently, the director Leopoldo Morsch assumes the position of president, and the secretary director, Olívio Helfer, assumes the general manager position. Antonio Wilibaldo Eick (member of the Fiscal Council) is appointed as Secretary Director, and the substitute member of the Fiscal Council, Felipe Jacobs, assumes effectively.[[148]](#footnote-148)

While unfortunate, these two events of human loss demonstrate that members are aware of the rules and that succession to leadership positions occurs in a "natural" manner in accordance with the bylaws. There are drastic changes when death or absence occurs in the organisation. That is a sensitive but opportune moment to identify how it organises itself. In this example, it relies on democratic premises, and it is noted that positions are voted on at the following general assemblies, as provided for in its bylaws.

When a leader leaves due to unforeseen circumstances, actors at the hierarchical line move to these positions. Leopoldo Morsch (secretary) became manager in 1951 and president in 1961 due to the death of two professionals who held leadership positions. Due to their technical and intellectual talents and social credibility, they tend to retain their positions after taking office.

When an organisation's positions are filled with new people, its organisational culture also adjusts to new ideas, requirements, and worldviews. One example is the management of the Agricultural Training Centre. The rural education project for the community, known as the "Agricultural Training Centre," created during Bruno Agnes' tenure in 1954, lost its strength after his death. The next topic evaluates some characteristics of this social and educational initiative.

## 6.11 Agriculture beyond finance: CTA's approach

The cooperative has been prominent in both rural and urban areas throughout its existence. Regarding its activities in rural areas, in addition to having rural workers members in its structure, it provides, for example, loans for the purchase of agricultural implements, offers technical training to farming families, imports and distributes rural implements and seeds, and organises excursions for farmers to rural institutions. All of these initiatives were proposed by members to meet the needs of the rural environment. We categorise these initiatives as forms of self-regulation in a weak state context.

Historically, the organisation has made efforts to bring training and capacity-building to rural areas of the city, in addition to credit. The rural element has always been a source of debate at general and board meetings. The dispute over rural environmental conditions arises from the community's desire to foster new leaders to develop agricultural entrepreneurship and confront the rural population problems. In this context, the involvement of rural workers in the debates surrounding creating a training centre for raising peasant awareness and promoting peasant development through education generated the proposal to establish a training centre. In this context of rural workers' participation in organisational debates, the proposal for the CTA emerged.

The investment in education and rural training is a (self-regulated) effort of the members to respond to the basic needs of the community, in this particular case, education in rural areas. An essential element in this context is the mobilisation of rural workers in Santa Cruz do Sul in the creation of workers' unions in the 1950s as well and, at the same time, the constitution of an Agricultural Training Centre, known as CTA, at the initiative of the members of the cooperative.

This subtopic analyses the forms of organisation and self-regulation of the training centre and its relationship with members, community, and public authorities. It is understood that the agricultural training centre (CTA) is present in the civil sphere of Santa Cruz do Sul and is formed by movements that gain space until they acquire institutional legitimacy; that is, they begin to exist.

The CTA is a technical school for training young farmers for rural development, created on the initiative of União Popular de Santa Cruz do Sul members, which operated from 1955 until 1965. The situation until its foundation is not a favourable one. A report by Vogt, Kiper, and Rizzato (2014, p. 23) describes some of the problems the Santa Cruz do Sul community faced in the late 1940s and early 1950s.

At that time, there was an intense emigration from the rural area of the municipality due to the increasing poverty, excessive fragmentation of agricultural plots, and an economic crisis that affected the primary sector, the tobacco industry. The outflow of the rural population - which also occurred in neighbouring municipalities where minifundia predominated in agriculture - took two main directions: one, to the city of Santa Cruz do Sul, in search of fixed wages and access to educational and social resources; the other, towards the west of the state of Santa Catarina and the north of Paraná, in search of low-cost, fertile land for the social and economic reproduction of family farming. (…) Regarding education, Santa Cruz do Sul was the headquarters of the 6th Regional Delegation for Education. When the School of Accounting was created, there were only two technical courses, two introductory business courses, four secondary courses (1° Ciclo), one course (2° Ciclo), one regular high school, one SENAI school, and eleven elementary schools in the city. Although close to the city, there was only one rural training school in the rural area. In the countryside, there is only one Agricultural Training Centre, 17 rural public schools, 99 municipal schools, and 32 state schools, all at the primary level. The lack of pedagogical training of a large part of the teaching staff was one of the most significant education deficiencies, repeated and worsened in neighbouring municipalities. Many young people from the region headed to Porto Alegre, Santa Maria, or other centres to obtain a college degree. Once they graduated, fewer than half of them returned to their place of origin (Rizzato, Kipper, and Vogt 2014, 23).

It is very challenging to create educational facilities, especially for the rural sector. The growing dependence of the agricultural sector on the tobacco industry and the fragile articulation of the social segment related to it, especially the small farmers, increase the conflicts and struggles for better living conditions. In this sense, it is understood that the proposal to create one new Agricultural Training Centre (CTA) is very welcome to address some of the needs faced by the community.

Several mobilizations concerning the matter are evident in the meetings held with the community throughout 1954. In particular, the meeting of the Board of Directors and the Fiscal Council on July 31, 1954, with the participation of priest rev. Luiz Müller, whose purpose was to consult the community on the possible acquisition of rural property for the installation of the CTA. After intense debate, the members decided to hold a general assembly to approve this idea with all the members.[[149]](#footnote-149)

The project was approved at an extraordinary general assembly on August 16, 1954. On this occasion, members and the community deliberate on "the possible acquisition of a rural property, for the installation of a practical school of agriculture.”[[150]](#footnote-150) Taking the floor, president Bruno Agnes states that 'there is a need to introduce in the rural area, better cultivation methods and introduce new crops, in order to allow the farmers to earn more income” and suggests creating the practical school of agriculture, "where the farmers' children can work and study, learning rational agricultural techniques".[[151]](#footnote-151)

According to the bylaws and internal regulations, the Board of Directors may acquire the property only after the members' General Meeting authorisation. Once the speech was over, the project was voted on and approved unanimously. The General Meeting also authorised the investment of up to Cr$600,000.00 for the school's acquisition and installation[[152]](#footnote-152) — amount corresponding to 2.3% of total deposits in the year. [[153]](#footnote-153)

The first steps to consolidate the rural education program have been completed. However, many challenges are still ahead: purchasing property, building facilities, hiring professionals, enrolling students, and convincing public authorities of the qualities of the project. Self-organisation and the support of the community and rural workers' movements are elements that give strength to these initiatives.

The second step in consolidating the CTA occurred on December 7, 1954, in an extended board of directors and fiscal council meeting. There, members inform themselves that 34 hectares of land in Linha Santa Cruz, 6 km from the cooperative's headquarters, were bought for Cr$ 490,000.00 for the activities.

Then, the first CTA "Advisory Board" is elected, consisting of three individuals, all members of the cooperative: Antônio Vilibaldo, Jacob Smith, and Prof. Guilherme Hillesheim, defending "agricultural knowledge" is necessary for the operation of the Centre. Professor Hillesheim is selected to direct the School. The board and CTA advisory board commit to adapting the existing buildings on the property to serve the School's operation.

"The new school costs us a lot of work and sacrifice, but we are sure it will give us excellent results, improving the methods and therefore our production, by doing so, we contribute to raising the quality of life of our farmers".[[154]](#footnote-154)

Figure - Agricultural Training Centre (CTA)



St.Paulus-Blatt Zeitschrift (~1959) Source: Ovídio Hillebrand Personal Archive

## 6.12 Promoting self-organisation and agricultural productivity through CTA

The Agricultural Training Centre (CTA) construction is a clear example of self-organisation and community participation to meet collective needs, especially considering the difficulty of developing such rural education projects in Brazil, either by State or private initiatives.

The initiative received strong support, and in a short time, it became a reality, despite limited resources. School activities are in place less than a year after acquiring the property. Four farmers' children are enrolled: Pedro Reckers from Linha Formosa, José Sorbens from Linha Floresta, Roque Baierle from Serro Alegre, and Arthur Pappen from Linha Santa Cruz. Meanwhile, the structure of the school is not yet complete.[[155]](#footnote-155)

The members intend to complete the project by the end of 1956 and to deliver the primary conditions for its operation, providing the space with "large classrooms, dormitories, cafeterias, kitchens, toilets and produce storage, and by doing so to increase the number of students received" (F. E. Freitas 1990, 202).

The CTA has gained such popularity in religious circles that the priest, Rev. João Sehnem, has suggested establishing the initiative in other parts of the state.[[156]](#footnote-156) In addition, the Board constantly meets with the public authorities to discuss the school's future, such as the funding of technicians, equipment, and other funds to maintain the project.[[157]](#footnote-157)

Thus the mobilisation around the school is broad in many directions (community, church, municipality, public authorities, and other associations). Evidence of this is the meeting of the board of directors and fiscal council on October 27, 1956, where president Bruno Agnes informs that the CTA has been selected by the Ministry and Secretary of Agriculture, the National Campaign for Rural Education (CNER), the União Popular System, the Regional Office of Rural Banks, the Federation of Rural Associations and the Southern Association for Credit and Rural Assistance (ASCAR) "to serve as a model for similar initiatives elsewhere in Rio Grande do Sul federal state”.[[158]](#footnote-158)

"In full operation and with a capacity to accommodate between 25 and 30 students", with courses given to young people from professional training oriented towards rural activity” the space was officially inaugurated on April 8, 1957, on the occasion of the Congress of Rural Social Action, "in a ceremony attended by more than 2,000 people from the community". There are even indications that the management intended to extend the professional training also to the farmers' daughters to "improve their general knowledge regarding home economics, hygiene and childcare".[[159]](#footnote-159)

The CTA's activities proliferate, appearing regularly in the cooperative's reports and becoming the subject of extensive discussion at internal meetings and in the community. The establishment of a new "Advisory Council" comprising diverse representatives to meet the CTA's requirements has provided the group with greater legitimacy.

Table - Members of CTA's 'advisory board' in 1957

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Institution** | **Level** | **Sphere** |
| 1 | National Campaign for Rural Education | national | state and associations |
| 1 | Federation of Rural Associations | national | associations |
| 1 | Department of Education | regional | state authority |
| 1 | Department of Agriculture | regional | state authority |
| 1 | 8th Infantry Regiment | regional | state authority and army |
| 1 | Metropolitan Archbishopric | regional | church and associations |
| 1 | Santa Cruz do Sul City Government | local/regional | state authority |
| 1 | União Popular de Santa Cruz do Sul | local | associations |

Source Author: adapted from Freitas (1990 p. 204) and Annual Report of 1956.

Unlike the first advisory council, which was initially composed of internal members, the second CTA council consists of different community representatives. The member's presence in the state apparatus and its relationship with official bodies is noted. The CTA meetings have the participation of actors that increase even more the participation of the community in its self-promotion. That is confirmed by checking the donations received from public agencies for CTA's maintenance, see table 14.

In terms of activities, the CTA accepts internal (full-time) students from different areas of the region. They are guided by instructors (hired directly by the Board) in theoretical and practical activities, or in collaboration with associations such as the Minister of Education, Jesuit priests and ASCAR (F. E. Freitas 1990, 204). The aim is to train rural workers and prepare young farmers for properly using agricultural machinery and tools, using planting techniques to reduce losses and achieve better harvests.

Through fee exemptions, the CTA provides practical activities for at least 24 students under the guidance of its volunteers and contracted teachers. Along with theoretical and practical instruction, students are provided with accommodation and meals for the duration of their internship. To cover the expenses, they work on projects at the centre, and when these activities generate profits, they are distributed among the participants (F. E. Freitas 1990, 208).

Activities range from planting vegetables to pest control and fence maintenance. The most cultured products come from the CTA garden and plantations of English and sweet potatoes, beans, soy, wheat, corn, and onions. They "intend to be 'self-sufficient, applying internal resources and eventual aids from the public authority in investments and improvements such as the purchase of tractors, construction of dams for irrigation, and installation of small cottage industries when necessary (F. E. Freitas 1990, 209).

In order to control the high costs of the project, some agreements are made for the maintenance of the CTA. In addition to the support of the National Campaign for Rural Education (CNER), the state government also contributes through the Department of Rural Education, Santa Cruz do Sul City Council, the South Brazilian Province of Jesuits, and the collaboration of public and private institutions. As can be seen, the CTA's maintenance sources are vast; see Table 14. Education is also inserted in an extension project seeking to work for the promotion of farming families.

Besides the organisations mentioned, there is also ASCAR (Associação Sulina de Crédito e Assistência Rural), which supports the project. Since ASCAR's creation, the cooperative administration has been linked to this entity.[[160]](#footnote-160) Members of ASCAR guide small farmers to access supervised credit and develop agriculture and the welfare of their families; the initiative focuses on visiting farms and providing adequate support and training.[[161]](#footnote-161)

In 1962, CTA took part in the founding council of APESC, the entity that would be the embryo of the city's first university, together with 18 other community entities (Kipper, Rizzato, and Vogt 2003). According to the APESC Statute, the members of the council to which CTA belongs have deliberative power and closely control the actions for the formation of higher education in the region.[[162]](#footnote-162)

Table - Sums invested in CTA between 1955 and 1965 and their source

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Amount** | **Destination** | **Type** | **Fund source** |
| **1955** | Cr$ 490.000,00 | Property acquisition | Local/Members | Internal funds |
| **1955** | Cr$ 12.000,00 | Administration services | Local/Members | Internal funds |
| **1958** | CR$ 450.000,00 | Administration services | National/public | CNER |
| **1960** | Cr$ 300.000,00 | CTA Scholarships | Regional/public | SER |
| **1960** | Cr$ 800.000,00 | CTA improvements | National/public | CNER |
| **1962** | Cr$ 4.000.000,00\* | CTA improvements | Regional/public | Legislative amendments |
| **1962** | Cr$ 1.000.000,00\* | CTA improvements | External/public | Legislative amendments |
| **1964** | Cr$ 775.000,00 | CTA improvements | External/public | Ministry of Agriculture |
| **1965** | Cr$ 1.200.000,00\* | CTA improvements | External/public | Legislative amendments |

Source: Author, adapted from Freitas (1990) and internal documents. \* These are funds that were supposed to be transferred to the CTA as part of the State budget, but were not actually received.

The facts pointed out in this topic confirm our assumption that positive self-regulation arises from activities aimed at serving the population, which take place with the support of the state, NGOs, donations, and local participatory campaigns, and which, in general, correspond to the immediate needs expressed by the community.

Finally, in its trajectory, the CTA consolidates in an institutional space for political actors (local, regional, and even national) to engage in actions promoting technical education and agricultural development, especially small-scale family farming. At the local level, the relationship between teachers, technicians, and community leaders allows the expansion of a dynamic between cooperatives and society that takes place in a horizontal, participatory, and voluntary way. With the CTA, the cooperative is closer to the community and carries out social actions focused on education, agriculture, and regional development. The interaction of these social actors is a critical element of the initiative's effectiveness.

## 6.13 The end of the CTA and internal critical junctions

The Agricultural Training Centre operated for a brief time, only ten years, from 1955 to 1965. Three events can explain the decline in its activity: the death of its president Bruno Agnes, the failure to receive funds from the State, and the implementation of banking reforms. This subtopic considers these events as key points that affected the CTA's trajectory and reinforced the cooperative's trajectory. These three factors, one internal and two external prevented the CTA's objectives from being fully achieved.

The first factor is the unexpected death of President Bruno Agnès on March 25, 1961. Mr. Agnes, the founder of the CTA, died at 48 during his presidency. His death is a significant loss for the association, especially in rural areas, given the charisma and recognition of the community member (see Appendix 1). Leopoldo Morsch replaces Agnes as president, maintaining the cooperative's identity but leaving some of the vision and projects behind. CTA project loses momentum[[163]](#footnote-163) and this is possibly linked to the trajectory of the new president and his worldview. Mosch is the founder of the Association of Commerce and Industry of Santa Cruz do Sul (ACI) and is actively involved in campaigns directly related to the urban environment, such as the founding of APESC, the region's first community university.

The second factor is economic. Parliamentary budgets promised by the government do not reach the administration. The amounts of Cr$ 4,000,000.00, proposed by Congressmen Tarso Dutra and Euclides Kliemann and Cr$ 1,000,000.00 by Congressman Willy Froelich in 1962, and Cr$ 1,200,000.00, in 1964 by the State attorney Carlos Leite Costa, have not been received by the CTA. The lack of payment prevents the school from planning and performing its operations because revenues were projected but not delivered (see Table 14).

Finally, the third declining factor is the enactment of Law 4.595 of 1964 and subsequent regulations by the Central Bank. The military government's legislation prohibited credit unions from owning real estate other than for their use (allowing real estate only for credit activities) and regulated the sale of its additional properties.[[164]](#footnote-164) As a result, the cooperative had to sell the property where the CTA was located.

Gradually, the rural education program collapsed, both in terms of the number of students and the number of technicians and teachers. The program that is supposed to be self-sustaining needs 36% of the resources from the cooperatives to sustain itself. The members, aware of the events and legal sanctions, unanimously approve the sale of the property, and other businesses, such as the Hotel Santa Cruz.[[165]](#footnote-165)

In an attempt to help, the municipality offers to purchase the CTA, but its public funds are not enough to consolidate the acquisition and continue with the activities. Only after several negotiations, the CTA is then sold to the Literary Society of San Francisco de Assis, an organisation maintainer of the Santa Cruz Hospital, for Nc$ 65,000.00 (Novos cruzeiros).[[166]](#footnote-166) The event of the sale of the property, through normative coercion by the Central Bank, is, in fact, a critical juncture that ends the operation of the Agricultural Training Centre. This process reinforces União Popular de Santa Cruz do Sul to stick with the rules of its operation in the national financial system as a kind of institutional isomorphism forced by the Central Bank. In addition, the lack of funding from municipal governments is another example of Brazil's "limited state" that, unfortunately, has not sufficiently managed to give continuity to a project of significant community interest. Chapter 7, "The Cooperative During the Military Dictatorship (1964-1985)," delves into the collapse of the CTA and crucial junctures that impacted the business.

## 6.15 Final remarks

Despite instability and (local, national, and international) economic crises from 1945 to 1964, the organisation has overcome its internal difficulties and remains stable thanks to its structure and the integration of its financial and social activities.

The relationship between the state and the cooperative has changed significantly, both because of democratic governance and the local movements composed of the urban middle class and small rural producers. The UPSCS became a privileged actor with greater local and regional autonomy. By receiving a larger number of members from the urban sector and support from democratic governments, the organisation managed to satisfy and benefit most modern sectors of its economy, even in the face of a neoliberal agenda. This new environment, while expanding liberties of association, maintains the corporate basis left by Vargas (Lock-in) regarding the legal aspects and grants legitimacy to act within the community as an actor responsible for local development. Remaining in the financial market is a path that opens up the possibility of competing with national and foreign banks and large middle-class sectors that exist in Porto Alegre and Santa Cruz do Sul.

During its existence, the cooperative plays a significant role in the rural environment. For example, it facilitates loans for the acquisition of seeds and agricultural implements; it imports and donates potato seeds to its farmer members; and it organises excursions for farmers to modern and efficient rural properties. But the outflow of the rural population led to an urban concentration in Santa Cruz do Sul and the emplacement of its rural population. In this context, through their social capital and organisational resources, the elected presidents and directors of the União Popular de Santa Cruz do Sul occupy an important space of political representation for local actors, enabling them to transit between these two worlds.

Aiming to counteract rural/urban migration and to quality work in rural activities, members created the Agricultural Training Centre (CTA), which operated from 1955 to 1966 in the Linha Santa Cruz area, 6 km from the cooperative's headquarters. There, students from different regions received professional training and access for education. In this space, self-regulation is an effort undertaken collectively by members who seek social, economic, technological and cultural development. These activities are similar to other practices carried out by members and are created according to the needs of the rural communities involved in local initiatives.

In addition to credit services, the organisation focuses on technical and educational assistance through practical training courses provided by experts in rural management. Participants in this project are able to innovate modern agricultural practices, becoming reference for small farmers in the region. Their action represents part of the community's efforts to improve their living conditions. The CTA's self-regulation is a component of a political action, establishing a basis for collective development proposals based on interventions that address local problems experienced by small farmers.

Participants assist in activities as volunteers or by partner institutions. The results of their involvement are reflected in initiatives producing sustainable agriculture, diversification and independence from tobacco production chains, reduction in the use of chemical pesticides, and attention to people and the environment. The CTA plays a key role supporting local agricultural development, being maintained with its own resources, but also through agreements with rural unions, public institutions such as the Ministry of Education (MEC), the Institute of Agrarian Reform (INCRA), Federation of Rural Associations (FARSUL) and the Associação Sulina de Crédito e Assistência Rural (ASCAR) and the National Campaign for Rural Education (CNER) with the aim of providing training and professional qualification to the children of small farmers, in a cooperative spirit.

In the rural economy, the organisation has a remarkable resilience to survive the country's macroeconomic crisis. There are key actions based on cooperation between public and private sector institutions, and self-financing efforts by members through their local services and products. Since 1945, the number of deposits and loans gradually increases at a significant rate by showing positive balances until 1964. The number of assets and reserves rises as well. In addition, the organisation begins to promote the local small industries, the expansion of existing companies and the emergence of new economic activities.

During the *democratic interval*, the União Popular de Santa Cruz do Sul experiences its consolidation as an institution in charge of providing technical assistance to its members, enabling credit viability and providing general services to its members. The main indicator of its consolidation is the wealth of financial resources, which puts it in a good position to compete with other financial actors, in contrast to the previous period (1930/1945), which is marked by strict state control and supervision.

In rural areas, it provides credit to small farmers that are geographically and economically dispersed. For long-term financing, it uses external financial resources granted by official banks, such as the Bank of Brazil, through CREAI. This funding policy helps to finance the production of the local economy (agriculture and industry), acting as a support mechanism in times of crisis, economic stagnation and inflation.

Its internal bodies acquire new attributions; the fiscal council issues more regular reports, the reports about management are greater, and the organisation gains legitimacy to act and control its management. The governance gets adaptations through regular elections (which prevent the link between the Board of Directors and the Fiscal Council and the re-election ban of the latter) and is essential to ensure credibility.

It is important to stress that the analysis of the organisation's self-regulation shows outcomes related to its historical period, its actors and the local features inherent in its location. The conclusion of this chapter points out to the fact that self-regulation based on economic and social activity is difficult to establish from a top-down manner and is best developed as a joint process, that is, top-down and bottom-up together. Nevertheless, the state, especially at the regional and local levels, can play an important facilitating role for collective organisation.

In addition to its collective nature, one of the things that sets them apart from traditional banks is the social and philanthropic appeal of local actors in the community. While they compete in the local banking market, they collaborate in non-competitive areas, such as providing education, training and charitable actions in the community - see, for example, the CTA's contributions and results. In this case, the organisation has adapted to serve its members by modernising its services. The military coup of 1964 ended up with the "democratic interval". The implications of this new reality can be seen in the next chapter.

# 7 The cooperative during military dictatorship (1964-1985)

## 7.1 Introduction

This chapter examines the most dramatic and decisive moments in the União Popular de Santa Cruz do Sul's history during 1964-1985. We argue that the military coup, which in 1964 re-established one authoritarian regime in Brazil, has influenced the cooperative activities. This chapter shows how elements of authoritarian rule, particularly the strengthening of executive power, the centralisation of state authority, and the weakening of parliament, political parties, and civil society organisations, influenced the decision making of the União Popular de Santa Cruz do Sul. Nevertheless, we show how the organisation has maintained its identity and could survive this difficult phase.

To maintain direct control over the cooperatives, the military issued regulations that set the conditions for their formation and operation(A. F. de Freitas 2011; Pinheiro 2008; Pinho 2004). As a result, cooperatives, including União Popular de Santa Cruz, have faced great difficulties, losing their ability to operate, with restrictions on funding, interest rates, assets, and scope of activities. Besides financial and operational issues, there were losses of member involvement and participation in community activities and a strong need to move to market rules.

During the first year of military rule, the Central Bank of Brazil was created (1964), and broad banking reforms were carried out. Credit cooperatives were placed on the same level as other financial institutions, and they struggled for their survival in the face of the many other financial institutions in the market. The reform abolished decree 22.239/32, inspired by Rochdale, and eliminated most of the tax benefits for such organisations (Pinho 2004, 36).

The literature on the topic categorises this period as the “*período do não pode"* — it cannot period, referring to the state's prohibition of establishing civil society organisations. During this period, the Brazilian state suppressed various forms of collective autonomy and organisations (Fundação Sicredi 2014). It is at this critical juncture that Law 5,764 of 1971 established a legal framework for cooperatives that is currently in effect today — although several sections and articles of the law have been repealed with the 1988 Constitution.[[167]](#footnote-167)

The reform led to normative restrictions on local entities, and, as a result, credit cooperatives in the rural sector lost their ability to operate and exercise autonomous control. The government takes over the custody of these organisations, guiding a new national policy of the sector. Even secondary entities, such as the National Union of Cooperative Associations in Rio Grande do Sul, did not escape interference. Faced with this situation, assets and financial resources became the determining factors for the survival of these organisations.

The national legislation 5.764 of 1971, also known as the Brazilian Cooperative Law, is a key to understanding the reorganisation of this sector. In this work, we consider this legislation as a legal instrument that enables State intervention in the governance patterns of the União Popular de Santa Cruz do Sul.

This legislation, which is set during the dictatorship, controls everything from the organisational form of the cooperative, its objectives, supervisory bodies, statutes, and operating rules, to the rules of incorporation, compulsory documents, reserve funds, rights, and obligations of members, organisation of electoral bodies, general meetings, management bodies, supervisory boards, forms of mergers, dissolutions and liquidations. It is a national policy for the sector that provides for a new form of state representation and gives government entities substantial oversight and control.

This new conjuncture dissolves spaces for local organisations and punishes small financial actors, such as cooperatives and small commercial banks. As a result, there is a concentration of bank capital until the end of the military regime, which only ensures the stability of the large financial institutions and thus eliminates inefficient organisations that lose money or go bankrupt (Macarini 2007).

Cooperatives have been changing, but the most significant ones came with the reform of the Brazilian banking system, which renders the development of the country's credit societies (including Raiffeisen, Luzzati, and urban and rural credit unions) unfeasible. Internally, in 1966, the statute of the União Popular de Santa Cruz do Sul (USPS) was again changed based on the legal proposals of the new regime. The new statute comprised 45 articles, and an internal regulation was created, which included another 22 articles.

Faced with so many rules, it is possible to ask what is at this time not regulated by the State and what is the room for local self-regulation? The answer seems clear: there is no room for autonomy.

We argue that the União Popular de Santa Cruz do Sul, during the military regime, has structured itself as a movement guided by "top down" rules, and its self-regulation and participation reached their lowest level since the members did not feel represented by the rules created by the regime, nor with the presence of the central bank.

We show that many of the restrictions imposed by the regime have led both to the exclusion of União Popular de Santa Cruz members and the need to sell properties, preventing them from carrying out social activities, such as those of the Agricultural Training Centre (CTA). In addition, we try to highlight the fact that the crisis faced by the União Popular de Santa Cruz do Sul began with the restrictions imposed by the banking reform of 1964 and that the national policy unplugs the work of the organisation, which had been playing an essential role in the development of economic and social activities in the region.

The first part of this chapter highlights the limitations of military rule and the changes that members of cooperatives inevitably have to drive. Next, it shows how the practices of the top leadership supported the military regime, even though the dictatorship denied fundamental rights gained during the First Republic and Vargas. And finally, how the regulator tried to forbid the operation of credit cooperatives in urban areas. Since the organisation operated in a rural set-up following the *Raiffeisen* model, the regime did not allow it to approach an urban environment. The rejection of the merger process with a *Luzzati* cooperative and the various Central Bank interventions is one evidence of it.

Statistics on financial activities (loans, deposits, and assets), the number of members, the official notification of the regulator's request to sell the property, and the prohibition of working with other cooperatives and secondary representatives are presented to show the negative results of the military period.

This chapter seeks to answer the following question: How did the União Popular de Santa Cruz do Sul resist the turbulent military period, and why did other similar cooperative societies shut down their activities? Emphasis is placed on testing how self-regulation occurred and what was the response of the members at this new critical time.

## 7.2 Law 4,595/64: banking reform and changes in the organisation

In the early 1960s, Brazil's economic situation comprised low growth, high inflation, and difficulties maintaining its trade balance. During the crisis, the country ended up in a military *coup d'état* in 1964. When the military took power, structural reforms were carried out, especially in the national financial system. New laws aiming market failures and organising actors in the banking system were created (Fundação Sicredi 2014).

In 1964, Law No. 4,595, known as the "Banking Reform," was enacted. This law reforms the country's entire financial system. Its main changes relate to the creation of the Central Bank of Brazil (Bacen), which takes charge of the implementation of national monetary policy (Lemos Neto 2022). New financial groups that operate regionally and nationally have consolidated — large mergers and acquisitions lead to a concentration of the banking industry (A. F. de Freitas 2013).

For Pinho (2004), this reform intended to avoid competition with the capitalist financial system. Credit cooperatives suffered negatively in this context because most operated at the local and regional levels.

Legal restrictions led to *an autophagy*, where they began to consume their reserves by losing market share and members. As a result, these organisations faced a difficult period from 1964 to the early 1980s. State financial institutions replaced their primary functions, and many operational restrictions significantly reduced the number of credit cooperatives in the country. For example, about 67 Raiffeisen credit cooperatives exited in Rio Grande do Sul in the early 1960s. Of these, only 12 cooperatives survived until 1985, when the state was re-democratised (Barth, Spindler, and Kist 2014).

Law 4.595 of 1964 (Banking Reform Law) reorganises the National Financial System (SFN) into five areas: I - National Monetary Council (CMN); II - the Central Bank (BACEN); III - Banco do Brasil; IV - National Bank for Economic Development (BNDES); V - and other public and private financial institutions.[[168]](#footnote-168)

The military government's previous monetary authority, Sumoc, was abolished and replaced by the Central Bank. The Central Bank, with its headquarters and jurisdiction in Brasilia, the capital of the Republic, operates as an autonomous federal agency with authority to: a) issue currency; b) control credit; c) control foreign currency; d) supervise and impose penalties; e) authorise financial institutions to operate; change their statutes, install or transfer their headquarters or locations; convert, merge or incorporate; appoint members in their management, advisory and financial bodies.[[169]](#footnote-169)

Cooperatives dealing with credit also fall under the jurisdiction of this institution. Thus, the responsibilities related to the authorisation and supervision of their business, which was previously under the responsibility of the Ministry of Agriculture, have been transferred to the Central Bank.[[170]](#footnote-170) Due to this new structure, União Popular de Santa Cruz do Sul is no longer controlled by the Ministry of Agriculture but by Bacen, which is directly linked to the Ministry of Finance.

Like other financial institutions, the enterprise adapts to the federal government's credit policy, and from that point on, it is forced to build a mandatory 25% deposit in Banco do Brasil accounts.[[171]](#footnote-171) Only institutions with prior authorisation from Bacen may operate in the country, and in the case of foreign financial institutions, a decree from the president is required.[[172]](#footnote-172)

In the case of cooperatives operating in the credit sector specifically, a series of central bank resolutions have affected the functioning and operational capacity of these enterprises. The resolutions established include: 1) operating only rural credit and mutual credit cooperatives (composed of employees of the same company); prohibition of 2) using the word "bank", 3) conducting credit operations with corporate entities, 4) issuing loans without respecting a 90-day grace period for registration of members, 5) negotiating loans not granted directly by the members, 6) acquiring real estate not for own use 5) participating in the capital of other companies;[[173]](#footnote-173) 7) accepting term deposits 8) accepting deposits from non-members 8) paying interest to donors; constantly forcing 9) the distribution of profits;[[174]](#footnote-174) and finally, imposing 10) no credit activities carried out by branches, agencies, subsidiaries, divisions, offices or any other type of affiliates.[[175]](#footnote-175)

In addition to legal concerns, there is also strong competition from other institutions. Under the military government, major bankers exercised pressure to eliminate competition from credit cooperatives and encouraged the government to eliminate the many distortions and abuses that occurred in the financial markets under the excuse of "sanitising" financial activities (Wilhelm and Schneider 2013). Competition and legal rules impact the main form of representation in the sector. The increased regulation of the sector disrupts the activities of the Regional Office União Popular de Santa Cruz do Sul - a second-tier entity representing the local cooperatives. That is how the first regional office that members from Santa Cruz do Sul helped form in 1925 was dismantled on August 19, 1967. At the instructions of the Bacen, this grouping of 67 cooperatives is banned from its activities, forced to downsize to a single cooperative in order to continue its operations, losing legitimacy with the state and representation with its members.[[176]](#footnote-176)

União Popular de Santa Cruz do Sul and other cooperatives affiliated with this secondary entity lose their representation and become "orphans" in the national financial system. Many of these cooperatives, especially the smaller ones, without good managerial skills and sufficient income to sustain themselves, gradually closed their activities through liquidation. The capacity of members to regulate themselves in the face of such adverse events projected by national policies is understood to have been weakened. Given that survival in the marketplace is pursued, social action aimed at community welfare and the voluntary participation of members has also entered a period of decline. With so many rules in place, creating a credit system controlled and owned by the members themselves was impossible. Thus, credit cooperatives, which should have been the main institutional form for the flow of monetary and financial resources in the agricultural sector, representing the ability of farmers to plan their economic actions autonomously, failed to play this role during the military dictatorship.

Involved in this historical, economic, and legal context, União Popular de Santa Cruz adapts to the legal restrictions required by the Central Bank, creates new regulations, and makes statutory changes according to the top-down rules imposed by the regime.

If cooperatives encountered difficulties during the Vargas period, especially during the New State (1937), now, with the establishment of the "military" dictatorship in Brazil (1964), there is even less room left for small producers and other social groups involved in cooperatives to move. When taking these two moments for analysis, we note some similarities and differences between these two exceptional regimes. Both, however, produced critical turns in the institution, each in its own way. On the one hand, the New State regime lasted 8 years and its main leader, Getulio Vargas, was a clear manifestation of power, bringing legislative changes that formalised the cooperatives as an instrument of government policy; on the other hand, the military regime lasted 21 years in which the military exercised a role without the individualism of political figures. Restrictions imposed by the military *coup d'état* influenced the legal and operational structure of the cooperative institution, but with a clear liberal bias compared to the Statism and protectionism of Vargas.

Under the military government, in contrast to the New State, there is a mature market with a high degree of centralised banking capacity, institutions with modern operations and facilities, and a centralised supervisory structure. Large national banks, public banks, and some international banks dominated the credit sector, while credit cooperatives lost market share. Unlike the military regime, state intervention under Vargas gave special treatment to credit unions, distinguishing them from other financial institutions. On the other hand, the 1964 regime makes no distinction between financial institutions and established rules that affect their functioning and efficiency.

The following topics will explore the characteristics of the União Popular de Santa Cruz do Sul as it enters a new and challenging cycle arising from this new critical juncture.

## 7.3 Cooperative leaders support the military regime

The directors of the União Popular de Santa Cruz do Sul, although running a democratic organisation, have paradoxically chosen to support the dictatorship. However, this system would cause great embarrassment to the organisation that has almost shut down its activities.

Their support for the newly established regime is evident in the organisation's 1964 annual report. This document, dated February 25, 1965, celebrates the actions of the *coup d'état*.

(…) "The measures adopted by the federal government to put an end to the rising inflation have had two effects on the national economic-financial system. If, on the one hand, it reveals *the commitment of the country's leaders* to guarantee a new scenario for all those who see a gradual decrease in the purchasing power of the currency, which is a factor of insecurity, on the other hand, it implies *a break with the typical form of the development process, which is artificial and unjust* because it does not benefit the middle and lower classes. *Breaking with the old system and seeking the truth* that cannot be found in false statements, *the new government* eliminated foreign exchange subsidies and tried to eliminate a series of distortions in the overall structure of our economy". The impact of the *moralising measures* did not exclude the national banking network and was felt in the credit restriction measures. That is the atmosphere for most of 1964. (…)Dear members, we seem to have reached a period when people realise that *our actions today mean a lot for our cooperative tomorrow*. Indeed, our organisation seeks nothing but to promote human development, in this case by providing more affordable credit. We cannot forget that our application is intended to help agricultural activities and other professional categories, allowing better conditions for rural and urban workers to achieve a higher standard of living and better production with their families through small personal loans.[[177]](#footnote-177)

By providing support and legitimacy to the regime, it is understood that the directors expect to receive recognition and acceptance from the government as a reward. Something that does not happen. It has been noted that support for the regime extends to a strategic communication area, namely the cooperative's support in formal communication and relationships with specific actors in the local leadership.

There is even some evidence that connections between the organisation and the military might have occurred before the coup. Reports from previous years indicate different interest rate credit concessions to military personnel.[[178]](#footnote-178)

Moreover, the consent of the top leadership to the coup and the regime is not only institutional. Local news services, such as the Gazeta newspaper, have publications involving board members.[[179]](#footnote-179) Cooperative leaders control local media that support the authoritarian regime, with pro-1964 reports and editorials. Therefore, this institutional and individual support shapes the direction that a significant part of the local movement is beginning to take, reducing its self-organising strength by affirming an authoritarian state.

Some members, especially those in leadership positions, link the cooperative directly and indirectly to authoritarian interests by supporting the military regime. In defending the dictatorial rule, the directors minimise any bottom-up attempts of small farmers' movements, suffocating any movement that might have been spontaneously generated at the lower levels of the organisation.

Those who supported it had little idea that the change in autonomy would affect their activities and put their survival at risk. In the following topics, we highlight the formal communication between the Central Bank of Brazil and the União Popular de Santa Cruz do Sul, and how the rules made the organisation almost stop its activities.

## 7.4 Unsuccessful incorporation: Raiffeisen and Luzzati attempt

The adoption of Law 4.595 on December 31, 1964, led to a significant change in the Brazilian financial system: credit unions were organised as part of the national system while keeping their particularities and being placed under the control and supervision of the Central Bank, just like traditional banks. Faced with legal regulation by the government and without the help of a second organisation (abolished in 1967), the União Popular de Santa Cruz do Sul seeks other ways to get out of the crisis, one example being the failed attempt to merge with another cooperative.

In a 1969 report, this cooperative operating under *Raiffeisen* principles expressed the prospect of merging with Cooperativa de Crédito Santa Cruz Ltda, a partner operating under the *Luzzati* system.

A decision has been made to merge to join forces and create an efficient structure in times of crisis. The institutions operating in rural and urban areas tried to join forces, but the regulator rejected the process.

Aware of the government's policy of accelerating economic development and reducing inflation, as well as their responsibility as local financial agents, the two local cooperatives, one following *Raiffeisen* principles and the other the *Luzzati* principles, carried out collective studies aiming at adapting the government's guidelines for the provision of services to their members. After several meetings, merging these two organisations to overcome obstacles and serve urban and rural communities arises.[[180]](#footnote-180)

The attempt to merge is carried out under legal procedures, with an understanding of the monetary authorities and the local population. For the directors of both organisations, the merger would bring the city to a new stage of collective effort, aiming for a field of action composed of two fronts: 1) First, in the urban areas, with the participation of small professionals, commercial, industrial, banking, self-employed, civil servants, who have incomes between 300.00 and 900.00 N$ and usually cannot choose to obtain credit in larger financial institutions; and 2) secondly, in the rural areas, with an operational model of raising resources for agricultural production by the farmers themselves, with the cooperation of more than 11 years with the Bank of Brazil in financing the productive activities of the farmers. Thus both organisations consider meeting the credit needs of the groups (rural and urban) as "a concrete contribution to the maintenance of peace and social harmony" and an "indispensable condition for an ordered economic development”[[181]](#footnote-181).

Therefore, an attempt involving multiple actors begins to integrate two collective organisations. First, a meeting is held with several members to study the possibility of its incorporation. Steps are taken, and the negotiations pointed out that, if the process is approved, the Cooperativa de Crédito Santa Cruz Ltda (Luzzati) would be transferred to the headquarters of the União Popular de Santa Cruz do Sul (Raiffeisen), and the members of the new organisation will elect a new governing body.[[182]](#footnote-182)

Then, on October 7, 1969, at a general meeting, members of both cooperatives approved the merger and decided that a joint committee would evaluate the assets of both societies. This committee, composed of members of both organisations, presented an executive report to the Central Bank of Brazil on October 20, 1969, giving favourable remarks.[[183]](#footnote-183)

Shortly after that, the Central Bank clarifies technical aspects of the merger between the two cooperatives through its bank inspectors and by letter. The monetary authority indicates the need for another general meeting with the participation of the members of both cooperatives to decide upon the approval of the executive report of the joint commission. Only after this meeting, with the respective minutes signed by both boards, could a decision be made regarding the merger's approval.[[184]](#footnote-184)

Finally, in compliance with these determinations, another general meeting was held on January 20, 1970, which approved the expert report of the joint commission. The meeting minutes were signed by the board of both entities and sent to the Central Bank on February 4, 1970, through the regional office of Porto Alegre.

However, the cooperatives were surprised when they received a negative response from the General Banking Inspection Service, rejecting the merger without any justification.[[185]](#footnote-185) The regulator did not accept the submitted appeals and annulled the validity of the meeting that approved the merger.

This refusal caused embarrassment, and members began a campaign to seek a new statement from the monetary authority. The initiative even reached the political arena. Communications were made with representatives of the Legislative Assembly of the State of Rio Grande do Sul to demand "intervention in the top leadership of the Central Bank of the Republic" to achieve a favourable solution.[[186]](#footnote-186) However, even with the participation of parliamentarians, the Central Bank did not accept the company's incorporation.

Based on this information, and considering the difficulties resulting from the new order, it is not surprising that the plan to respond to the crisis by creating a merger between a *Raiffeisen* (União Popular de Santa Cruz do Sul ) and a *Luzzati* (Cooperativa de Crédito Santa Cruz do Sul Ltda) organisation is understandable.

The reasons for merging one company with another may have different implications: a stronger company merges with a weaker company to increase its structure, or two companies merge to increase their synergy. The latter seems to be the case in our study, which was not accepted by the authorities. Our example illustrates the self-organisation of two local cooperatives that tried to merge but were rejected by their regulators. The local assemblies' behaviour and the approach to the legislative power may be interpreted as a failed self-regulatory strategy. In this case, the highest authority, the Central Bank, rejected the requests. As a result, the merger between Cooperativa de Crédito Caixa União Popular de Santa Cruz do Sul and Cooperativa de Crédito Santa Cruz Ltda. was not completed.

In particular, the impossibility of merging a Raiffeisen and Luzzati cooperative constitutes an essential element for future comparative case studies focusing on analysing recent merger processes. In order to explore this issue further, it is necessary to analyse other similar cooperative incorporation processes in military and democratic regimes. That is because mergers and acquisitions in the cooperative sector became frequent during democratic periods, especially in the 2000s.

We conclude that the military government prefers large banking groups to the detriment of smaller local initiatives. As pointed out, the União Popular de Santa Cruz do Sul Cooperative faced its first setback in its management. The following topic details the other constraints that they suffered.

## 7.5 Formal communications with the central bank and regulators

The military period imposed several restrictions that rendered the group unable to self-regulate, forcing them to comply with the rules set by the legislator. Leveraging the power granted by Law No. 4595 on December 31, 1964, and Decree No. 59 on November 21, 1966, the monetary authority conducted routine inspections within the organisation, which resulted in various modifications in its internal rules.

To shed light on this issue, we have analysed the documents exchanged between the central bank and the local organisation during the 1960s and 1970s. Our examination has revealed that monetary authority inspections were quite frequent, and there was a significant increase in the exchange of information between the cooperative and the Office of Banking Supervision during this period.[[187]](#footnote-187) We have also found that the regulator was strictly adhering to the laws adopted by the military government and notified the cooperative whenever violations were detected. The number of notifications sent was not insignificant, with at least one inspection conducted every year and multiple communications sent by letters.

During an inspection carried out in 1966, the Regulator identified a number of irregularities in the enterprise and requested "urgent changes" to be made. These changes included: 1)Adapting the cooperative's activities to the operational discipline established by Central Bank Resolutions 11, 5, and 27, and depositing its values in the public bank Banco do Brasil; 2) Prohibiting deposits by non-members and eliminating those who do not qualify for membership (urban members); 3) Addressing the irregularities in the debit balances of deposit accounts and changing them in accordance with Central Bank Resolution No. 11. correcting the excessive interest rates on loans, which were as high as 36% per year; 4) rectifying the irregularities in popular deposits in the accounts of the neighbouring city of Venâncio Aires. In addition to these irregularities, the Regulator noted that: 5) since the cooperative was a "Raiffeisen type", only peasant farmers were authorised to receive loans (according to article 4, paragraph 1 of the internal statutes); 7) loans were being used for mere consumption and 8) members were not providing details about how they were utilising their loans.[[188]](#footnote-188)

During their visit to the institution in 1967, the regulator noted that the "liability of each member should not exceed 5% on loans", and the "capital of any individual member should not surpass 20% of the association's capital". As a result, instructed the elimination of all excesses to avoid risks. They also requested a "monthly list of the largest debtors, certified copies of monthly and annual trial balances, and a list of loans granted during the period". In addition, ordered the "exclusion of irregular urban corporations" and prohibited "deposits of members in accounts outside of Banco do Brasil". Lastly, the regulator "prohibited loans to new members with less than 30 days of membership" to promote financial stability.[[189]](#footnote-189) During another inspection in the same year, it ordered the institution to stop maintaining properties not intended for banking activities, as stipulated in Article 35 of Law 4595 from 1964, requiring managers to solve the situation of spaces rented to third parties and the irregularities of the CTA.[[190]](#footnote-190) The bank authority uncovered additional issues during their inspection, revealing that farmers controlled only 41.5% of the institution's total resources. In addition, noted that members of the Executive Committee were receiving compensation that was not authorised by the institution's internal statutes.[[191]](#footnote-191)

The managers have responded to the inspections by stating that although they have made efforts to prevent deposits from non-members; they have not been entirely successful. They argued that the "newly implemented regulation infringes upon a 60-year-long tradition and request additional time to comply with the regulation", citing the "challenges faced by members living in various municipalities with limited communication infrastructure". They asserted, "no single member accounts for more than 5% of the company's total loans and that there were no irregular corporate entities among the shareholders". They assure that "all funds are deposited in Banco do Brasil" and confirm that the company is in "compliance with the 30-day grace period for granting loans to new member".[[192]](#footnote-192)

The cooperative's managers have responded to concerns about irregularities in their operations by providing explanations for each issue. They clarified that their headquarters, which was built in 1925, was originally used as a hotel and room rental property. They also acknowledged that the cooperative currently does not occupy all of its available space, but they plan to utilise it in the future. In regards to the allocation of resources, they stated that recent changes in economic activity have affected transfers to rural landowners, resulting in only 41.5% of resources being granted to farmers. However, they assured that they are committed "to regulating this issue and ensuring a fair distribution of resources in the future". The managers also acknowledged the need for regulation of directors' remuneration and the exclusivity of loans to farmers. To this end, they "scheduled a special general meeting to address these irregularities".[[193]](#footnote-193)

Despite previous interventions, the Central Bank's banking supervision department found discrepancies during the 1968 audit. The regulator once again prohibited "non-members" from making deposits, including "representatives of non-profit civil society organisations".[[194]](#footnote-194) The authority demanded a "complete list of corporate entities (businesses and non-profit) with deposit accounts in the cooperative," and only companies meeting the entry requirements (i.e., operating in rural areas) were allowed to continue their accounts. A list of "enterprises whose accounts to be closed" was also required.[[195]](#footnote-195) During the same audit, it discovered irregularities in loan interest rates, which exceeded the legal limit, and identified "different loan rates ranging from 3% to 18% per year," creating undue privileges not consistent with the cooperative system. Furthermore, the bank authority highlighted that irregular loans were granted to non-members, a violation of Article 44, paragraph 1, of the Statutes, and recommended the "immediate regulation of this situation".[[196]](#footnote-196)

The managers responded to the regulator's findings by defending their decision to allow non-profit civil organisations to participate, as it aligns with legal requirements under article 41 of Law 60.597 of April 19, 1967. They also confirmed that they had closed the irregular accounts. Regarding the interest rate discrepancy, the managers explained that it was their effort to support the rural sector by providing increased incentives to farmers. They disclosed that for many years; the cooperative had received loans from Banco do Brasil (BB) to refinance small rural landowners. At first, BB charged an interest rate of 7% per year, which was transferred to farmers at 10% per year, resulting in a 3% profit. However, BB raised its interest rate to 12%, forcing the cooperative to adjust the interest rates for its members to maintain a consistent profit of 3%.[[197]](#footnote-197)

The managers complied with the orders by preparing a list of civil society entities with active deposits (Appendix 2) and a list of civil society entities that had their accounts closed (Appendix 3). Upon analysing both lists, it became evident that most non-profit organisations had their roots in the Catholic community movement in the area and had a strong connection with the cooperative and the local community. These organisations' longstanding relationship spanning almost 50 years of cooperation (until 1968) demonstrated the social capital that they and other groups had developed through their local activities.

A total of 156 non-profit organisations (Appendix 2) comprising the civil society of Santa Cruz do Sul engage with União Popular de Santa Cruz do Sul. However, 112 organisations have to withdraw their participation due to legal requirements (Table x2), i.e., a decrease of 73% — one hypothesis for this issue is that these associations did not have all the regular documentation, such as CGC and other bureaucratic processes.[[198]](#footnote-198)

Internally, the exclusion of these associations indicates a loss of self-regulation and promotes the consolidation of other financial agents, including private and state-owned banks. As a result, the management of accounting from companies and civil organisations who had joined the cooperative as members is transferred to other agents.

In the 1970s, oversight became increasingly rigid, interfering directly with managers' activities and decisions. Regulators note that "serious irregularities continue to occur." During routine inspections, they verify: 1) that the third-party properties were not resolved; 2) that monitoring mechanisms are not used (to cash checks); 3) that the cooperative still makes irregular loans at 77% to non-rural members; 4) that again new irregular members (not farmers or rural members) have been admitted and finally, 5) that less than 10% of the surplus goes to the reserve fund.[[199]](#footnote-199)

There are also irregularities in the "issuance of rural credit notes", "overdue loans to members of the Finance Committee", and a need to "update several members as required by law (article 13 of Decree 58.380)".[[200]](#footnote-200)

Managers indeed comply with some of these recommendations. The organisation sells its properties, including the Hotel Santa Cruz and the CTA, and creates the mechanisms recommended by the Central Bank to clear checks and regulate agricultural deposits. However, a long legal battle against the regulator begins regarding the regularisation of membership. They claimed that older members could not be punished because of the change in the law and the transformation of the cooperative. For them, long-term members in urban areas have "vested rights" and should "remain as legal members.”[[201]](#footnote-201)

As an alternative, they suggest increasing the participation of rural members in a three-pronged plan that: 1) gradually increase credit to rural members, 2) decrease credit and services to non-rural members, 3) and encourage rural leaders to join the organisation. To justify their proposal, they send reports showing the growth of businesses in rural areas and the partnership with Banco do Brazil to provide funding to help agricultural producers.[[202]](#footnote-202)

However, it is worth noting that the managers insist on maintaining relationships with the urban environment and do not comply with the regulator's guidelines that warn them for "providing inaccurate information to this central bank".[[203]](#footnote-203)

One evidence of management insubordination is the maintenance of accounts of nonprofit entities that have been subject to closure in past audits. The Central Bank, through letter DIAUC/SINCO-73/596, in its inspection of June 14-18, 1973, again noted the "continued existence of entities with irregular links," even though the directors had informed them in previous letters that they had closed these accounts.

Table - Entities whose accounts must be closed according to BACEN DIAUC/SINCO 73/596

|  |  |  |
| --- | --- | --- |
|  | **Name of the civil society organisation** | **Activity** |
| 1 | Associação Católica São João Serra | church |
| 2 | Associação de Ex Alunos Maristas | educational |
| 3 | Sociedade Beneficente Hospital Trombudo | health |
| 4 | Sociedade Literária São Francisco de Assis | church |
| 5 | Sociedade Escolar Beneficente Farroupilha | church |
| 6 | Comunidade Católica de Cerro Alegre | church |
| 7 | Comunidade São Luiz | church |
| 8 | Comunidade São José Monte Alverne | church |
| 9 | Comunidade São João Batista | church |
| 10 | Comunidade Evangélica Rio Pardinho | church |
| 11 | Comunidade Escolar Dona Carlota | educational |
| 12 | Comunidade Católica São Miguel M. Alverne | church |
| 13 | Comunidade Católica Nossa Senhora de Fátima | church |
| 14 | Comunidade Católica Sagrada Família Vale do Pinheiral | church |
| 15 | Comunidade Católica Santo António | church |
| 17 | Comunidade Católica Divino Espírito Santo | church |
| 18 | Comunidade Católica Capão Cruz | church |
| 19 | Comunidade Beneficente Ressurreição | church |
| 20 | Avierco | civil |
| 21 | Comunidade Escolar Padre Rio Pardinho | church |
| 22 | Comunidade Católica São José-Trombudo | church |

Source: Adapted from Sicredi Vale do Rio Pardo (1973)

Table 19 shows non-profit organisations that were supposed to shut down their accounts in 1968 but occasionally continued to operate until 1973 after the regulators issued warnings. In total, 21 community entities maintain illegal transactions, relying on the cooperative to operate their accounts.

Non-compliance with the order can be observed in the absence of immediate exclusion of urban members. Officially, members from the cities had to be removed from the cooperative by the Central Bank (DIAUC/SINCO-72/245, 25.07.1972). The managers even reported that they had removed them. However, the audit revealed a scam.

Management's attitude toward maintaining irregular members is difficult to measure, as they are informal aspects that occurred mainly in the 1960s and 1970s. However, from communication between the regulator and the cooperative, it is clear that the organisation does not only serve members from rural areas but also legal entities such as small and medium-sized enterprises and non-profit organisations, suggesting a social structure composed of members with ties to the city as well as companies, which in the eyes of the regulator is forbidden.

The findings pointed out that managers complied with most of the recommendations, but were negligent in disclosing information, placing the enterprise at serious risk. The establishment of "informal practices" to obtain money and financial resources from other sectors (urban and corporate), has been strongly opposed by the regulator.

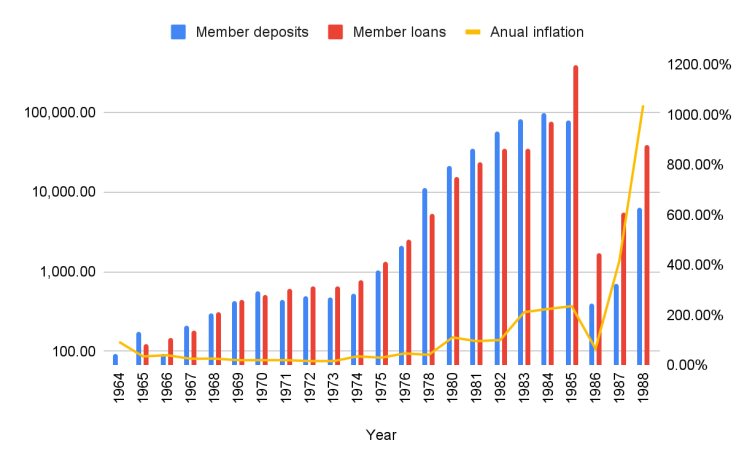
## 7.6 Membership loss and the risk of insolvency

During the "economic miracle" in Brazil, private firms and large corporations prospered in favourable conditions, while credit cooperatives struggled to achieve growth. Regulatory measures implemented by monetary authorities affected the dynamics of local finance, leaving cooperatives such as the União Popular de Santa Cruz do Sul weakened in the face of policy changes and new regulations in the financial market. During the military rule, in an effort to control inflation, the national currency was changed five times. To stabilise the country, stimulate exports, and attract large private capital, the national economic policy adopted an orthodox monetarist model, which affected many sectors of the economy.

However, this economic plan has presented its own set of challenges, including the increase in foreign debt and the opening up to foreign capital, which have significantly impacted local cooperatives and small business. At the same time, Santa Cruz do Sul has seen the consolidation of industrial companies with international resources, underscoring the influence of global markets on its local economy. The financial reports of União Popular de Santa Cruz do Sul indicate that the institution faced numerous difficulties that limited its ability to expand and comply with the new regulations of the national financial system. In contrast to the previous period from 1945 to 1964, the organisation encountered significant obstacles in handling its activities under the military rule. Over the 26-year, from 1964 to 1988, the organisation experienced a persistent imbalance between its loan portfolio and deposit base. Specifically, for 13 years, the loan account grew at a faster rate than deposits, leading to a negative operating balance (see chart 15).

The 1964 banking reform and subsequent Central Bank resolutions placed several restrictions on the local cooperative, including interest rate limits on deposits and loans, mandatory deposits, and member-only lending requirements. These limitations severely restricted União Popular de Santa Cruz do Sul's ability to serve the needs of its local community, hindering its growth and development. For instance, depositors' funds were subject to mandatory deposits on Banco do Brasil, and the organisation could only lend to members involved in rural activities. These restrictions were major triggers to the decline and eventual dissolution of other cooperatives, as they lacked the capital and market conditions to overcome such significant challenges. The chart below depicts the loans and deposits of members, highlighting the impact of these restrictions on the cooperative's operations.

Chart - Member deposits, member loans and annual inflation from 1964 to 1988



Source: Sicredi VDRP annual reports and balance sheets. Data in logarithmic scale[[204]](#footnote-204)

Due to significant fluctuations in monetary values and currency changes and high inflation in Brazil, chart 15: member deposits, member loans and annual inflation from 1964 to 1988, had to be presented in a logarithmic scale. A linear scale would have distorted the graph, making it challenging to capture the full picture of these fluctuations.

However, when analysing the time series adjusted for inflation index (Chart 14), different patterns emerge. [[205]](#footnote-205) The reader will notice no constant evolution of depositis, pointing out a visible instability for the period.[[206]](#footnote-206) In addition, inflation endangered the rural credit lines due to the increase in interest rates in the banking sector. In this case, instability in deposit levels at União Popular de Santa Cruz do Sul can be attributed, in part, to exogenous factors such as the economic crisis of the 1980s and high inflation rates. These macroeconomic shocks reduced the income and savings capacity of members, affecting the demand for deposit. Moreover, uncertainty generated by these crises may have encouraged members to explore alternative investment opportunities, thereby diminishing the size of União Popular de Santa Cruz do Sul's deposit base.

Chart - Deposits between 1964 and 1988 and inflation-adjusted deposits

|  |  |
| --- | --- |
| *Member nominal deposits* C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\2E74C90C.tmp | *Member adjusted deposits* C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\B2126EFA.tmp |

Source: Sicredi Vale do Rio Pardo annual reports and board meetings and IGP-DI FGV

In addition, when analysing member loans with inflation index, other interesting patterns arises (Chart 16). It is possible to note that loans of the União Popular de Santa Cruz do Sul were influenced by the economic policies adopted during the military regime and the general economic environment of the country. In response to the central bank's decision to raise interest rates as a means of inflation control, members experienced a reduction in their borrowing capacity. This led to a period of decreased loan volumes, impacting members' ability to invest in and expand their businesses.[[207]](#footnote-207)

Chart - Loans between 1964 and 1988 and inflation-adjusted loans

|  |  |
| --- | --- |
| *Member nominal loans C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\34EE93E4.tmp* | *Member adjusted loan C:\Users\maj23bk\AppData\Local\Microsoft\Windows\INetCache\Content.MSO\849EF792.tmp* |

Source: Sicredi Vale do Rio Pardo annual reports and board meetings and IGP-DI FGV

Although artificial measures were taken by the government in the 1960s and 1970s, in the 1980s, there was a return to an inflationary spiral of over 1,000% per year, with negative consequences for União Popular de Santa Cruz do Sul. If 1945-1964 was a period of expansion, then 1964-1988 was a period of crises, higher costs, increased competition, and legal restrictions. Large banks, corporations, and state oligopolies were most favoured during it.

Due to its contractual relationship with Banco do Brasil under a rural credit agreement (CREAI), the cooperative faced a 3% hike in lending rates, compelling its managers to pass on these elevated costs to its members.[[208]](#footnote-208) Furthermore, the cooperative was obliged to maintain mandatory deposits within this public bank. The adoption of these mechanisms has resulted in higher borrowing costs for members, that combined with high input and raw material prices was particularly harmful to low-income workers, whose earnings have not kept pace with the rate of inflation.

Difficulties in providing rural credit arose due to a decrease in members' deposits, which traditionally subsidised this activity. It is important to emphasise that the debt and difficult financial situation of União Popular de Santa Cruz do Sul has not only deteriorated in the 1960s or 1980s; on the contrary, since the mid-1950s, precisely at the beginning of its growth process, it has been increasingly indebted to Banco do Brasil. The estimates made by the cooperative itself highlight the precarious financial situation of its service branches.

The Annual Report from 1982 includes an admission from the managers regarding the limited scope of lending opportunities: "[loans] concentrated on costing tobacco plantations and building and renovating barns for this activity." The report also notes that "no loans were possible for other investments, like construction and renovation of houses, or any other building, the purchase of agricultural equipment or service animals, or the improvement of rural property." The insufficiency of resources provided by Banco do Brasil, which were allocated towards rural financing through CREAI, was also highlighted, with the managers stating that these resources "were not sufficient to meet our farmers' needs." [[209]](#footnote-209) The lack of funding for these ventures had a negative impact on the livelihoods of local farmers who required such investments for their activities.

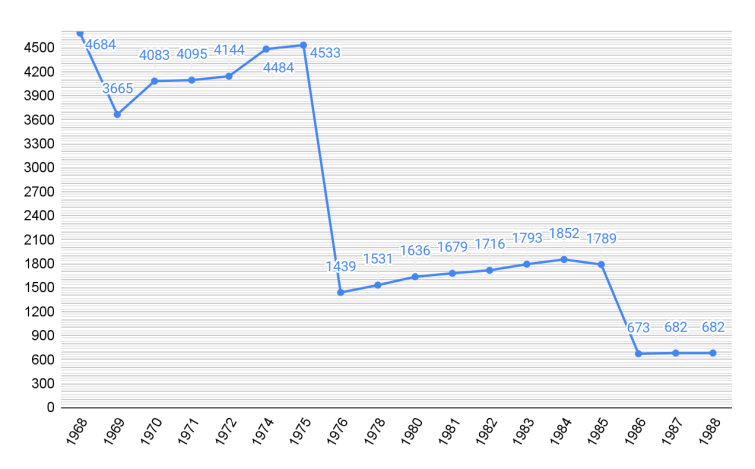
Before the military rule, the organisation allocated a significant portion of its profits to the special reserve fund, which ensured the security of its operations and met the needs of its members. However, after internal regulatory reforms in 1966, the organisation was no longer allowed to distribute profits to its members and had difficulties to grow its own funds.[[210]](#footnote-210) Instead, the funds were primarily used to cover operational and administrative expenses, leaving little room for meeting the needs of its members or investing in projects of the community. Moreover, in the event of insufficient reserves to cover losses, members were obligated to bear the responsibility by utilising their own personal resources.[[211]](#footnote-211) This unfavourable situation generated great concern among members, who feared the possibility of losing their personal assets in the event of the cooperative's insolvency. Such effect not only created uncertainty but also contributed to eroding trust in the cooperative.

In situations where the funds proved inadequate, members were compelled to share the losses equitably. In 1970, the regulator noted that the funds received less than they should.[[212]](#footnote-212) And managers responded that was due to the low volume of business.[[213]](#footnote-213) Due to poor growth in funds, the cooperative was unable to provide donations to the community. Like magic, money intended for supporting members and local community in social and educational activities, disappeared from the board and fiscal council meetings — the exception was the donation of Cr$ 5,000 to the Associação de Pais e Amigos dos Excepcionais (APAE) for the distribution of prizes in the community.[[214]](#footnote-214)

To make things worse, managers had to sell valuable assets, including the Santa Cruz Hotel and Agricultural Training School, due to restrictions from the Central Bank. This caused members to lose trust and made it difficult for the organisation to meet their needs and those of the community. The situation weakened its ability to function well and raised concerns about its future.

Exclusion and voluntary resignation of members was another consequence. With entry restrictions (only members from rural areas), and the elimination of members with urban activities and their enterprises, membership in numbers drop drastically.

Chart - Number of members (1964-1988)



Source: Author, based on Sicredi Annual and board reports[[215]](#footnote-215)

From 1968 to 1988, at least 4,002 members left the cooperative — over 85% of its membership. Great insecurity was caused by the exclusion of members, especially in 1975 and 1985, when the number of members dropped by 68.2% and 62.3% per year, respectively, threatened the self-governance and the business model.

Under this context, the company had to consider changes in its social framework and decide on a new strategy since its existence depended exclusively on relations with its members in rural areas, given that it was legally prohibited to negotiate with "non-members" including companies, NGOs, and individuals linked to urban activities.

What stands out about this case was the inadequacy of state regulation, which posed difficulties for several local and small cooperatives. Without clear guidelines and support from the government, União Popular had to compete with other actors, including conventional banks and state service providers. In order to survive and thrive, União Popular had to reconsider its approach, with the aim of rebuilding trust among its members and offering solutions that met their needs. This was a significant challenge, particularly due to the lack of state support. An analysis of self-regulation during this period sheds light on the challenges encountered by União Popular de Santa Cruz do Sul in maintaining its operations and self-governance structures. The lost of trust, exclusion of members, and transformation of the local economy presented significant hurdles to the sustainability of this local institution.

## 7.7 The end of a chapter: CTA and the Santa Cruz Hotel cease operations

During its early stages of development, members have showed its commitment to education and finance by constructing two remarkable buildings: the Agricultural Training Centre (CTA) and the Santa Cruz Hotel. These structures held significant value for the community as they served important purposes. The CTA provided education and training for rural communities, while the Santa Cruz Hotel generated additional income to support the cooperative's operations. The residents of Santa Cruz do Sul recognised both projects.

However, during the military rule, the member were forced to cease the operations of these enterprises due to legislation enacted on December 31, 1964, known as the banking reform law 4,595, and the Central Bank Circular of March 30, 1966. These regulations prohibited credit cooperatives from owning real estate that was not intended for banking services. Consequently, the organisation had to sell the two properties. In this section, we will discuss the details of the sales of these properties.

During the initial inspections by the Central Bank in 1965, the directors were informed of the irregular situation regarding the two buildings. To address this situation and comply with the law, the Board of Directors decided to sell the properties. The decision was communicated to the members in a series of meetings and general assemblies. Upon learning about the law and the sanctions imposed by the Central Bank, the members unanimously agreed in a general assembly to sell the 24-hectare land in Linha Santa Cruz where was the CTA, as well as the 706 m2 area at the corner of Rua Tenente Coronel Brito and Ramiro Barcelos where situated Santa Cruz Hotel. Nevertheless, this was only the beginning of the history.

After the members agreed to sell the properties, the Board of Directors began searching for buyers, a process that took several years. As reported by Freitas (1990, p. 212), the Board first approached the Santa Cruz do Sul City Municipal Administration to sell the CTA for 50 million cruzeiros during a meeting with the fiscal council. However, due to the lack of state municipal funds, this negotiation was unsuccessful. Despite the efforts to comply with the law and sell the properties, the Central Bank's control remained strict and heavy.

To minimise the impact of the inspections, the directors informed the Central Bank that the General Assembly had approved the sale of the CTA. They informed that the General Assembly authorised the sale of the CTA to comply with regulations. However, because the municipality and some members, especially those in the agricultural sector, lack financial resources, they proposed selling to the Federation of Rural Associations instead. Concerning the building in which the hotel was located, managers informed that the space acquired more than 30 years ago was not explicitly intended for the headquarters of a credit organisation. Since members do not necessarily need the entire infrastructure, adjustments were made to enable monthly incomes in the form of rents to cover the cooperative's services, but steps would be taken to eliminate this irregularity.[[216]](#footnote-216)

In 1967, the cooperative hired an engineer to handle the paperwork for its properties. They then sold the Hotel Santa Cruz to its current tenant, Mr. Edgar Engelman. Later, in a board meeting on June 20, 1968, the Sociedade Literária São Francisco de Assis proposed to acquire the CTA. They offered a total of Ncr $65,000.00, with a down payment of Ncr $10,000.00 and subsequent payments of Ncr $5,000.00 every 60 days. The remaining balance would accumulate interest at a rate of 15% per month. The members accepted the proposal in an Extraordinary General Assembly held on October 18, 1968.

It is worth noting that the reasons for maintaining both properties, the CTA and the hotel, were different. The CTA was established in the mid 1950s to address the lack of technical education and limited number of schools in rural areas, with a focus on social and well-being goals. Meanwhile, the hotel was maintained for economic reasons, as additional rent income helped to offset operational costs. In both cases, the necessary financial resources were obtained through self-funding. The CTA relied on volunteers and dedicated educators to carry out its training and rural education activities, while the hotel's operations were outsourced, and the cooperative received rent for the use of its facilities.

As we can see, the CTA and the Hotel Santa Cruz are the results of the self-organisation of the members in the activities of the cooperative that weakened during the military regime. With the sale of these structures, the cooperative's involvement in the community is reduced.

## 7.8 Transformations, mergers and partnerships, the 70s and 80s

During the years of military dictatorship in Brazil, credit cooperatives that followed the principles of Raiffeisen were subject to neoliberal policies that undermined their ability to provide essential services. These policies led to the sale of their reserves, foreign investments, and the suppression of their autonomy. Consequently, the sector witnessed a consolidation of commercial banks, leaving cooperatives marginalised in urban areas. The Brazilian financial sector became centralised due to a confluence of factors, including stringent Central Bank regulations, which forced local financial institutions to seek out more robust partners to remain competitive.

The decline in member loans and deposits since the mid-1960s and heightened competition from commercial banks in the 1970s and 1980s had a profound impact on rural credit cooperatives, exposing them to new realities and risks. União Popular de Santa Cruz do Sul experienced a period of crisis and recession due to increasing failures in its credit portfolio, linked to its external debt and declining membership. Furthermore, macroeconomic instability in the 1980s, typical of a weak State, worsened the situation, straining the balance sheet of the cooperative and constraining its operations.

With the downgrading of the regional centre (in 1967) to a singular cooperative, the local cooperatives of Rio Grande do Sul lost their representation. Without a structure of support, the União Popular de Santa Cruz remained during the 15 years of the military regime with no representation or assistance from a second-level entity, facing the political-economic conjuncture by itself.

High operating costs and the gradual withdrawal of government subsidies required new financing alternatives. So in the 1980s, nine remaining Raiffeisen rural credit cooperatives came together and formed the Cooperativa Central de Crédito Rural do Rio Grande do Sul (COCECRER-RS, now Central Sicredi Sul/Sudeste), a second-tier entity with the function of managing resources and services on a larger scale, helping affiliated cooperatives during the crisis.

*I don't remember the year, but it must have been in 1984 or 1985, at the invitation of Mr. Mário Kruel Guimarães, then Superintendent of Fecotrigo, at a meeting of all the credit cooperatives to allow the creation of our Regional Office. After several seminars and meetings, the Regional Office of Rio Grande do Sul (Cocecrer-RS) was created, then Central Sicredi Sul and, for us in Santa Cruz, Credivarp. During this period, many restrictions and operational norms were eliminated or modified, the first cooperative bank in Brazil was created and the fragmentation of credit unions in Brazil was eliminated.[[217]](#footnote-217)*

In fact, in this speech, the manager refers to 1982 (when the organisation accepted the invitation to join the second tier entity) and 1983 (when the organisation changed its name to Credivarp), two and three years after the creation of Cocecrer/RS, respectively. Seeing the opportunity to address this critical situation and connect with other cooperatives, the leaders and members chose to join Cocecrer/RS.[[218]](#footnote-218) It should be noted that, unlike the first Brazilian regional office in 1925, whose members from Santa Cruz do Sul were the protagonists of its creation, the affiliation with Cocecrer/RS takes more time to materialise. The reason is that the credit unions that compose this new regional office were required to join an agricultural production cooperative.[[219]](#footnote-219)

This may explain the immediate merger of the União Popular de Santa Cruz do Sul with the Cooperativa da Agrícola de Soledade (Coagrisol), in 1981. Furthermore, the regulator does not deny the merger process, as it did with the Luzzati cooperative, because Coagrisol developed rural activities.

The resources raised from Coagrisol's agricultural activities serve as collateral for loans to União Popular de Santa Cruz do Sul members. Accordingly, the capital accumulated by this entity provided the organisation with a base for generating new loans, allowing it to join the Cocecrer/RS Regional Office. This mechanism for financial stability was created and approved by members to ensure the soundness and reliability of credit operations.

Guided by these ideas, the members do their best not to betray their roots, i.e., the connection with the rural areas. In many other credit cooperatives, the attitude has been different: they opted to transform themselves into limited entities (Ltda.), a policy that had not solved their problems and later led them to be sold to other entities, national or foreign, or even to discontinue their activities.

Cocecrer/RS, as a secondary entity, has an operational policy for the benefit of its affiliates. Coagrisol ensures more significant liquidity and associates credit granting with agricultural production activities. The two actors are linked to each other and jointly face their problems.

The agreements represent a good solution for the system. However, the normative acts of the period did not authorise the cooperatives to constitute their bank or to consolidate confederations.

Partnerships and attempts to create a common representation have responded to the demands of the cooperatives for efficiency, success, and harmonious performance. These actors survive by using the standard services of secondary entities to supervise their directors, managers, and employees and to comply with the bureaucratic procedures of the State.

They overcome the difficulties by becoming part of the regional office. Joining in 1932 and again in 1967 brought the organisation advantages of a business model that not only helped in the administration of local activities but also provided technical support to meet the legal business requirements. As we have shown, the regional office in Porto Alegre was discontinued due to the restrictions of the military regime and was downgraded to a local cooperative in 1967. Only in 1980 did it become operational again, supporting the cooperative members.

## 7.8 New name and transition to professional management

Seeking greater independence and financial stability, as well as less government involvement (self-organising strategy), the cooperative allied itself with actors such as Coagrisol and Cocecrer/RS. In 1983, the União Popular de Santa Cruz do Sul changed its name to Cooperativa de Crédito Rural do Vale do Rio Pardo (Credivarp) and began a process of diversification of its activities. The managers use funds raised by the partnerships and carry out typical traditional banking operations: discounting bonds, opening rural credit lines (to finance agriculture, investment, and trade), cashing services, checks, federal, state, and municipal taxes services, payment orders for social security and labour contributions, etc.

The staff assumes an increasingly technical role and performs more specialised activities. The original focus is on eliminating inefficiency and achieving greater productivity by applying banking industry methods and techniques. In short, their actions have become very similar to a service bank, but with a focus on rural areas. All services provided follow the guidelines of the Cocecrer/RS and the regulator who oversees the group's activities.

In 1985 Credivarp established an agreement with BNCC for check clearing services[[220]](#footnote-220), which is implemented and continues to be fully operational in subsequent years.[[221]](#footnote-221)

*Interest rates were very high, up to 86% per month. And there was money in the market, and no shortage of it. The problem was the danger of managing that money. So we created the regional office, Sicredi Central, when it was called Cooperativa Central de Crédito Cooperativo. It was the regional office that organised the financial part. We hired experts through the regional office, and we kept on going. There was always a bit of money left over to pay Valfredo and Angela [employees], and then I started to receive a little bit too. Then the checks started coming in. People started to use it. We had national service, from Banco do Brasil, and then we started to consider doing it by ourselves, with our bank [Sicredi Bank]. Finally, there was always a little bit left over to cover our expenses. That's how, more and more members started to join.[[222]](#footnote-222)*

The details can be learned from employees' statements:

*Every day, in teams of two or three, we sent cash balances to Banco do Brasil to be deposited in the cooperative's account at the National Cooperative Bank (BNCC), which was abolished by the Collor de Mello government. (…) During this transition period, an effort was made to collect checks from different banks and to liquidate them manually so that our members would not suffer losses.[[223]](#footnote-223)*

The replacement of the name União Popular with Credivarp, as well as the affiliation with Cocecrer, are changes that impact the organisation's structure and performance. This context is related to the attempt to systematise the organisation's network on a standardised, optimised, and efficient basis, seeking to overcome almost two decades of loss. These changes will become more evident in the coming years, especially during the new democratic period the country enters after the military regime.

In this new network, the inspections by the Central Bank are less intense because the regional office (Cocecrer/RS) acts to regulate internal matters of its affiliated cooperatives. The partnership works to the point that in 1982 there was no Central Bank inspection. The managers realised that the regulator intended to integrate them into the system that Cocecrer was creating. In 1983 they received two inspections by Cocecrer and one by the BNCC, and members admit that the result of these activities is significant. For them, the crisis recovery happened gradually due to the "integration with Cocecrer and the integration with Coagrisol."[[224]](#footnote-224)

However, structural changes do not guarantee effective community participation in the organisation's decision-making; by adopting a technical and highly professional posture, many move away from these principles. It is known that trust and social and community ties facilitate the cooperative's integration into the community. Therefore, the prevailing economic and technical rationality distances the community's actions from the organisation's decision-making processes.

To get closer to its target audience again, especially after losing the activities of the CTA and the Hotel, the organisation holds periodic meetings and general assemblies near the most remote communities, seeking to repair the problems caused by adopting a technical and bureaucratic posture. But integrating members into the organisation's structure requires long-term local and regional development strategies. To this end, the directors consider credit strategies, technical support, and financial education provided in relevant ways for each region that promote community acceptance.

Just as the process of re-democratisation in Brazil that began in 1985 requires participation and social support to overcome the authoritarianism of the past, the cooperative sector also needs this initiative to expand rights and participation. Decisions have been taken in this direction to raise the levels of confidence of the members and the image of the institution with the community.

Even if this does not necessarily overcome all social problems, these initiatives show how the organisation has structured itself to overcome its challenges, remain socially responsive to its rural members, and survive the crisis.

## 7.8 Governance, staff and elective bodies

With the introduction of the Central Bank's new rules, the governance structure changed. Innovations include creating a new executive body and allowing members to vote on the remuneration of elected members. As a result, the cooperative comprises three bodies: the Board of Directors, the Executive Board, and the Fiscal Council, all elected by the General Assembly of the members.

In this structure, the Board of Directors is more broadly composed, consisting of five full members and three deputy members. This body meets regularly (usually once a month) to discuss medium- and long-term strategic issues and its members are appointed for a three-year term.

Additionally, an executive board is created, responsible for the day-to-day issues related to business conduct. Three members (president, secretary, and accounting), elected for a three-year term, have operational control and a different status from other workers.[[225]](#footnote-225)

Finally, the Fiscal Council, whose function is to examine and approve the books, comprises three full members and three alternate members, elected annually and not eligible for re-election.

Concerning clientelistic and corrupt practices, the organisation takes some steps. Internal and external regulations prevent family ties between the fiscal council and the board of directors; also, no family ties can happen between the board and executive directors. To become a member of a governance body, one must go through an electoral process, and, in the case of a staff employee, he/she must resign from his/her position. That is a clear rule that allows, but does not guarantee, separation of roles. Moreover, there is no restriction for the executive director to accumulate positions on the board.

For example, in some years, the executive director is also the president and receives compensation and bonuses on the balance sheets while retaining control and ownership of the company. The secretary gets 5% of the net income of each balance sheet, and the fiscal council receives a fee of CR$ 20.00 per meeting for each member.

Since 1969, members have been given the right to vote on the salary of the board of directors - a change brought about by the Central Bank's regulations. That is a positive mechanism that brings more transparency and allows members to decide and know the amount to be paid to their directors and presidents. For example, at the 1971 general meeting, members unanimously approved the remuneration of executive positions. "For the general director 8 regional minimum salaries plus a biannual bonus on the occasion of a balance sheet, for the secretary director a bonus of 5% on the ordinary net income and for the members of the fiscal council the value of the attendance fee was set at 20 cruzeiros." [[226]](#footnote-226)

A look at the minutes of the Board of Directors shows that the executive director and the Board of Directors members serve on both governance bodies (see Tables 16 and 17).

Table - Executive body in 1979

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Job title** | **Elected or Appointed** | **Term** |
| Pedro Avelino Junges | President | Member-elect | 3 years |
| Orlando Paulo Schaefer | Secretary | Member-elect | 3 years |
| Aloysio Nicolau Rech | Accounting officer | Member-elect | 3 years |

Source: Author, based on Banco Central (1979), Cadastro de pessoas físicas e jurídicas - Informações sobre ato de eleição ou nomeação. Document accessed in Sicredi's archives.

The Executive Board is assisted by the Board of Directors, which meets regularly, usually once a month. Substitutions, in case of impediment, are made in the order of the positions, and if the executive is temporarily vacant, then the fiscal council member is responsible for filling the vacancy.[[227]](#footnote-227)

Both executive directors and board members have ownership and control rights. Executives receive a fixed monthly salary and board members only at each meeting. The difference between executive directors and employees lies in the status of labor rights: on the one hand, executives have the same participation and ownership rights as ordinary members, but on the other hand, they do not have the same labor and social security protection as employees, because they hold temporary positions. Employees do not have property rights.

These practices are requirements of the Central Bank, which strives to train management and members to adopt methods that increase transparency and control (Ventura 2009).

Table - Board of directors in 1979

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Job Title** | **Elected or Appointed** | **Term** |
| Pedro Avelino Junges | Board of directors member | Member-elect | 3 years |
| Orlando Paulo Schaefer | Board of directors member | Member-elect | 3 years |
| Aloysio Nicolau Rech | Board of directors member | Member-elect | 3 years |
| António de Borba | Board of directors member | Member-elect | 3 years |
| Renato Melchiors | Board of directors member | Member-elect | 3 years |
| Clovis José Hoppe | Alternate board member | Member-elect | 3 years |
| Edmundo Goettert | Alternate board member | Member-elect | 3 years |
| Nelson Wagner | Alternate board member | Member-elect | 3 years |

Source: Banco Central (1979). Registration of individuals and legal entities - Information on the act of election or appointment. Document accessed in Sicredi's archives.

The internal body in charge of supervising the administration and having the power to convene meetings whenever it detects a matter that requires the appreciation and decision of the associates remains the same. It is the fiscal council that oversees the financial and administrative aspects of the cooperative, approves the annual accounting records and ensures compliance with the decisions of the Ordinary and Extraordinary General Assemblies, guiding the Board of Directors and/or the Executive Committee on appropriate procedures.

Table - Fiscal Council / Audit Committee in 1979

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Job Title** | **Elected or Appointed** | **Term** |
| Enri Ernesto Schaack | Effective Fiscal Councillor | Member-elect | 1 year |
| Claudio Schmidt | Effective Fiscal Councillor | Member-elect | 1 year |
| Carlos Kraether | Effective Fiscal Councillor | Member-elect | 1 year |
| Leopoldo Hoff | Substitute Fiscal Councillor | Member-elect | 1 year |
| Hiltor Osmar Lersch | Substitute Fiscal Councillor | Member-elect | 1 year |
| Joao Sebastiao Wagner | Substitute Fiscal Councillor | Member-elect | 1 year |

Source: Banco Central (1979). Registration of individuals and legal entities - Information on the act of election or appointment. Document accessed in Sicredi's archives.

Elections to the Fiscal Council are held individually, not by slate, and only the most highly voted candidates take office. This election process is independent of the election of the governing body and takes place annually.

Even with all these rules, one notes that the organisation searched for mechanisms to encourage the participation of the different interest groups — regional, sectoral, professional, borrowers, and savers — that comprise the association's membership.

Table - Presidents from 1961 to 1987

|  |  |  |
| --- | --- | --- |
| **Presidents** | **Period** | **Years in office** |
| Leopoldo Morsch | 1961 – 1971 | 10 |
| Aloysio Rech | 1971 – 1974 | 3 |
| Eloy Junges | 1974 – 1976 | 2 |
| Pedro Avelino Junges | 1976 – 1987 | 11 |

Source: Minutes of Sicredi Vale do Rio Pardo

Regarding the employees, the conditions are rather different. The directors select and train them, and their employment contracts are permanent. Staff is essential in interacting closely with members and management, carrying out their duties, and responding to members' needs. Unlike directors, they are under contract and have status and employment rights. They are all responsible for handling and formalising operations.

It is essential to highlight some aspects of this change in the work environment. As we have shown, the organisation is experiencing financial and operational challenges during this period. One of the challenges is to operate with a reduced number of employees and adapt to the needs of the modern monetary system. These issues can be seen in the passages.

*As the System became better recognised in the financial community, more was expected of the professionals. The business atmosphere became more complex, demanding constant efficiency and professionalism. Even with the improvements that standardised procedures brought, the System's management model still had its limitations. This was due largely to a lack of financial experts, who were mostly concentrated in the Southeast* (Fundação Sicredi 2014, 145)*.*

Not only are the qualifications required of the staff stringent, but the workload is also quite heavy. From 1975 to 1985, the organisation operated with only three employees, serving an average of 1,800 members.

*In those days, we were only three employees, and everyone did a bit of everything, from cash management, member services, loan calculations and inflation adjustments. We manually updated the members' checking accounts and financial investments daily, annotating the reports we received by courier and the accounting records, which were entered in sheets and transcribed into a daily ledger on a typewriter appropriate for the service. Shortly after that, with the growth of the cooperative and the need to adapt to the market, there was a need for modernization: the first computer was purchased, which cost the equivalent of the value of a popular car at the time (VW Beetle)[[228]](#footnote-228)*

It should be noted that the professionals recruited by the cooperative had to learn all the techniques of the business, as they were not experts in the field. Thanks to this experience, they spent many years in the administration of the organisation. A substantial number of activities are carried out by practice, with the regional office providing support and training.

*I was born on July 14, 1945, in Cerro Alegre Baixo, Santa Cruz do Sul, son of José Germano Mueller and Olinda Berta Ana Mueller, peasants, the youngest of eight siblings. I stayed in the rural community until I was 16 when I worked for the Catholic Agricultural Youth (JAC) of the Diocese of Santa Cruz and got to know almost all of our countryside. I also attended Ernesto Alves de Oliveira State School for high school, where I was a student leader and president of the student council. Perhaps because of this, I worked for the Rural Workers Union in Santa Cruz do Sul, where I was the head of the Medical Assistance Department. As for the offer to assume the management of the Rural Bank at that time, it was a complete surprise and a tough decision because it was a new operation sector for me. But after meetings and negotiations, I accepted the challenge and have never regretted it. When I took over (in 1976), the liquidation of the cooperative was even being considered, and at that time, we had only three people running it. But when I left, we had six units with over 30 employees. (…) When I was asked by the then president, Eloi Junges, to take on the task of manager, he simultaneously handed over the presidency to Mr. Pedro Avelino Junges, and we went through perhaps the most challenging phase in our existence. The situation at the time - more than 90% of the members were inactive and moving away; there were regulatory restrictions and no operational tools - nearly making development unfeasible. However, thanks to the motivation and selflessness of a small group of leaders and colleagues, and a great deal of sensitivity and creativity, we managed to keep operating conditions at a minimum, with only three people taking over, including the president. At that time, there were still eight rural credit unions in Rio Grande do Sul, practically all surviving bravely and making their contribution under the same conditions.[[229]](#footnote-229)*

A report from one of the longest-serving employees illustrates the adaptability of the business and the career path built within the organisation.

*I joined Credivarp in November 1985. Since then, I have worked in many areas such as cashier, member services, administration, treasurer, and controller's office. Currently, I am responsible for the credit recovery area. Since I started, the cooperative has grown and expanded tremendously, bringing about significant changes. That has awakened my motivation, and I have had the opportunity to demonstrate my ability to overcome and adapt to new challenges.[[230]](#footnote-230)*

Another important aspect is the acquisition of labour rights and benefits. By looking at it, it's possible to notice the employees' struggle for recognition and professional growth. Since 1973, all employees have been paid, in addition to their monthly salary, a year-end bonus (13th salary) and a half-yearly bonus corresponding to two salaries, for a total of 15 salaries per year.[[231]](#footnote-231) Previously, these benefits were available only to directors. Extra concessions, health plans, education discounts, and family support result from employees' efforts to obtain better rights and have been achieved over the years.

The table below shows the evolution of wages. It should be noted that wages do not increase with inflation, while instability leads to job losses.

With the economic crisis and organisational instabilities of 1975, the accountant position was eliminated. That year, the organisation operated with only three employees: an assistant, a trainee, and an elected president (general manager). From 1977 to 1985, only two employees held positions, a director and an assistant. That is when the number of employees falls to the lowest level. It coincides with the years of most significant membership loss and financial problems.

Table -Changes in wages from 1964 to 1985

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **President** | **Manager** | **Account** | **Assist. A** | **Assist. B** | **Trainee A** | **Trainee B** |
| **1964** | Cr$ 256,000 | No data | Cr$ 190,000 | Cr$ 54,250 | Cr$ 54,250 | Cr$ 49,729 | - |
| **1965** | Cr$ 358,400 | No data | Cr$ 266,000 | Cr$ 57,787 | Cr$ 57,787 | Cr$ 49,729 | - |
| **1967** | NCr$ 896 | NCr$ 665 | NCr$ 540 | NCr$ 446 | - | NCr$ 336 | - |
| **1968** | NCr$ 896 | NCr$ 666 | NCr$ 542 | NCr$ 448 | - | NCr$ 336 | NCr$ 200 |
| **1969** | NCr$ 1,132 | NCr$ 669 | NCr$ 569 | NCr$ 378 | - | NCr$ 352 | NCr$ 294 |
| **1970** | NCr$ 1,363 | NCr$ 627 | NCr$ 510 | NCr$ 378 | - | NCr$ 352 | NCr$ 294 |
| **1971** | Cr$ 1,670 | Cr$ 772 | Cr$ 628 | Cr$ 465 | - | Cr$ 369 | - |
| **1972** | Cr$ 1,670 | Cr$ 772 | Cr$ 628 | Cr$ 465 | - | Cr$ 369 | - |
| **1973** | Cr$ 1,670 | No data | Cr$ 754 | Cr$ 570 | - | Cr$ 423 | - |
| **1974** | Cr$ 1,670 | No data | Cr$ 904 | Cr$ 670 | - | Cr$ 478 | - |
| **1975** | Cr$ 1,870 | No data | - | Cr$ 1,100 | - | Cr$ 870 | - |
| **1976** | Cr$ 2,070 | No data | - | Cr$ 1,536 | - | Cr$ 1,269 | - |
| **1977** | Cr$ 3,500 | Cr$ 4,350 | - | Cr$ 2,900 | - | - | - |
| **1978** | Cr$ 5,000 | Cr$ 6,310 | - | Cr$ 4,200 | - | - | - |
| **1979** | Cr$ 7,100 | Cr$ 10,500 | - | Cr$ 7,100 | - | - | - |
| **1980** | Cr$ 9,940 | Cr$ 14,860 | - | Cr$ 10,000 | - | - | - |
| **1981** | Cr$ 32,150 | Cr$ 29,100 | - | Cr$ 19,810 | - | - | - |
| **1982** | Cr$ 69,100 | Cr$ 63,200 | - | Cr$ 43,500 | - | - | - |
| **1983** | Cr$ 141,900 | Cr$ 130,500 | - | Cr$ 90,800 | - | - | - |
| **1984** | Cr$ 342,720 | Cr$ 312,700 | - | Cr$ 220,000 | - | - | - |
| **1985** | Cr$ 651,168 | Cr$ 906,200 | - | Cr$ 641,200 | - | - | - |

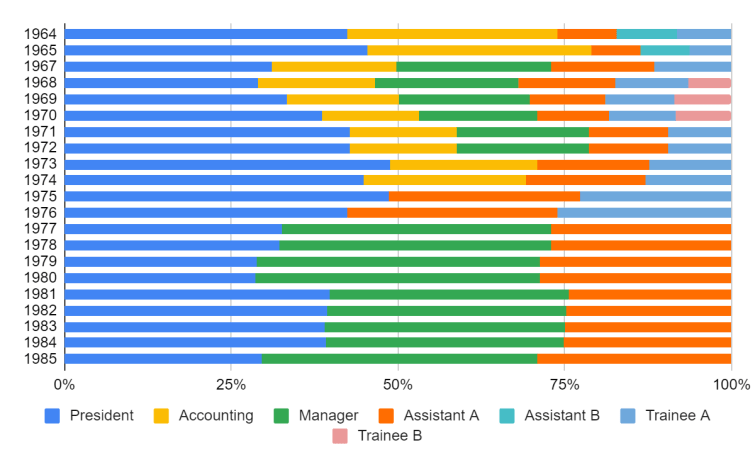
Source: Sicredi board minutes and INSS reports. Between 1964 to 1965 and 1974 to 1976 there were no managers on the company’s payroll.

Lower levels, such as assistants and interns, are filled by women. In these positions, they are paid less and do not receive the same promotions and advancements in the organisational structure as men. No women held positions in management, secretariats, presidencies, or accounting departments from the beginning of organisation activity in 1919 to the period analysed. While men celebrate their access to important positions and functions, female employees hired as assistants and interns tend to be paid lower wages (two to three times the Brazilian minimum salary).

While men advance in the social structure, women continue to do the daily, technical and repetitive work. Thus, during the military dictatorship, women's access to leadership positions did not correspond to the organisation's reality.

In all cases, the positions are filled by educated individuals who acquire knowledge through performing their duties. The chart below represents the distribution of salaries in the organisation.

Chart - Salary participation in the organisation's payroll (1964-1985)



Source: Table 23.[[232]](#footnote-232)

As the graph shows, the highest salaries are concentrated in the hands of the president, directors, secretaries, and accountants, followed by lower wages paid to assistants and trainees. In addition to the concentration of salary, a decrease in worker quotas suggests that the institutional crisis has affected their labour recruitment. Only three people work on the activities.

Employees, managers and directors work to meet the needs of cooperative members, the requirements of the regulator, and market demands. With the support of agricultural cooperatives and secondary institutions, these actors act to create a structure to finance their operations in the market and overcome the limitations of the State.

## 7.9 Concluding remarks

The period between 1964 and 1988 is one of the most difficult for the organisation, mainly due to legal impositions, neoliberal ideas, and macroeconomic problems that led to the shutdown of other cooperatives in the country. The establishment of the military regime leads to strong state intervention. Power was concentrated in the hands of the executive, affecting the legislative, judiciary, and civil society organisations. In the credit sector, especially the *Raiffeisen* cooperatives, several regulations set up by the regime hinder their development. Elements of this context are similar to the military interventions from other Latin American countries, showing that the instruments used to organise society and its institutions have been constituted by the "top" having little popular support.

In Brazil, the military government excluded credit cooperatives from reaching urban areas. In this way, they were connected to one plan for developing the Brazilian rural economy, losing insertion in other parts of society by being socially and politically homogenised. On the one hand, there was significant economic growth and concentration of traditional urban banks in the cities due to political opening and an influx of international capital. However, this scenario was not suitable for the rural area. The cooperatives were used as a mechanism for economic development and spaces to support the regime.

Under military rule, credit cooperatives were isolated. They had a smaller share of the national finance and suffered the consequences of the urban banking concentration. Besides operational re-adjustments and restrictions, these entities needed to sell their assets and reduce their social activities focusing on a common goal: surviving the crisis.

At the beginning of the military rule, Law 4.595/1964 was sanctioned, assimilating rural credit cooperatives into other financial institutions. The Central Bank of Brazil became in charge of the whole system regulation. Restrictions were reinforced in 1965 when Resolution No. 11 of the National Monetary Council determined the end of credit activities carried out by branches, agencies, subsidiaries, departments, offices, or any other type of dependency existing in the credit cooperatives. In 1971, at the peak of the military regime, Law 5.764 (the Brazilian cooperative Law) came into effect, establishing rules of operation and the requirements for forming and controlling these entities.[[233]](#footnote-233)

Throughout the 1960s and 1970s, cooperatives gradually closed; only 12 of the 67 rural credit cooperatives in Rio Grande do Sul survived until the country's re-democratisation (Barth, Spindler, and Kist 2014, 73). Changes in credit policies led to a very complicated financial situation for the cooperatives. Some of them shut down their activities, and those that survive need to restructure.

Top-down policies hindered rural local financial performance, mainly medium- and long-term bonds, affecting the organisation's lending and savings operations. In many cases, verticalising the system and forming partnerships with similar entities was the necessary solution. That is the case of the União Popular de Santa Cruz do Sul, which was immersed in a crisis affecting its economic situation and its operation due to the difficulty of providing loans and receiving deposits from its members.

The analysis of the reports shows the challenges in achieving positive results. For several years, the number of loans exceeded those of deposits, leading to an operating deficit. The cooperative could not satisfy all its members and its activities were unstable. The reports show how members struggled in balancing financial operations, and restoring growth income. In order to achieve this, they followed market regulations and supported specific segments of rural society: tobacco growers.

During the military regime the organisation operated with negative balance, high inflation rate, and fewer members, leading to increased insolvency, higher borrowing costs, general instability in rural activities, and lower productivity. However, it is important to note that there were some positive aspects. Through supervision of the central bank and regional office, the organisation standardised its own bylaws and regulated irregularities, such as paying salaries to executive staff. In the 1980s partnerships with other cooperatives was another alternative to overcome problems. These partnerships strengthened the sector during the democratisation process. By financing tobacco production, a product with high added value, and joining forces with Coagrisol and Cocecrer/RS, the organisation resists the crisis that annihilated many similar cooperatives.

The chapter discusses two attempted mergers, one with an urban cooperative that was rejected by regulators and one with an agricultural production cooperative that was accepted by regulators. The analysis shows that the mergers were carried out according to legal norms and reached the financial authorities and the local population. Furthermore, it is visible the insistence of the monetary authorities to keep them operating in the rural environment.

During the military dictatorship, the government was able to exercise strong control over the economy via strict regulation. However, these strict rules were not enough to prevent the crisis from occurring in rural credit unions. Documents from União Popular de Santa Cruz do Sul show the difficulties of self-regulation in the context of a weak state, especially when "top down" strict rules are applied in the financial market. The organisation loses 85% of its members and is banned from providing services to social organisations and urban businesses. Because of legal restrictions, its agricultural school was closed and low social involvement and loss of legitimacy and confidence arose.

This chapter provides an understanding of organisational governance and managerial decision making in critical junctures. Similar studies of collective organisations that operate under the strict control and supervision of authoritarian states can help increase knowledge. Not only Brazil, but almost all Latin American countries experienced authoritarian regimes between the decades of the 1960s and 1990s. A comparative analysis of cooperatives in these countries could contribute to this discussion. The institutionalist theory can help to explain the challenges faced by these cooperatives during this time. The military regime's authoritarian approach to policymaking and its concentration of power in the executive branch affected the ability of cooperatives to function effectively and respond to the needs of their members. Additionally, the critical juncture of the military regime represented a significant change in the institutional environment, making it more difficult for cooperatives to adapt and thrive. Despite these challenges, some cooperatives were able to survive and even thrive through restructuring and partnerships with similar organisations. This demonstrates the importance of understanding the institutional context in which organisations operate and the ways in which they can adapt and respond to changing circumstances. The experience of credit cooperatives in Brazil during this time serves as a valuable example of the impact of institutional factors on organisational governance and participation.

# 8 Democracy and organisational growth (1988-2022)

## 8.1 Introduction

This chapter outlines the organisation's main formal rules and informal norms established between 1988 and 2022. The case study reveals rapid growth, expansion, and modernization of this credit cooperative while Brazil is experiencing the early effects of its new democratic regime. Several things have changed. Sicredi Vale do Rio Pardo (or União Popular de Santa Cruz do Sul as it was known at the time) is no longer the same actor as it was in 1919. They began as a rural credit union with limited access to people, but have gradually evolved into a credit cooperative with full banking services, with members (clients) from neighbourhoods, districts, urban centres, rural areas, as well as businesses and industries. Even with these changes, as will be evident in this chapter, the organisation continued to perform the function for which it was created, namely to provide financial services to its public while also performing social actions in the community through its programs and partnerships.

The hypothesis under consideration in this chapter asserts that self-regulation is effective and beneficial when carried out in accordance with the rules established in a democratic system, in this case, from 1988 on, when Brazil is under a democratic regime. By organising strategically, local actors gain rights and guarantees that meet the requirements of the national financial system and the needs of their community, allowing them to expand their scope of action.

As mentioned in the previous chapter, the organisation was long used as an instrument of the authoritarian state to implement policies in the rural sector during the military rule. The cooperative experienced what is known in political science as state interventionism during the military period, and its actions were constrained. However, as this chapter demonstrates, the representative democracy environment and the organisation's institutional achievements through the mobilisation of its leaders and members allowed for significant transformations and gains.

The chapter's argument is that the legal environment and trust that the organisation has built over the years have been strengthened by Brazil's re-democratisation process, allowing for its growth and integration into the national cooperative system. The democratic environment is favourable for Sicredi Vale do Rio Pardo, which relies on the participation of skilled local actors who can legally operate in the national financial system.

The new environment presupposes a different type of state control, namely, less state intervention in the organisation and its outcomes, such as financial products, services, and geographic expansion. The organisation's recent history and its path dependence provide windows of opportunities at a democratic period with significant improvements. This chapter, like the others, focuses on the organisation's interactions with local political actors, the economy, and society, which validate the actors' self-organisation to achieve common goals.

The first section of this chapter focuses on the new institutional framework's opportunities for the Brazilian cooperative credit system, such as its autonomy to act and organise, constitutional protections, and independence from the State. The emphasis is on the legislation, which is guaranteed by the federal constitution of 1988, as well as the organisation of political and social movements, which allows them to mobilise across national borders.

The second section sheds light on how Sicredi Vale do Rio Pardo has broadened the scope of its economic and social activities through institutional development, giving rise to a significant increase in the number of members, volume of resources, and range of financial products and services offered. Its annual reports and balance sheets demonstrate how the cooperative has formalised its relationships with members and businesses in the urban sector, establishing itself as a significant financial player in the region. Following that, the section points out the problems regarding this expansion, as well as the direct impacts of these outcomes on institutional arrangements.

The third section identifies social programs along with the governance structures required to change representation (the use of delegates) and empowerment in decision-making, including the selection of representatives and the organisation of small local assemblies to encourage greater participation. This topic also highlights the strategies created by members and leaders to gain legitimacy and expand the participation of the community. It is learned that the organisation's legitimacy has produced positive results from bottom-up initiatives in which leaders and members work with other community actors to increase participation in the local financial market without ceasing to act as responsible agents to meet local needs. The social projects *União Faz a Vid*a, *Cooperativas Escolares* and *Cooperação na Ponta do Lápis* are used to demonstrate the members organisation 's interest in the community and vice versa.

Following, the fourth section outlines the institutional channels created by the organisation to expand its local and regional reach. It is evidenced how the use of radio, newspapers, and social media are strategies to maintain communication with a public, which is now part of the organisation. Communications plans have intended to inform the public on products and services, and market innovations, social programs, and issues of interest to the community that relate to the organisation.

The fifth section describes how members have established and approved rules and internal controls aiming at preventing fraud, money laundering, corruption and crimes against the financial system, in strict compliance with the recommendations of the financial authorities and the regional office. Following, the main channels for guaranteeing financial stability and financing social projects are described: the Legal Reserve Fund, the FATES, the Social Fund and other strategies aimed at sustainable development, the democratisation of access to credit and partnerships with the State and communities. As this chapter shows, these actions, unlike in previous periods, are carried out by internal departments trained to meet the needs of the population and with greater accountability and transparency.

The sixth section highlights the human resources department, dealing with desirable attributes for working at the organisation, workers' situations, and social and labour benefits. This topic discusses issues related to the professionalisation of management, the separation of ownership and control, and the discretionary characteristics of the president and executive director. The section concludes with information on the three presidents who led the organisation during its democratic period, as well as their career paths within the organisation.

The concluding remarks highlight the benefits that a democratic environment brings to the company and summarise the key ideas discussed in the chapter.

## 8.2 Cooperatives in Brazil's democratic transition

People's participation in cooperatives in Brazilian society changed after the military regime. They gradually took over democratic spaces either through institutionalised bodies in new instances, such as regional offices, federations, and confederations, or via direct pressure from leaders and "bottom-up" movements.

Cooperatives' demands for inclusive agendas have grown and their development does seem to be related on Brazil's re-democratisation process. For Búrigo (2006), the consolidation of these organisations at national bases only occurs after re-democracy, with a more optimistic outlook than the earlier stages, but *still at a very slow pace, compared with the number of inhabitants, the size, and the economic and financial needs of the majority of the population* (Búrigo 2006, 338).

Along with credit cooperatives, popular movements gain strength and both criticise the military regime's limitations on the national financial system imposed from 1964 on. The idea of rural workers' representation is once again disputed in this scenario. Brazilian society reflects the democratic principles of these people. Even in rural areas, a number of civil society sectors are well-represented. The rural unions and the Landless Workers Movement (MST) are examples.

After a difficult and highly regulated period in the 1960s, 1970s, and 1980s, credit cooperatives strengthened their presence and gained increasing popular participation and territoriality. They primarily expanded in areas with better conditions for enhancing the rural modernization model. Participants stayed mostly in the South and Southeast, but managed to make their first steps into the Midwest and Northeast of the country (Pinho 2007).

In order to rebuild the sector during the country's democratic reopening, actors have organised into networks, integrated with regional offices, using their self-finance. Partnerships of agricultural producers also contributed. The new conjuncture allowed the creation of important repertoires of action for securing social and political rights for rural workers and their resources.

If under the military regime, members' self-organisation has been dependent on the intentions of the central authority, that is, on the recognition of the central state for its development, under the new democratic regime members' self-organisation was able to make more effective use of services and products independently. This occurs as a result of members' ability to defend their rights in democratic social spaces like trade unions, neighbourhood associations, rural workers' movements, communities, trade organisations, legal systems, and other spaces for civil society that emerge in this democratic effervescence.

As shown by Perius (2001, 28–29), the new democratic environment offers paths for the end of the State's directorship over the cooperatives, and these organisations manage to get characteristics that are increasingly similar to those of cooperatives in developed nations. A number of legal provisions were repealed, especially those that supported direct or delegated state intervention and control over their business activities. This resulted in a better legal environment, which was more positive for stability and expansion.

Since social movements started getting more space, with each having its own "way" to protect their rights during the difficult times of the dictatorship, Santa Cruz do Sul credit cooperatives opened up to small farmers and rural union movements, giving them space in this new institutional context. Members of democratic movements and representatives of this new institutional context have increasingly moved into positions on the board of directors, the fiscal council, and in the membership. Demands for greater transparency are a result of the new direction society has taken and the need to open up new ways of communication with its members, primarily because of the growing demands of civil society movements.

Local newspapers like *Jornal Kolonie*, *Folha do Fumo*, and *Jornal Gazeta* publish the organisation balance sheets and reports more frequently and in greater detail. With this information, community, and particularly the stakeholders, were able to assess the situation of the company and offer advice or critique on the policies the directors have chosen.

Internally, there is a fight to expand rural credit to sectors other than tobacco, and public demands for the improvement of democratic credit access. The organisation face the challenge to deal with more members, and it outputs where essential for defining norms and conducts in this new framework. General assemblies, more frequent local meetings, and higher compliance were internal self-organised mechanisms that motivate members to take an active role in daily decisions. Ensuring greater social participation is central to defining the practices of the new democratic period. By providing significant improvements in the quality of life of its members, the cooperative has increased its income and organisational capacity.

## 8.3 The 1988 Federal Constitution and the organisation of cooperatives

The enactment of the Brazilian Federal Constitution in 1988 created a new path (window of opportunity) for Sicredi institutional development. The constitutional rule recognised principles of open enrollment and voluntary membership, democratic control, organisation, civil management as well as autonomy and independence of cooperatives from the State. It also provided protections to people and other civil society organisations. Before delving into how these issues relate to self-organisation and local governance at Sicredi, this topic provides a historical and social context of the enactment of Brazilian Constitution, which influences the formulation of policies adopted by the organisation.

It is important to highlight that Brazil has recently undergone a re-democratisation process, where citizens not only went to the streets to demand the end of the military regime but also to request more civil rights and guarantees. The military, on the other hand, claimed that in order to maintain stability the transition needed to be "*slow, gradual, and safe*".[[234]](#footnote-234) But in contrast and against it, in 1984, a group called *Diretas Já* began organising protests across the country. Its leaders have led a process that culminated in the restoration of civilian power in 1985, the approval of a new federal constitution in 1988, and direct elections for the Presidency of the Republic in 1989.

Individual and collective guarantees protections have gradually expanded as a result of social mobilisation. For example, after 21 years of military dictatorship, the interest for democratisation resulted in the repeal of authoritarian laws[[235]](#footnote-235), the restoration of a multi-party system[[236]](#footnote-236), and, finally, the election of the first civilian president[[237]](#footnote-237) with direct elections. It should be noted that these are only a few facts in a larger historical and political process that favoured the establishment of a commission to draft a new national constitution in 1988, a turning point in Brazilian history. It is also important to note that, while the Law no. 5.764, of December 16, 1971, issued during the military administration, was preserved, new additional legislation have provided rural credit unions with greater stability and security.

The Brazilian constitutional rules, originating in a democratic political system, makes it possible to organise broader forms of participation in the decision-making process, such as municipal councils and civil organisations (Avritzer 2006) — unlike Chile, Brazil's constitution was written in a democratic context.[[238]](#footnote-238) In order to guarantee social control over government decisions and strengthen the movement for a free, fair and collaborative society, these initiatives were developed in public spaces or through institutionalised participatory forums (Côrtes 2007).

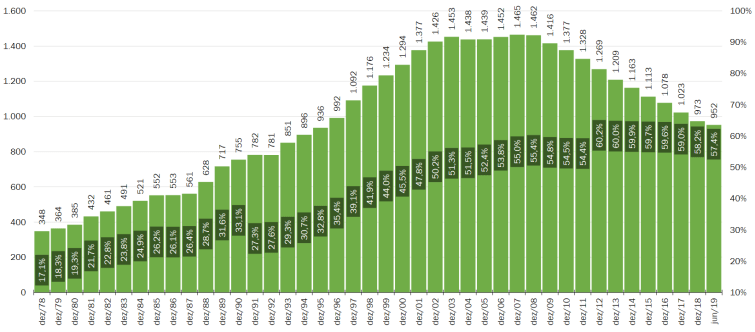
State power limitations (municipal, state, and federal) are redefined with the adoption of the Federal Constitution of 1988. The new constitutional rules have established the modalities of participation of the population and civil society in governmental and consultative bodies in the most diverse areas, not only at the federal level, but also at the local and state levels (Avritzer 2006). Additionally, it protected citizens' freedom of association while promoting civil society cooperation as the cornerstone of all social policies (Schmidt 2017).

These institutional changes enable the dissemination of political structures that operate under core principles of citizen participation in decision-making and control over State power and collective organisations. In the case of Brazilian cooperatives and civil society groups, this same result isn't an exception. Issues like local power, social participation, self-organisation, sustainable development, representation, and forms of collective organisation have gained particular importance. Therefore, there is room for these organisations and their members to be effective inducers of democratic policies in their localities.

If, before 1988, the formation of cooperatives required prior government approval, with the New Constitution this step is eliminated; however, credit unions remain still subject to Central Bank supervision. But guarantees were gained. Article 5 of the constitutional text established that *"all people are equal before the law … and have the inviolability of their rights to life, liberty, equality, security and property, without distinction of any nature*", and it also stated that "*the building of associations and the creation of cooperatives are independent of authorisation of the State, which is forbidden to interfere in their operation*" [[239]](#footnote-239).

Due to the strengthening of the laws that specifically regulate the industry and the efforts of their members to self-regulate, these organisations have expanded throughout the nation. Additionally, the outputs of democracy, such as free and open media, the separation of powers, the proper functioning of the National Assembly, and respect for national sovereignty, illustrate this reconfiguration of the cooperatives' path.

Chart - Evolution of the number of credit cooperatives authorised to operate in Brazil and their share in the total number of financial institutions



Source: Unicad – BACEN, author: FIPE (2019)

Local credit cooperatives spread in Brazil during the last decades of the twentieth century, as social movements expanded their organisational capacity due to the process of national re-democratisation which assumed an alternative path to the old hegemonic development model. It should be noted that the decrease in the number of cooperatives since 2017 is due to a process of mergers and incorporation, rather than to closure or crisis. Their share has been maintained, and the pace continues to grow. The case of Sicredi Vale do Rio Pardo under the democratic system will illustrate this point.

The democratic environment, for example, allowed local actors to become more involved in discussions on public and social policies in a variety of areas, including the economy, social assistance, education, professional qualification, and rural and urban development. Not only in civil movements but also on institutionalised political structures, as is shown below.

*Despite the legal victories, beginning with the 1988 Constitution, credit cooperatives still sought regulatory changes. To help with this process, the Special Council of the Organisation of Brazilian Cooperatives (Ceco) was formed in 2002 to unify the different proposals of Brazil's cooperative credit systems. This council served as a voice for local cooperative demands on the Central Bank, helping to improve credit union regulations so better services could be provided to their members* (Fundação Sicredi 2014, 149)*.*

Only in a democratic environment, after the restrictions imposed by the military dictatorship, do rural credit cooperatives that survived the crisis give birth to the Sistema Nacional de Crédito Cooperativo (Sicredi), of which the organisation studied in this thesis is an integral member to this day.

This environment is legitimate because it provides more opportunities for democracy, representation, and self-management of members-elected leaders who comply with the rules set by their local general assemblies. To encourage the rebirth of the credit cooperatives that had been severely damaged by the military regime, the survivors of the crisis have joined several regional offices in Brazilian states. In the 1980s they established regional offices throughout the country: Cocecrer-RS in 1982, Cocecrer-PR and Cocecrer-GO in 1985, Cocecrer-MS in 1989, and Cocecrer-RJ and Cocecrer-MT in 1993 (Arruda 2014; Usuy 2009).

In 1992, the Sicredi brand was then adopted by all regional offices and local cooperatives. Credivarp and its regional office, Cocecrer/RS changed their names to Sicredi Vale do Rio Pardo and regional office Sicredi Sul/Sudeste, respectively, as a result of these changes. Therefore, these organisations got mature and stable in the democratic period, setting a path for growth on sustainable foundations. Sicredi Vale of Rio Pardo's 1992 management reports also show the agreement to join this course.

*We know that our successes are due to a cooperative effort: from all members that make up our system [Sicredi], our community members and their families, our administrative staff, our management, our dedicated group of employees and the effective support of Cocecrer/RS. We are constantly improving our integration with all other entities in the rural area, including the agricultural industry, always aiming at the interests of our members, through their great cooperative efforts, who have made important progress in our sector through the participation of our administrative units in meetings, seminars, conferences and gatherings.[[240]](#footnote-240)*

The next topics present how Sicredi Vale do Rio Pardo has grown and the challenges derived from it.

## 8.4 From limited to expansive: membership growth in democratic times

The membership of Sicredi Vale do Rio Pardo expanded during the democratic regime. However, this change does not happen immediately. The membership only started to grow significantly after 2003. This is in part because of Resolution No. 3106 of June 25, 2003, which includes the option of establishing *open admission* cooperatives without the requirement that their members only come from rural areas.

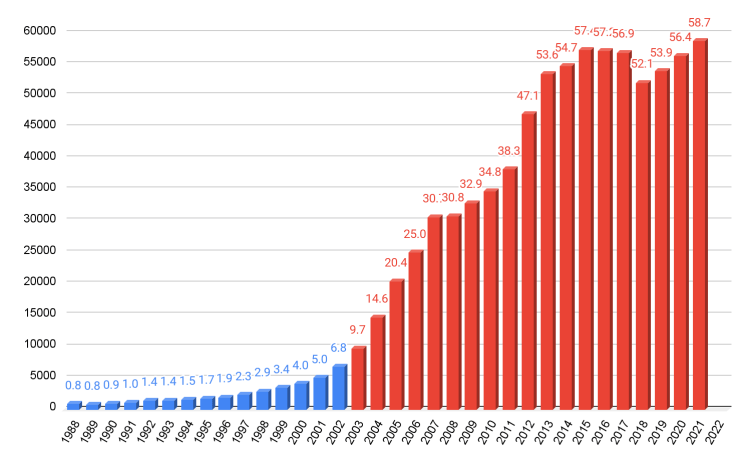
It is important to note that *open admission* already occurred prior to the publication of this law, but it was irregular, putting the business model at risk - see, for example, the Credivarp insistence on keeping companies and members from urban areas in its membership during the military regime (previous chapter). This fact demonstrates how insecure of the old institutional framework was, the risk of managers' irresponsibility in not complying with the law, and the organisation's desire to serve the urban population.

The previous chapters have demonstrated that this organisation's early activities were primarily focused in rural areas, and that its founding members were also drawn from this environment. However, throughout the organisation's history, members have attempted to meet the demands of the urban classes, and these actions were strictly banned by authorities, especially during the military regime.

Open admission, however, was accepted by the regulator and unanimously approved at Sicredi do Vale do Rio Pardo in 2003. With this change, the organisation was able to meet the challenge of serving both the urban and rural public while also creating a secure and legal environment for business transactions. Due to this important change, the organisation is no longer seen as a financial entity exclusively associated with the agribusiness industry and is now capable of serving the needs of any member, regardless of location or economic activity.

Individuals from any professional category, including the unemployed and retired, are welcome to join in this new format.

Chart - Sicredi Vale do Rio Pardo members from 1988 to 2022 (in thousands)



Source: prepared by the author based on Sicredi Vale do Rio Pardo annual reports and board meetings. Note: members after the open admission law in 2003 are shown in red.

As shown in the graph above, membership has significantly increased during the Brazilian democratic regime. The membership increased by 6,127% over the course of 30 years, from 1988 to 2018. Additionally, the growth is such that by 2021, the cooperative reached more than 58,700 members, spread out among its 15 branches and 9 municipalities — which accounts for at least 55.62% of Santa Cruz do Sul's population.[[241]](#footnote-241) One of the challenges is managing long-term growth in membership.

*In those days [1980s and 1990s] we were two employees, and a bit more than a thousand associates. Today [2010], we are 170 employees, in a membership of 34 thousand associates. It is a process of growth. The growth of our cooperative is mainly due to the system it is part of. Being part of this larger system, Sicredi, is what gives us security and stabilit*y.[[242]](#footnote-242)

Currently, a new member can join and receive their rights and obligations by simply filling out and signing a membership contract. Without much red tape, anyone can join the local cooperative, including people and businesses established in the cooperative's area. Another element driving the increase in membership is the drop in membership fees, which now require only a payment of 20 reais.[[243]](#footnote-243) In contrast to 1919, when membership cost $50,000 (fifty thousand reis), which was equal to 15 days of agricultural labour, the amount to join the group is now quite affordable, comparable, for example, to a meal at a popular restaurant.

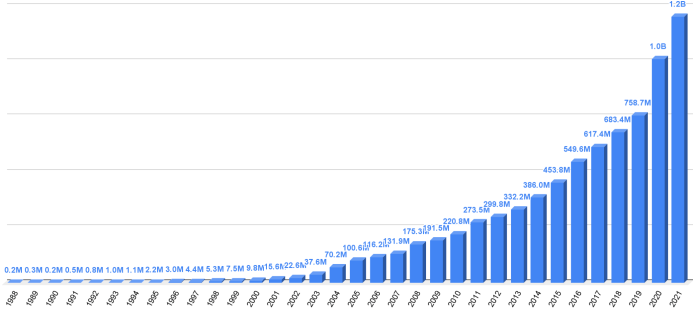
Therefore, as the organisation's membership increases, its service capabilities improve, and it becomes harder to keep members informed about what the company is all about. On the one hand, expansion enables managers to create a wide range of financial products, such as financing (for both rural and urban), deposits, checks, credit cards, investment products, foreign exchange, consortiums, pension plans, and insurance. On the other hand, it changes the relationships between the members of the organisation that no longer serves only rural interests.

## 8.5 Other indicators of organisation growth

The company has increased in size throughout the current democratic regime, in part because of a more secure and confident atmosphere in which it operates, and also because of its traditions and historical background. The analysis of the main accounts shows that they have grown considerably even when the country was facing political and economic crisis during the democratic period.

The cooperative has endured the difficult economic times in Brazil, including the Plano Bresser (1987), Plano Verão (1989), Collor I (1990), Collor II (1991), the establishment of the Real in (1994), and even global economic crises like the subprime crisis (2008) and the pandemic's effects (2020). There is significant growth in the composition of assets, coming from membership shares, credit operations, and other investments, as shown in Chart 22. These values are consequences of a new environment experienced with new members, territorial expansion, increased systemic support, trust, and more stable rules.

Chart 22 - Sicredi Vale do Rio Pardo assets from 1988 to 2022



Source: author, based on Brazilian Central Bank. Data is expressed in reais[[244]](#footnote-244)

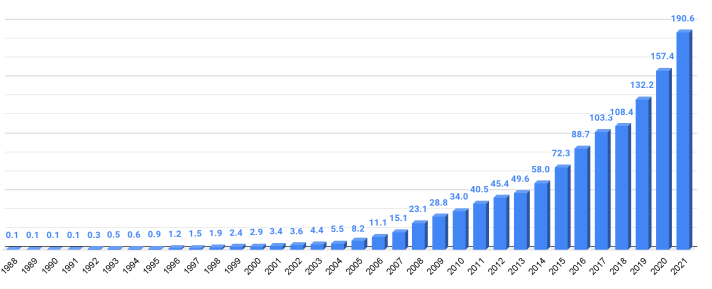
Along with the challenging early years of democracy and the gradual acquisition of rights and protections, asset growth occurs incrementally. Brazil's two political regimes, Sarney (PMDB) and Collor de Mello (PRN), had little impact on asset growth. After Cardoso's (PSDB) administration ended and da Silva's (PT) first term got underway, reflections started to emerge. In 2003, the organisation formally started accepting members from the urban sector, and more observable results started to emerge.

With the exception of 2009, the organisation's assets have increased under democratic rule by over 10% every year. Assets exceed the historical level of R$ 1 billion in 2020, during the coronavirus epidemic and a significant growth of 10,280% in 20 years (2000-2020) marks an expansion into the new millennium. These financial results followed the changes in the sector and the benefits of the democratic period.

In addition to its consistent asset growth, the cooperative has demonstrated an ability to navigate through crises that typically have a negative impact on financial institutions. The cooperative's adept management was particularly evident during moments of crisis, such as the global financial downturn in 2009 and the disruptive effects of the COVID-19 pandemic. Throughout these challenging periods, the organization's managers reported that they were able to steer the cooperative effectively, showing resilience and adaptability in the face of adversity. This further underscores the cooperative's robust financial management and its capacity to thrive even amidst turbulent economic circumstances.

Net worth is another sign of growth. In the early years of Brazilian democracy, this account, which is quite similar to assets, grew little, but in the early years of the new millennium, it drastically changed. In particular, Chart 23 shows that net worth increases by 4,627% from R$4.4 million in 2003, when open admission was established, to R$208 million in 2021.

Chart 23 - Sicredi Vale do Rio Pardo's net worth (1988-2021)



Author. Source: Brazilian Central Bank, data expressed in millions of reais (R$).

The Fund for Technical Educational and Social Assistance (FATES), which supports scholarships, technical training, and capacity building for members, as well as the Reserve Fund, which is used in emergency situations, all see increases due to the growing net worth over time. These amounts are fixed in internal regulations and offer stability to the company. Additionally, the members receive a portion of the profit. This pay out, in proportion to their operations, provides the members' capital shares.[[245]](#footnote-245)

These numbers are crucial to the administration because they give the business stability and investment capability. Growth, however, is not limited to these indicators. One of the main reasons for the organisation's growth, according to the CEO, is a stronger presence in communities and rural areas. Executives affirm that the business model is robust and that future growth is expected to continue above "double digits[[246]](#footnote-246)". The outcomes and significance of this expansion are likewise emphasised by the central authorities.

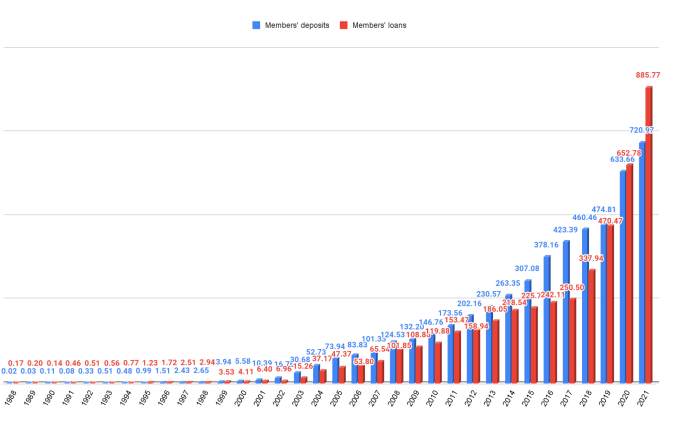
The greater the number of transactions, whether by credit card, deposit, or contracting credit (rural or urban), the greater the member capital shares and the distributed surplus. As a result, a cooperative member who transacts intensively can receive higher shares than those who have a larger volume of shares but do not fully engage with the cooperative. The capital shares distribution clearly serves to favour members who interact with the cooperative on a daily basis. Members earn the highest returns during the democratic period.

*Indeed, because the cooperative's resources are reinvested in the region, avoiding foreign exchange evasion, they, along with those raised in the market, increase local income and employment, which, in addition to contributing to the settlement of young people in their communities, expand consumption; lead to increased company revenues; generate more taxes; and increase public investments in educational, economic, social, and infrastructure projects. All of this has an impact on the quality of life not only of the cooperative's members, but of the population of the cooperative's service area* (Meinen and Port 2014 Author translation).

Other indicators, on the other hand, show the stability of operations, such as credit portfolio distribution for individuals and businesses, as well as the amount of deposits and loans offered. Strategies regarding the use of the credit portfolio are discussed by the executive board, the fiscal council, core meetings and general meetings. Internal bylaws govern the establishment of credit-granting rules as well as distribution methods, which provide incentives for participation and legitimacy to the company.

By maintaining more deposits than loans, the cooperative ensures financial health of its operations and gains greater trust from its members. As can be seen in chart 24, the amount deposited and lent by members before 2003 is almost insignificant when compared to the amount that after moving to open admission. Since 1999, the amount deposited has exceeded the amount lent, except in 2020 and 2021, when the coronavirus pandemic occurred, indicating that the balance of payments is balanced.

Chart - Sicredi Vale do Rio Pardo member deposits and loans from 1988 to 2022



Source: Brazilian Central Bank (2022), data expressed in millions.[[247]](#footnote-247)

Unlike the instability of the populist period (1945-1964) and the severe controls of the military regime (1964-1985), the number of loans and deposits increased significantly during the re-democratisation period (1988-up to now). The legislation passed by Congress, in particular, had a favourable impact on the industry[[248]](#footnote-248), and management worked hard to keep the balance of payments positive, namely, to receive more deposits than loans.

By collecting more deposits from members than it lends out in credit, the company increaced its credit operations and extends credit to more members. As a result, a higher flow of deposits improves the options for lending to members who need money.

Also, during times of difficulty, the company has been able to expand. Sicredi Vale do Rio Pardo expanded during the global financial crisis of 2009, profiting on unfavourable circumstances. Despite a global declining in credits, this cooperative met the expectations of its members. While traditional banks lacked sufficient liquidity reserves and asset quality to cover the risks associated with their credit market activities, Sicredi Vale do Rio Pardo maintained its financial flow and, like other local credit unions, took advantage of the global crisis to grow using its own resources. Not even the 2020 pandemic crisis was able to halt its expansion. According to the annual reports[[249]](#footnote-249), during the pandemic, the company has worked on two primary axes, to preserve economic activity and reduce the effects of the health crisis: the renegotiation and extension of credit operations, following established rules (internal regulations), and the issuance of new credit using the funds of the official government emergency plan. This strategy was able to reach companies and members who needed credit.

When we look at the inflation-adjusted values, we can observe consistent growth in loans and deposits for Sicredi Vale do Rio Pardo between 1988 and 2023, unlike the previous periods analysed. It is valid to say that the democratic period that Brazil experienced contributed to the maintenance of positive lending and deposit rates. From 1988 to 2022 there are significant progress in terms of economic stability and policies favourable to the financial sector, which provided a better environment for the growth of the cooperative system, including Sicredi Vale do Rio Pardo.

Chart 25 - Members loans and deposits inflation adjusted (1988-2022)

|  |  |
| --- | --- |
| *Member adjusted loans* | *Member adjusted deposit* |

Source: Sicredi Vale do Rio Pardo annual reports and board meetings and IGP-DI FGV

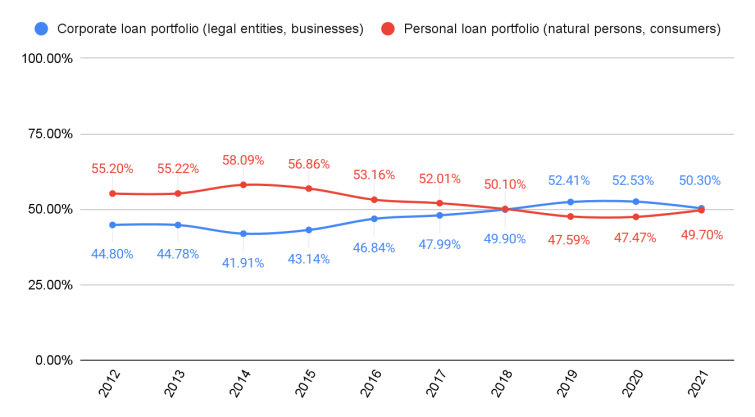
In 2020 Sicredi VRP provided R$ 53.7 million in credit lines from emergency programs: the National Support Program for Micro and Small Enterprises (PRONAMPE), the Emergency Credit Access Program (PEAC) and the Emergency Employment Support Program (PESE). In the latter category, approximately 600 member companies have benefited from this program.[[250]](#footnote-250) At the peak of the pandemic, the cooperative managed to attend Commercial Credit operations of R$18.7 million, impacting 1,683 members. It also accounted for R$27.2 million in extended costing instalments for 494 members and R$4.7 million in investments, which benefited 392 members.[[251]](#footnote-251) Asset control and liquidity were fundamental and indispensable to develop actions of this magnitude.

For the administration, public resources were helpful, but the members were assertive in allocating over the years complementary values to the Reserve and Capitalisation Funds, and with this, conditions were created to meet and rescue the members in an unusually bad economic year without shocking the financial and equity balance of the organisation.[[252]](#footnote-252)

The managers explain that because they are a historic local business; they have advantages when it comes to credit allocation. They generally have greater information about their consumers and business hazards, and, in theory, have fewer levels of uncertainty about the dynamics of the local economy, which gives them better expectations, facilitating the granting of credit to their public.[[253]](#footnote-253)

Once the credit portfolio is examined, it is clear that between businesses and people, it has stayed consistent throughout time, shifting between 40% and 50%. For depositing members and businesses, the distribution of the institution's credit portfolio serves as a safety measure.

Chart 26 - Sicredi Vale do Rio Pardo credit portfolio (2012-2021)



Author. Source: IF.data Brazilian Central Bank.[[254]](#footnote-254)

From this graph, we observe that today Sicredi is not only a rural organization—its members aren't just farmers—but also a community of legal entities, including small and medium-sized businesses. Members who took part in the creation of social capital, such as individuals and businesses, are the ones who directly benefit from this cooperative credit system.

Sicredi vale do Rio Pardo has established itself over the course of the Brazilian democracy as a significant player in the regional financial system and stands out for its relationships, fair rates, member involvement in management and results, proximity to the neighbourhood, solidity and transparency in its relationships, and a firm commitment to achieving its goals. The financial institution grows its activities, opens more branches, and increases its market share while maintaining strong capital and liquidity levels.

Sicredi's ability to operate in a variety of sectors is one of the key elements that enables it to expand during democracy and under difficult circumstances, such as the current economic crisis (post-COVID). This local group decided to finance its own members, preferably in the same area where the resources were raised. The development of Sicredi Vale do Rio Pardo through the establishment of new service locations and the building of a new headquarters is the subject of the following section.

## 8.5 New head office and current service points

Following its acceptance into *open admission,* the company expanded regionally, opening branches in a number of nearby cities and adding more service points (PACs). The company had only eight locations of operation in 2003, when open admission just started, but by 2022 this number had doubled to 16 (see Figure 6 and Figure 07).

The União Popular de Santa Cruz do Sul, which became Cooperativa de Livre Admissão Sicredi Vale do Rio Pardo in 2003, had only 50 members when it was founded in 1919, and their only assets were the revenue of small transactions made by its members. These transactions were primarily agricultural in nature, and the credit was used from members to buy equipment and increase their production. For many years, the firm worked without its own headquarters, with a few members, in a borrowed space in the back of the Clube União, until it purchased the building where it now works in 1925. A century after its inception, the cooperative presently has over 60,000 members and is made up of 16 service units located throughout Rio Grande do Sul's countryside, with its head office and largest unit in Santa Cruz do Sul.

With the opening of its new head office in 2021, a new cycle starts. Following discussions at a general assembly in 2018, members decided to spend money on a new physical location for their operations. On a unanimous vote, they decided to buy a plot of land measuring 5.5 thousand square meters and construct a three-story building with a built-up area of 2.4 thousand square meters, whose investment was around 10 million reais.[[255]](#footnote-255) The modern construction, which is located alongside the RST 287 highway, matches the system's new visual identity and attracts both locals and tourists. The new headquarters also features technology, accessibility, and sustainability, among other things, by using rainwater and solar energy.[[256]](#footnote-256) According to the president, none of this frightens the traditional members; on the contrary, it serves as a visiting card.[[257]](#footnote-257)

Figure 6 - New Sicredi Vale do Rio Pardo headquarters (2021)



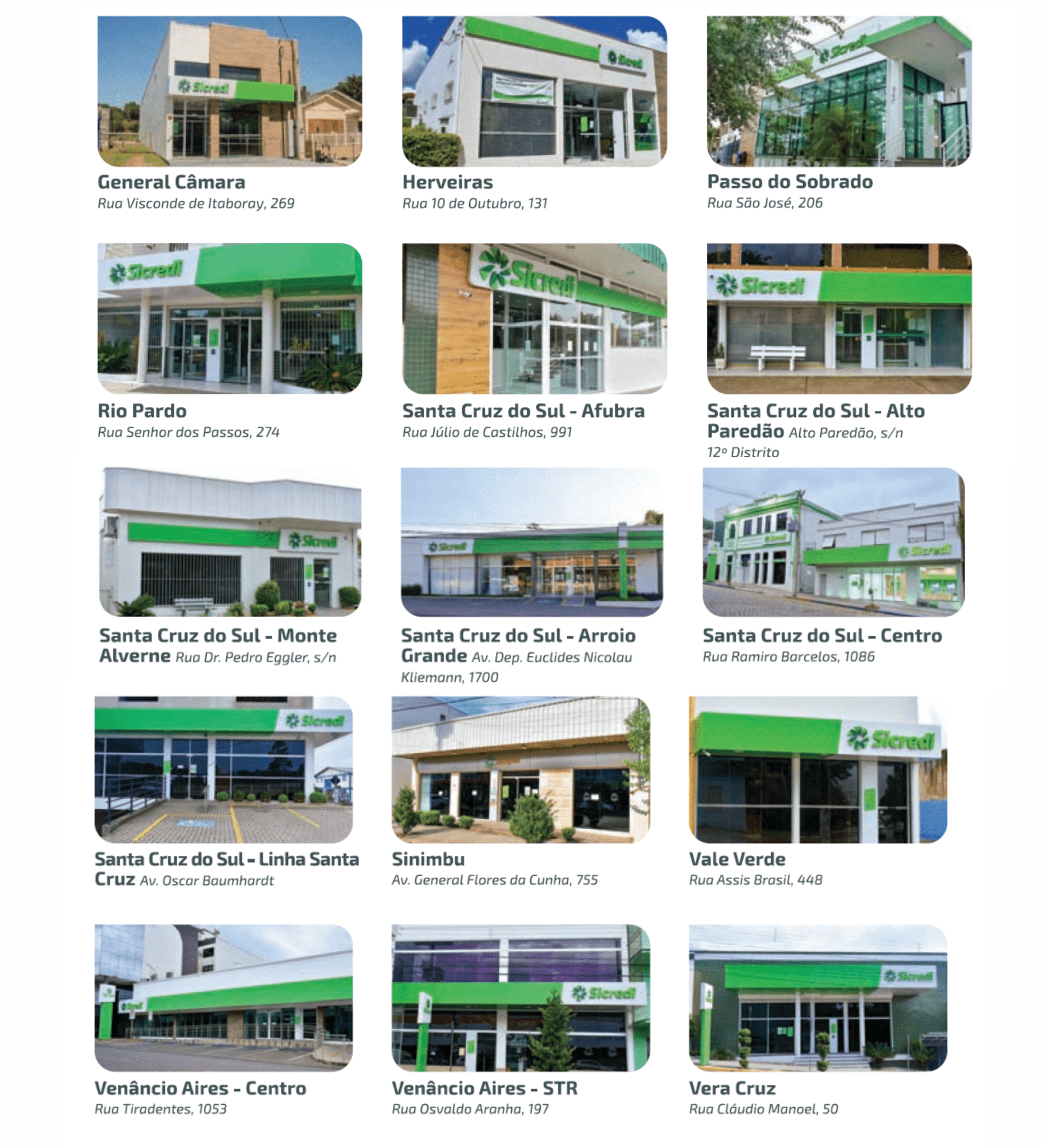
Source: Adapted from Sicredi Vale do Rio Pardo 2021 Annual Report

The headquarters is a symbol of growth that provides members with the resources they need, such as meeting rooms and cutting-edge technology for gatherings and conferences. Before the new headquarters, General Assemblies were held in rented premises due to lack of available space; however, with the new building, they are now held on their own property. Furthermore, the newly constructed facility can receive operations (back office and systems) that were previously performed in rented areas, lowering leasing costs.

The organisation's legacy in the city of Santa Cruz do Sul is materialised with the building of the new headquarters. In comparison to other major financial institutions that have established in the area over the years, the new building provides visibility, offers technologies, and exudes legitimacy. The following departments are located on site: Back Office; Credit Analysis; Operations (Rural Credit; Commercial Credit; Means of Payment and Associates; Pension and Investments; Insurance and Consortia); Credit Recovery; Communication and Marketing; Relationship and Social Programs; Information Technology and Infrastructure; Internal Controls; and Human Resource.

This area, along with the other 15 service points, can address the operational and administrative needs of members and the community in a modern setting that contributes to regional growth. The opening of service points and headquarters is always marked by traditional solemnities that include religious leaders, priests, and pastors, as well as the involvement of local bands and invited public and political leaders.

Figure - Local service points (PACs) of Sicredi Vale do Rio Pardo



Source: Adapted from Sicredi Vale do Rio Pardo 2021 Annual Report. Note: the contact numbers of the institutions have been removed.

Since 1992, Sicredi Vale do Rio Pardo, like the other cooperatives in the system, has adhered to an unified visual communication standard in an effort to offer its audience a sense of identity and connection. Likewise, its brand and the facades of its buildings share common characteristics - colours, architecture, windows, glass and logos.

In addition to the aesthetic elements, the system also shares common products and services, which lowers costs, raises revenue, and promotes greater member collaboration while enhancing members' sense of security and confidence in the rules. The product portfolio increases, among other things, to match that of competing banks in the areas where the cooperative operates. There are some differences, as operations Director Raquel Weber explains: "with the system, we have *more than 200 products are available to our members. We have the capacity to create products and services that meet the needs of our members. As long as we respect the rules of the Bacen and the Regional Office, we have the capacity to create our own products and services."*

The cooperative stands out in the local market by utilising and customising the basic goods and services provided by the system while also providing its own goods and services to fulfil the demands of its members. Especially in areas where traditional banking services are difficult to access, the organisation keeps the legacy of being connected to its members by setting up service points (PACs) addressing the rural producer. This is significant because primary production and the service sector are still the basis of the local economy. Members in the rural region place a high reliance on management's capacity to offer individualised services despite the highly regulated Bank environment where the organisation is embedded.[[258]](#footnote-258)

*All of the financial services and products offered by other financial institutions are available through Sicredi, but lower rates, costs, and participation in surplus are our highlights. The community needs to be aware of these things. The cooperative's resources stay in the community, supporting its growth, so it benefits itself*.[[259]](#footnote-259)

Like other credit cooperatives, Sicredi Vale do Rio Pardo has changed over its existence, adjusting and modernising services to its members as well as providing specialised solutions in response to market issues and failures.

Research that deals directly with this issue (change in cooperatives) points out that as the business grows, it needs to maintain its core focus and purpose, cooperation between members, and not simply potentially lucrative commercial opportunities that may not be relevant to members (Mazzarol et al. 2014). The following section examines how this problem illustrates Sicredi Vale do Rio Pardo's needs to keep bonds and defend the notion that members have obligations and must participate in company decision-making.

## 8.6 Growing pains: challenges faced by rapidly membership growth

The ability of cooperative directors and management to gain and maintain the trust, commitment, and loyalty of their members is critical to the business long-term viability. The fact that so many people from the urban sector are now involved, along with the organisation's wide array of products and services, challenges this. Social relationships, by which the cooperative has been created along its path, are no longer as strong as they used to be, when members worked in an environment with a small number of people. More information asymmetries and free-ride opportunities (North 1990, 108 and 128). As a result, the actors rarely develop strong, trustworthy personal relationships.

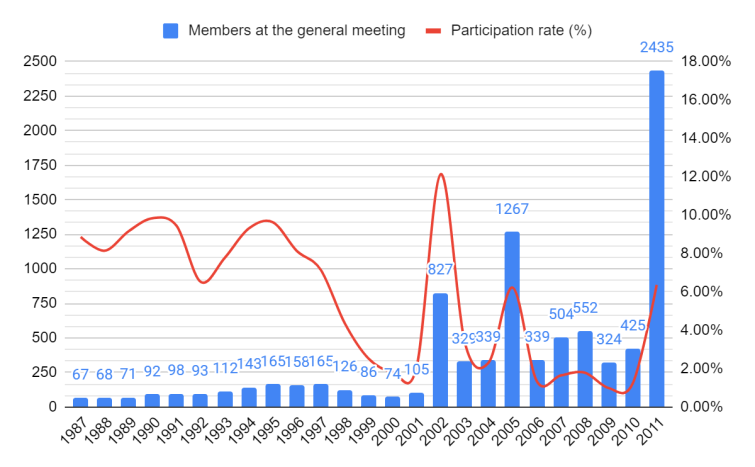
Older and rural members see newly enrolled urban members and companies who are given the same privileges and obligations. Members from various locations, including both urban and rural areas as well as residents of other neighbouring towns, are one of the concerns that the managers have to deal with. The board attempts to represent these new actors that are entering the group.

*Our cooperative has a strong presence in the rural area, which is where we began. We want to strengthen our relationship with this public, but we are also increasingly looking to enter the urban area, where we need to establish a stronger involvement. We have products and services that the public wants, and we are heavily investing in technology to attract this new market.[[260]](#footnote-260)*

*Our cooperative is a community of people, but its primary purpose is to provide economic benefits to its members, which means it must generate income to distribute to them. Growth requires active member participation. We need members who want to have their savings and financial transactions handled by us. On the other hand, we need to increase our membership. These points are critical for the overall development of our community. We can create an environment and representative growth if we are proactive and incorporate these two major challenges into our daily work.[[261]](#footnote-261)*

On the one hand, having more members benefits the community since it gives them access to benefits like credit guarantees and privileges. However, uncontrolled membership growth leads to issues with participation and representation. Analysis of member participation at meetings and gatherings reveals a drop in the level of participation. The low participation rate is evident by looking at the percentage of members who attended the General Assembly between 1987 and 2011 — chart 26, red line. While the organisation has experienced exceptional growth in terms of membership, this is not the case in terms of member participation. Such insights were the driving force behind the development of the organisation's strategy and institutional changes.

Chart - Number of members at general assemblies and rate of participation

Source: Author, based on Sicredi Vale do Rio Pardo annual reports and general assembly minutes. Note: this graph depicts the period between 1987 and 2011 when the direct voting system was in place, without the use of delegates and core assemblies.

The data in the graph above relate to a wider problem. The majority of credit cooperatives in Brazil only have 10% or less of their membership present at general meetings, which endanger the effectiveness of selecting new leadership and the organisations' long-term viability (Ventura 2009, 83).

The graph shows that in certain years, the rate is less than 1%, like in 2009, when a general meeting was held with only 324 members, or 0.98% of the membership. From 1987 to 2011, the average participation rate of members in meetings was 5.5%. This means that the General Assembly (the highest governance body of the company) makes decisions with a small group of people.

In general, member participation is higher in assemblies that select the composition of the board of directors, such as elections for the speakers every four years. The 2002 Annual Meeting was attended by more than 12.1% of the membership (827 members). This is the cooperative's highest participation rate in recent history, and Mr Mario Kuntz was elected president.[[262]](#footnote-262) In contrast, the year 2011 has the highest number of participants at a single event — the assembly was held at the city's multi-sports gymnasium and gathered 2,435 members (6.37% of total membership) who elected the current president, Mr Heitor Petry.[[263]](#footnote-263)

Low member participation results in challenges and sheds light on the management. The vice-remarks president's highlight the involvement of members in significant choices, such as the business's expansion.

*I remember the difficulties of those days, when general assemblies were made up of only a few dozen people. And, even if we had that many, each year only one assembly was held. Things were critical, and the sector was experiencing a period of rapid expansion. Our cooperative had to make a choice: either to expand or face serious problems. According to the board of directors' vision at the time, we shouldn't expand. The regional office, on the other hand, had been urging local cooperatives to open branches in their respective areas. At the time, our cooperative's board of directors was uninterested. I assisted in the establishment of our third service point [PAC] in Venâncio Aires, but we still had eight municipalities with no services. And of these eight, two were lost. The board at the time, had no interest in those municipalities, but Sicredi Centro Serra cooperative, our concurrent, had. They wanted the municipalities of Vale do Sol, Lajeado, and Mato Leitão in order to establish service points there. They put a certain kind of pressure on us, and said -* ***"look, either you open there, or you leave****". So, our management gave up because there was no support for it. We also had a net worth problem (…) we had no equity because of the loans, the amounts borrowed by the cooperative. Our result was very small, often negative, and we relied only on the capitalizations made by the members to grow.[[264]](#footnote-264)*

From this speech, it is evident that the leaders were aware of the increased legitimacy their acts have when their meetings are well-attended. It is also recognised that declining to expand at a time when the market is growing can risk the continued existence of the organisation, and by opting to do it without the majority of members' support is likewise problematic. Following the argument, one can assert that in difficult times, a general assembly full of participants can give the board's decisions more weight than an empty assembly. Furthermore, at assemblies, spaces for discussion of financial applications, credit lines, profit distribution methods, governance, and members' rights and obligations take place.

In order to increase the number of attendees and rescue members' participation, the Sicredi Vale do Rio Pardo management chartered 24 buses to transport members from different locations to its 2008 general meeting in the city Oktoberfest park.[[265]](#footnote-265) However, this year's participation rate did not reach 1.8% of total members. The main issues mentioned by interviewees were low engagement and loss of communication.

In the vision of the most recent administration, to achieve a quality expansion, the participation of the members in the process is fundamental. *The cooperative member performs his functions by participating in meetings, interacting with others, and consulting about the results, with the clear understanding that he is the owner of the company.*[[266]](#footnote-266)

A new program named *Programa Pertencer* (Belonging Program), which enables numerous smaller assemblies to be held prior to the general assembly, was developed in order to decrease information asymmetries and increase member participation in management by bringing the cooperative closer to the community. The following topic brings a description of this program put in place in 2012.

## 8.7 Programa pertencer: a remedy for low member participation

The numbers shown in the previous topic present demanding situations for reconsidering participation and governance issues. After all, one can ask how many individuals should attend a meeting to address matters crucial to the members. Or how to appropriately engage over 2,500 people in assemblies? And finally, how can a business hold meetings with a huge number of people if it lacks adequate physical space?[[267]](#footnote-267) One thing is certain for the current administration, as the number of members increases, there are losses in participation.

Accordingly, in 2012, Sicredi Vale do Rio Pardo decided to adopt a new general assembly model known as *Assembleias de núcleo* (Core assemblies), with indirect voting by the membership through the *Programa Pertencer*. This is a mechanism to broaden participation by holding smaller deliberative meetings close to the community.

This change is made possible by the adoption of an internal regulation[[268]](#footnote-268) that permits the cooperative to hold a number of pre-assemblies throughout the year in each place where it conducts business.This mechanism is also reinforced by the federal law 5,764 of 1971, which states (on article 41, §2) *"when the number of members in a local cooperative exceeds three thousand, the bylaws may provide for representation at General Assemblies by delegates who are members in good standing but do not hold elective positions in the company"* (Brasil 1971).

With the assistance of the Executive Director, the current Chairman of the Board coordinated this process. An internal regulation which addressed the guidelines for member representation at general meetings through delegates incorporated the organisation.Under this arrangement, agendas are discussed and decided upon in advance, and a delegate known as the *Coordenador de Núcleo*[[269]](#footnote-269) enforces the choices of each location by attending later the general assembly representing his/her community.[[270]](#footnote-270) It is an indirect voting mechanism, much like executive elections in the United States when candidates are chosen by an electoral college. In turn, this makes more meetings feasible and pushes managers and members closer together.

According to policy makers, this draws members closer to the organisation's day-to-day tasks and encourages them to participate in decision making by closely monitoring its execution. Members vote on the approval of finances, the destination of surpluses, operational reports, amendments to by-laws and internal regulation, and the election of representatives at pre-assemblies.[[271]](#footnote-271) For example, the 2014 core assemblies

*were held in each community to listen to members, clarify doubts, formulate recommendations, and review and evaluate the cooperative's performance in various areas. Over a thousand highly useful contributions emerge to help leaders, staff, and even members keep track and make decisions.” (Annual Report, 2014 p.2)."*

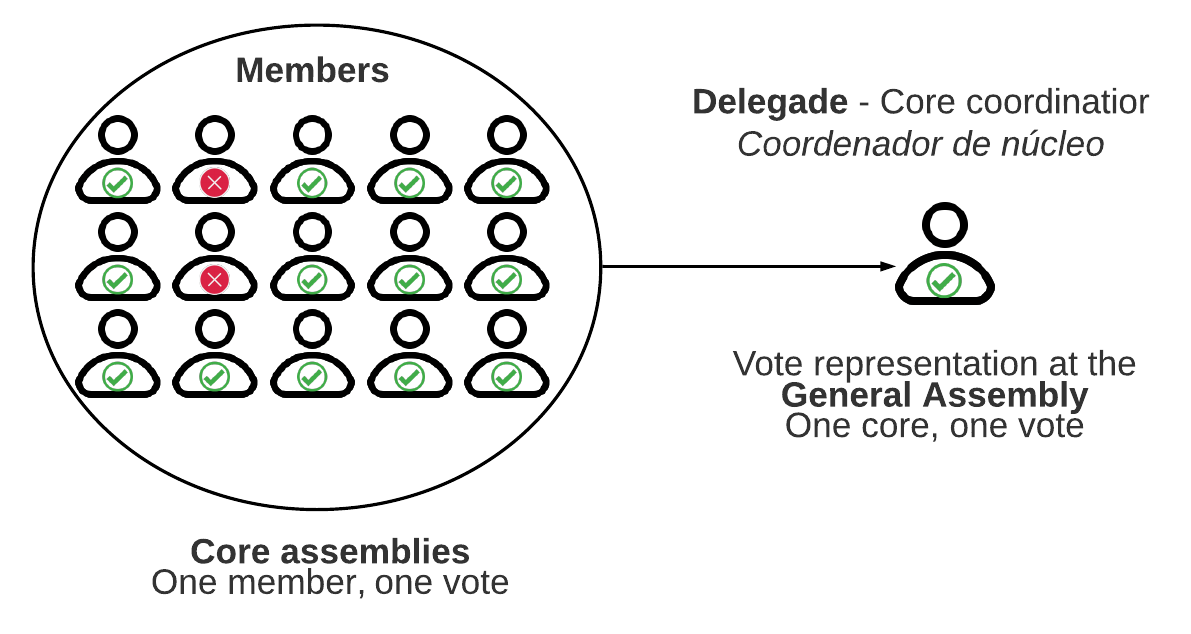
The core coordinator is regarded to serve as a bridge between the community and the board of directors. The directors claim that the mechanism allows for closer interaction, which enhances communication. Additionally, if necessary, the format permits multiple events to be held at the same location. According to the president, "*before there was only one General Assembly per year, making it difficult for all the members to participate"*. With the cores "*we can enlarge the participation of the member, we go to the community, so the member gets to know what is happening and makes decisions*".[[272]](#footnote-272)

The cooperative currently comprises 51 cores that have been formed according to members' geographic distribution. The members of each core elect a coordinator and up to two substitutes. The core assemblies must take place before the general assemblies. They can also be requested by the board of directors, the supervisory board, or 1/5 of the core members, in addition to the president, who typically is in charge. The convocations must be displayed in places where members can see it, such as a service unit or another space that they think is appropriate.[[273]](#footnote-273) Core coordinates serve four-year terms and are eligible for reelection, always on a voluntary basis. When a new coordinator takes office, his term of office must coincide with the terms of the other representatives already elected.

*Our members are organised in cores and elect a core coordinator as their representative to participate in the decision-making process. They also elect leaders responsible for strategic business decisions, like the members of the board, and the members of the Fiscal Council.[[274]](#footnote-274)*

The core coordinator is not permitted to serve on the cooperative staff or hold another elective position in the system while serving on his/her mandate. If the core coordinator runs for another elective position or is hired, he/she must resign from the representation. Including if running for a political mandate in the state apparatus. Furthermore, his/her vote must be related to the choice of the group he/she represents. For example, if 95 members vote in favour of a proposal and 5 votes against it at a core meeting of 100 people, the core coordinator vote at the general meeting will count as a vote in favour. In other words, one core, one vote.

Figure - Delegated representation model for local core assemblies (adopted from 2012 to present)



Source: Zago (2021) based on Sicredi Vale do Rio Pardo bylaws.

The changes in the regulations facilitate organisational growth and visibly boost member participation at assemblies. Since the implementation of the core assemblies in 2012, the level of member attendance has averaged 9.65%, nearly doubling when compared to the prior rules. More member participation into decision-making helps to address issues with governance, like information asymmetry.[[275]](#footnote-275) For the cooperative more effectively, collaborative decision-making, internal control, data gathering, and monitoring have been adapted with the cores.

Table - Core assemblies and member participation (2012-present)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Membership** | **Members in cores meetings** | **Participation rate** | **Meetings per year** | **Delegates / core coordinators\*\*** |
| 2012 | 47,059 | 4,200 | 8.92% | 35 | 122 |
| 2013 | 53,560 | 3,800 | 7.09% | 35 | 80 |
| 2014 | 54,730 | 7,404 | 13.53% | 37 | 80 |
| 2015 | 57,385 | 5,663 | 9.87% | 34 | 80 |
| 2016 | 57,200 | 5,000 | 8.74% | 30 | 80 |
| 2017 | 56,900 | 5,579 | 9.80% | 26 | 80 |
| 2018 | 52,100 | 4,600 | 8.83% | 24 | 80 |
| 2019 | 53,900 | 5,610 | 10.41% | 24 | 80 |
| 2020 | 56,400 | online\* | - | 12\* | 51 |
| 2021 | 58,700 | online\* | - |  | 51 |
| 2022 |  |  |  |  | 51 |

Source: Author, based on data from annual reports and minutes of General Assembly. \*No data on participant numbers are available. In these years the meetings are online (highlighted in yellow), due to the COVID-19 pandemic. \*\*The number of cores is equal to the number of delegates.

It should be highlighted that the COVID-19 pandemic in Brazil, as well as social distancing measures, have an impact on the holding of core assemblies. The health crisis disrupted the cycle of face-to-face core-assemblies in 2020, and only 12 of the 24 sessions scheduled for the year could take place. The core meetings and general assembly were held online in 2020 and 2021.

It is noticeable that core meetings focus on bringing people together at their locality, by increasing members' involvement in the management process. In smaller meetings held throughout the year, the members of the organisation have spaces for plan, monitor, and decide on the directions of their cooperative. Members can also take part in general meetings, but only core coordinators have the right to vote. Members of the Sicredi do Vale do Rio Pardo currently meet in 51 cores and have 19 service points (PAC). Compared to the earlier rules, this format enables bigger gains in participation.

## 8.8 Changes in governance structure with core assemblies (delegates)

Members, leaders, and stakeholders of Sicredi Vale do Rio Pardo have engaged to understand the significance of the organisation's efforts and resilience throughout its organisational trajectory. The institutional path has strengthened with the organisation's experience and has been recognised by regulators, governments and the community. Fundamental to the cooperative's success is its membership integration. And this is due to one key element: trust.

In the past, managers had the opportunity to know every member, including their names, family histories, cultural and education background, and professions. Today, this contact is no longer possible due to the structure's expansion. With the local cores (Pertencer Program) the managers tried to maintain the coexistence pattern of the past, seeking the *"effective participation of the members in the decisions, improving the communication between members through the cores and their representatives*".[[276]](#footnote-276)

These spaces made it possible to create consultative, deliberative, and fiscal advisory councils, increasing the control and transparency of the administration while also influencing the path of the institutional policies. In addition, participating actively through their cooperative opened ways to higher instances, representing the workers in the legislative process and in the administration of the organisation.

*"Our commitment with management accountability is evident in the execution of the Pertencer Program. We have a responsibility as a cooperative to be accountable for our actions and processes as well as to encourage member engagement through discussion and voting.[[277]](#footnote-277)*

The leaders claim that the cooperative organisational structure is unique and accessible to the community. "This environment allows members to be valued and their demands to be understood, it helps modernise the administration, and it broadens the business horizons as members participate in the business".[[278]](#footnote-278)

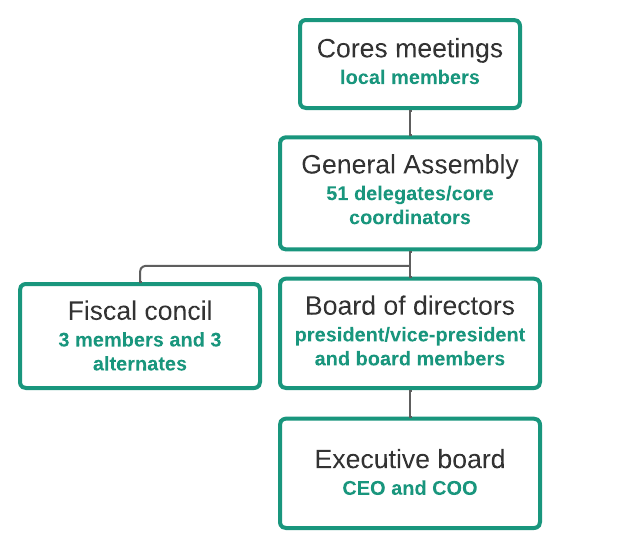
In fact, the regulations created by the members are also close to those required for other financial institutions, but without, however, neglecting the principles of one person one vote. Furthermore, it is worth highlighting that members are represented through delegates who have an imperative mandate. This means that they are obligated to bring their core group's decisions to the general assembly. This practice ensures that the opinions and demands of the members are taken into account during the decision-making process in the general assemblies.ne vote and the traditions of a centenary organisation.

Table - Presidents from 1987 to 2022

|  |  |  |
| --- | --- | --- |
| **Presidents** | **Period** | **Years in office** |
| Theodoro Paulo Musskopf | 1987 – 2002 | 15 |
| Mário Kuntz | 2002 – 2011 | 9 |
| Heitor Petry | 2011 – 2022 | 11 |

Source: Minutes of Sicredi Vale do Rio Pardo

Chart - Governance structure with core assemblies (2012-present)

-

Adapted from Annual report and bylaws of Sicredi Vale do Rio Pardo (2012).

The members start a process of open expansion with local discussions (core assemblies) in response to the various regulatory adjustments (laws of the national financial system) and market innovation, without neglecting the traditional elements and bonds of trust, necessary for growth consistently. In this specific case, in smaller groups, members achieve greater information exchange and lower participation costs, without losing their bonds of traditional norms and customs. In these spaces the cooperative is able to find out the needs and demands of its members while dealing with a high number of members and maintaining the guarantees of democratic management. It is also from the cores that programs and strategies for social activities in the communities are set up, as will be shown in the next topics.

The relative member participation frequency in the various stages of decision making has increased, - indeed, as expected in self-organised groups, and this is somewhat observable when evaluating the growth of this organisation in a more favourable environment. One cannot, however, draw the conclusion that the management process is highly under the control of the members, particularly when it comes to the operational choices that managers often make. There are stricter rules and based on national financial market legislation and banking regulations. And any change requires a legislative process beyond the jurisdiction of this local organisation.

However, when looking at the level of participation and the structure of the core-assemblies (figure 8 and table 21), one comes to the conclusion that self-regulation is still concentrated in a very small portion of the members who attend the events, though this is already an improvement over the assemblies with direct voting, prior to 2012. (chart 26). And in these places, participants are free to discuss matters that are within their control without messing with the regulations of the financial market.

Direct involvement, or member self-government, is regarded to be most promising on a small scale, and that when it occurs on a big scale, solutions such as indirect elections and smaller gatherings are acceptable. This does not indicate that problems will be solved or that all members of the organisation will work together effectively to run the organisation. Even small cooperatives cannot make all decisions at general meetings; representatives must be elected, and the real work must be done by persons such as presidents and, especially, directors elected for the task.

It should be noted that despite the change in the governance structure, the organisation has kept some fundamental issues such as the voting rights - one member, one vote - and the trust between people, which, according to the managers, has increased because they are now closer and have more events in their localities.

## 8.9 Supporting member education and training: Programa Crescer

Sicredi Vale do Rio Pardo prioritises the needs of its members, providing channels to facilitate their business obligations and promote cooperative values. With the support of the Social Fund, the organisation invests in member and community education, fostering a commitment to improve member efficiency within the cooperative. However, as the organisation expands, prudence is necessary when allocating resources. It is essential that all members, both old and new, comprehend the cooperative's business model, and that those in charge of representation possess the necessary qualifications to address the organisation's demands.

The Growth Program, or *Programa Crescer*, was created to meet this objective. This initiative provides training and knowledge to enable participants to take on leadership roles. The program's main objective is to accredit *core coordinators* and educate both current and prospective members on topics relating to the cooperative's operations. It is a continuous training program, and each local service unit sets its own schedule. Participants also have the option of attending courses online through the program's website.[[279]](#footnote-279) This institutional initiative (made by the system) concentrates on educating potential representatives while also addressing local concerns within each cooperative.

While participation in Programa Crescer is not obligatory for all members, it is a prerequisite for individuals who aspire to hold elective positions or become core coordinators (delegates) in the cooperative. [[280]](#footnote-280) To obtain certification, participants must attend a minimum of two in-person meetings, each lasting 4 hours. Supplementary educational materials are also provided to enhance the program's content and help participants deepen their knowledge of relevant subjects.

The Programa Crescer offers not only training and educational opportunities to its members but also extends its services to the broader community. As an example, the program launched its first basic computer course in 2009 in Vera Cruz, catering to the interests of the neighbourhood and complying with cooperative principles.[[281]](#footnote-281) Additionally, the cooperative conducts welcome meetings for new members to provide them with information on democratic management and the political participation process. Such programs are in line with the fifth cooperative principle that emphasises the importance of education, training, and information dissemination.[[282]](#footnote-282)

*With thousands of members and numerous service points, we aim to spread a cooperative culture, which we believe is essential for creating the conditions for citizens to become stronger and grow. At Sicredi, members are the business's owners, but simply being an owner is not enough. Members must also act as entrepreneurs and actively participate in the cooperative life. To promote this education, we have created the Programa Crescer. Our goal is to qualify members by providing free courses, which are also a prerequisite for registering any member in the governance structure, such as the core coordinators*.[[283]](#footnote-283)

The Programa Crescer actively recruits new participants, primarily from urban communities, through various means such as promoting the company's products and services, as well as engaging with potential members during educational events to discuss the benefits of membership. As part of the recruitment process, the program carefully selects, trains, and qualifies individuals to learn cooperative principles and business strategies. It is evident from conversations with program participants that their level of understanding about the cooperative system has increased significantly, particularly in areas related to management, day-to-day operations, and the value of networking.[[284]](#footnote-284)

This program has been in place in Vale do Rio Pardo since 2009, with many meetings held throughout the year in the region where the cooperative operates to provide information and education to participants and the community.

In order to give participants the power to shape the cooperative 's future, researchers agree that education must be encouraged. The major goal is to recognise the business environment. Analysing this issue in the Sicredi Vale do Rio Pardo suggests that efforts are being made to motivate the members to take part, employing mechanisms like gatherings, discussions with members, in-person or online meetings, and training and education programs.

With the programs (Crescer and Pertencer), the cooperative is able to offer an institutional channel for members to participate in the activities and development of the business. This gives the members incentives to exercise their rights and obligations and to be aware of their legal and regulation options, especially in situations involving loss and/or harm. In order to assist the community, more institutional channels are developed.

## 8.10 Other social and educational programs

Assistance for social and educational initiatives are two important areas of attention at Sicredi Vale do Rio Pardo. Through institutional programs, members seek partnerships with local entities and organisations to meet the needs of their communities and work collaboratively with state policies to provide support to the population. In order to address issues weak states face, inclusive initiatives link the cooperative to the community and provide a space for social engagement.

Social and educational programs that are possible to highlight are: *União Faz a Vida, Cooperativas Escolares*, and the project *Cooperação na Ponta do Lápis*. These member-led community-benefitting activities will be discussed in this topic. By addressing these three programs, which are in line with the state's activities to protect its population, the following topics point to the importance of member actions and institutional programs the organisation has developed to gain legitimacy.

### Programa União Faz a Vida

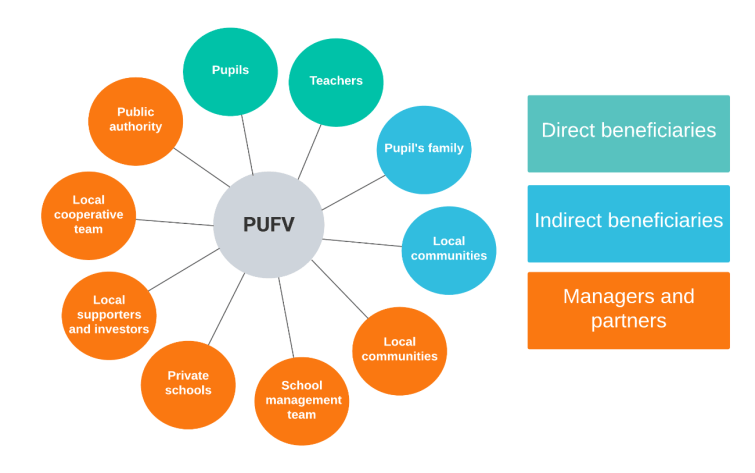
Sicredi Foundation *(Fundação Sicredi*) launched the União *Faz a Vida* program (PUFV) in 1995 with the intention of promoting education and fostering more partnerships. According to official reports, the program seeks to "*promote collaboration and citizenship values, contributing to the education of children and adolescents nationwide, through educational practices in local communities*" (Fundação Sicredi 2008, 11).

The initiative comes from bottom-up actions that, again, builds on the self-organisation of members into the system. It focuses on social development in places where cooperatives operate, engaging those involved to become positive agents of transformation of school reality, with the goal of disseminating the importance of cooperation through principles of education and citizenship.[[285]](#footnote-285)

When it first began, the program provided support for teachers' continuing education, training them to establish new pedagogical approaches in the curriculum of public and private schools. The members were happy about the concept. The activities included a methodology that puts students in the role of protagonists, giving them a say in decision making, simulating issues related to cooperation and citizenship (Paixão and Melo 2022).

The project involves some steps. First, the cooperatives analyse local needs and plan training in education staff through workshops and meetings supervised by pedagogical advisors. The activities are followed by the partners, coming from municipal education departments, social assistance departments, or private schools that express interest in receiving the program. School teachers are selected and contracts are signed. Finally, each cooperative and partner school carries out the program, which is monitored by the *Sicredi Foundation* (Mirandola 2022). The money for that comes from the reserve funds of the local cooperatives. The initiative has already reached 3 million children and adolescents nationwide, as well as 100,000 educators and 2,600 schools in over 400 municipalities throughout 12 states. [[286]](#footnote-286)

Chart - Actors involved in the União Faz a Vida program



Source: Avaliação do Retorno Social do Investimento do Programa A União Faz a Vida da Fundação Sicredi. IDIS – Instituto para o Desenvolvimento do Investimento Social, adapted.

Sicredi Vale do Rio Pardo has been building PUFV in its area of operation since 2006, at the request of its members. *Each year since then, it has worked to expand the cooperative education experience*.[[287]](#footnote-287) The project unfolded in the region through contact between staff and volunteers with Departments of Education and schools that spontaneously join the program. First city to start with the program was Sinimbu-RS.

*I began working at Sicredi through União Faz a Vida at the Community University of Santa Cruz do Sul [UNISC]; we were part of a group of academic institutions that built the pedagogical part with a theoretical and didactic framework of state and municipal departments of education, in the state of Rio Grande do Sul.[[288]](#footnote-288) (…) This year [2020] we are celebrating 25 years of the program [at the national level], and our cooperative are celebrating 13 years, because we started a bit later here, in 2006, with the municipalities of Sinimbu and Vera Cruz. At that time, the president of our cooperative was the mayor of Vera Cruz, and he had this feeling about the importance of the partnership, working with the educational development of the municipalities.[[289]](#footnote-289)*

After Sinimbu and Vera Cruz, the program expanded to the municipalities of Passo do Sobrado and Herveiras, communities close to the headquarters. Currently, the initiative comprises the municipalities of Rio Pardo, Vera Cruz, Vale Verde, Venâncio Aires, and Santa Cruz do Sul, reaching a total of eight municipalities. The resources from the *Reserve Fund* gathered by the members over the years are used to hire teachers and pedagogical advisors in collaboration with municipal education secretariats. Local political officials have emphasised the program's positive outcomes.

*The municipality of Sinimbu has had the União Faz a Vida project since 2006, and it has always produced positive results, including all pedagogical support for our teaching staff. I'd like to highlight our collaboration with Sicredi, which is transforming our students into community leaders. I believe that the new ideas will bring more positive results for the education of our city”.*[[290]](#footnote-290)

Many local actors from the education field are involved in the program. The cooperative hires pedagogical advisors to monitor the teachers and students who participate in PUFV on a monthly basis. The work created complies to the members' approved Sustainability and Social Responsibility Policy, and it includes the involvement of project managers and other organisations.

Two of the seven international cooperative principles — Interest in the community**[[291]](#footnote-291)** and Education, training, and information**[[292]](#footnote-292)**—are related to the program's implementation within the context of PUFV. Members of the cooperative and local partners advocate for the training of instructors who work with the project's target audience—students and teachers—so that they can later contribute to the growth of their communities.

*We make available a teaching methodology in which students are the protagonists of the learning process and have the support of school teachers, parents, and the community through the program. This methodology seeks to improve solidarity, justice, dialogue, diversity, respect, and entrepreneurship. (Annual Report 2018 p. 36).*

PUFV is the cooperative's main social program, and it has spread to become a part of the everyday lives of several schools in the region where Sicredi Vale do Rio Pardo operates. It is worth noting that schools in each municipal department are free to adopt the program and establish their own work plan.

*Today, we have a systematic training process for pedagogical advisors, which is led by the Sicredi Foundation, through a training program that is integrated with educational methods in municipalities. This year, for example, we will hire two or three more teaching staff because our team has narrowed due to the volume of work. (…) State and city education secretaries arrange and organise school teachers, so here, at the cooperative, we work with municipalities to offer training for the teachers, and we work at every level of preschool, beginning with the early years. We provide specialised assistance and guidance on teaching initiatives. There are specific trainings for schools and teachers.[[293]](#footnote-293)*

In Brazil, since 1988, education has been both a right and a responsibility of the state and the family. This duty may and must be promoted with the help of society. It is noted that actors join together to provide this right to children and adolescents in a setting of a weak state, where neither the state nor the family is able to provide the people with the necessary education. In this sense PUFV is a program that works in partnership with state policies and families to provide education for the community.

Table 23 - Programa União Faz a Vida at Sicredi Vale do Rio Pardo

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Municipalities** | **Pupils** | **Teachers** | **Schools** |
| **2009** | 3 | 3.116 | 248 | 44 |
| **2013** | 4 | 3.952 | 337 | 40 |
| **2014** | 4 | 3.791 | 344 | 38 |
| **2015** | 4 | 6.609 | 748 | 70 |
| **2016** | 7 | 3.373 | 345 | 31 |
| **2017** | 7 | 3.300 | 345 | 31 |
| **2018** | 7 | 3.852 | 406 | 39 |
| **2019** | 8 | 3.085 | 328 | 39 |
| **2020** | 8 | no data | 80 | 8 |
| **2021** | 3 | 1.500 | no data | 19 |
| **2022** | discontinued | | | |

Source: Sicredi Vale do Rio Pardo. 2016. *Programa A União Faz a Vida. 10 anos*; Sicredi Vale do Rio Pardo., *Annual Reports* 2013, 2017, 2018, 2019, 2020 and 2021. Sicredi Vale do Rio Pardo. Newsletter - September, 2009. Note: in yellow, years in which the program was impacted by the Coronavirus pandemic.

As part of the annual evaluation process, the program undergoes a thorough review to assess its efficacy. Collaborative partners from various schools and universities convene at local, regional, and national levels to evaluate the program's progress. In addition, we have allocated funds towards research efforts aimed at examining the complex realities encountered by schools and their networks.

*We have adopted an evaluation process developed in partnership with universities over the last years that looks at teachers, school personnel, and Sicredi partners to see how the program is meeting their needs and what areas are making progress and which are not. This is an annual survey, and there is a movement within the Sicredi Foundation to repeat it every year, so that we can track the program's development on a more regular basis. An advisor from the Sicredi Foundation has visited a number of municipalities to conduct additional qualitative research in order to develop indicators for the União Faz a Vida program. We are now collaborating with a consulting firm to develop indicators to track how the program is making progress with school teachers, families, and students. And we'd appreciate having some new tools to help us improve the program. But I still believe we have a problem. This has also been shared with us by our colleagues in education.[[294]](#footnote-294)*

Education is one of the universal values of cooperatives and the organisation views it as a crucial means of encouraging young people to practise cooperation, citizenship, and have an entrepreneurial spirit. In order to achieve this goal, their project encourages students through joint projects, but encounters some resistances, and opposition both in the school and at workplace. The problem of bringing together two visions (economic and educational) is a challenge perceived in this research that deserves to be explored in future research.

The initiative was widely well-received by the community, and its articulation with the public educational network, especially the municipal network, clearly demonstrates how it has ties to the state. The education departments and city councils have agreed to collaborate with the businesses and charitable organisations in order to receive funding, pedagogical support, and fulfil their duty to provide a basic education to students in the municipal public network. This public-private partnership is exemplified by Sicredi's PUFV program.

The project ran into issues with the Coronavirus pandemic in 2020, which resulted in a shift in strategy. The PUFV undertook a number of virtual activities, mostly with private schools, in order to function in this new reality. However, at the height of the pandemic, the program had to be discontinued. According to the 2022 general assembly, the cooperative's position was to discontinue the program after evaluating the technical, pedagogical, investment, and especially the impact of the actions in these years of operation.[[295]](#footnote-295)

However, the PUFV is not the only educational proposal made by Sicredi Vale do Rio Pardo; the Escolas Cooperativas, and the National Education Financial Program: Cooperação na Ponta do Lápis are other programs led by local actors with similar objectives to the PUFV, but aimed at other audiences, reinforcing its integration in with members.

### Programa Cooperativas Escolares

Other educational-based initiatives emerge from the cooperative's social programming area, in addition to PUFV. The school cooperatives project is one example. The program encourages young students to form real cooperatives and carry out the process of product planning, production, and sale using cooperative principles in a school setting. This initiative takes place in partnership with educational institutions.

*Many improvement and training courses in the social and educational spheres have been supported and sponsored by us through various partnerships. We are inspired and radiant with the realisation of a long-held dream: to encourage and support the formation of school cooperatives in our region's schools. Under the leadership of the board and with the support of teachers, parents, and students, the school community of the Guararapes in Linha Almeida, municipality of Sinimbu, began the organisation of the first school cooperative of our region.[[296]](#footnote-296)*

The Board of Directors unanimously approved the creation of investments to stimulate the formation of school cooperatives in the Rio Pardo Valley at its meeting on June 22, 2015. The project, by contrast, is starting to get shape; the plan is for it to be available in all the cities where the cooperative operates.[[297]](#footnote-297)

The activities are focused on the "development of skills such as leadership, social entrepreneurship, financial education and social inclusion. Students are guided by a pedagogical staff and supported by school teachers, Sicredi members cooperatives, and Education Departments, among other partners" (Fundação Sicredi 2020).

Figure - Excerpt from the 2021 sustainability report on school cooperatives



Source: Fundação Sicredi (2021). *Sustainability Report*. p.121.

With the assistance of the municipal education departments and the participating schools, the School Cooperatives of Sicredi Vale do Rio Pardo serve as an example for learning the cooperative spirit. Several actions have been carried out in the organisation's area of influence. One of the highlights has been the encouragement of the creation of school cooperatives, with involvement of students of the municipal elementary school's from fifth to ninth grades in the locations where the cooperative works.[[298]](#footnote-298)

*Today there are six school cooperatives in the Vale do Rio Pardo region. This project started here three years ago, it is very young, and it requires special care. We are gradually developing cooperatives with students. I mean, we create approximately two cooperatives per year, no more than that, and yes, all supported by Sicredi. (…) The municipality [administrators and authorities] wants the project. After we started in Sinimbu, we gained visibility. The children had the opportunity to visit other municipalities, they went to Herveiras, they went to Passo do Sobrado showing their progress, and the administrators started asking for the project in their own schools. In the schools, in Passo do Sobrado, there was even a controversy. Two schools in the municipality wanted us. Initially we were planning to do [the project] in only one school, and we ended up doing it in both schools. Now, they are being mentioned at City Council meetings, they are making a great success and contributing to other things. The school cooperatives do not belong to Sicredi, they belong to each school, even though Sicredi is currently the only financial supporter, they managed to contribute something for the community. As a result, they are well received. Even schools that previously "turned up their nose at the program" or did not want the União Faz a Vida program now want Cooperativas Escolares on their activities. It has been a success*.[[299]](#footnote-299)

Sicredi Vale do Rio Pardo encourages the school cooperatives to register with the Ocergs-Sescoop System, the organisation responsible for cooperative registration, certification, and licensing in the state of Rio Grande do Sul. From this registration, they are officially recognised as cooperatives. Further research is needed on actions developed with the community within the scope of the Cooperativas Escolares project to assess the institution's social responsibility indicators.

### Programa Cooperação na Ponta do Lápis

Another locally broadly educational program local is the "*Cooperação na Ponta do Lápis*".[[300]](#footnote-300) The cooperatives in the system, the regional offices, and the Sicredi Foundation collaborated to design and execute it. The system develops financial education campaigns using various strategies. From it, members, staff and experts bring financial knowledge to their communities (schools, companies, associations, etc.). Local cooperatives establish channels for financial education in the communities by holding discussions and inviting financial experts. Unlike PUFV and Cooperativas Escolares, which solely operate in schools, the target public comprises both young and elderly people. The actions cover a range of subjects, including home economics, initial investments, defaults, financial problems, and wise investing strategies.

*"Sempre buscamos mostrar o nosso papel como cooperativa em todas as nossas ações junto à comunidade. Na Semana ENEF[[301]](#footnote-301), nosso objetivo é participar da atividade e reforçar o trabalho que desenvolvemos durante todo o ano voltado à educação financeira”[[302]](#footnote-302)*

With the purpose of changing people's relationships with money, achieving more independence and financial freedom, the program is centred on the everyday economy and targeted at individuals, micro entrepreneurs, and young people.[[303]](#footnote-303) The financial education is offered at Sicredi Vale do Rio Pardo through lectures, workshops, and in-person or online training by experts.

Additionally, cooperative personnel and members discuss issues on a regular basis. Informational resources are made available in an approachable language, such as cartoons and comic books, to promote financial education.

*Financial education is becoming relevant, thanks to the Cooperação na Ponta do Lápis Program. In 2021, this program had more than 80 actions and impacted over 3,000 people in our community. Our online education platform assists members in developing knowledge about cooperation and finance, as well as other topics of interest and need.[[304]](#footnote-304)*

The project is made up of deliberate efforts meant to serve the needs of young people, kids, adults, and business owners. In order to directly benefit members and local communities, it actively promotes financial education throughout the areas in which the cooperative conducts business.

## 8.11 Effective communication channels

Sicredi Vale do Rio Pardo has a variety of communication techniques. These strategies have become more prominent as the business has grown and expanded its operational areas. To keep members informed of regional activities, the cooperative broadcasts radio programs on Rádio Gazeta AM on the first and third Saturdays of the month, and Rádio Santa Cruz FM on the second and fourth Thursdays of the month (*O valor da cooperação*), as well as a 15-minute program every Wednesday (*Momento da cooperação*).[[305]](#footnote-305) The weekly radio shows offer comments from members, representatives, staff, and local authorities, as well as information about the organisation, its products and services, and social projects. Participants can make recommendations and questions about the topics by email or phone during the programs.

*Our goal is to keep our members connected and informed. We can get this through local and regional media. Our cooperative is in a great phase of growth and expansion as a result of the open membership admissions in 2003. Everyone benefits from this, but it forces us to reconsider how we interact. It is no longer possible to be present in all the communities we serve. The radio has accomplished this effectively, but it doesn't mean that we'll stop gathering in the neighbourhoods. We are holding more small meetings and this year we plan to create nine more cores, in addition to the 15 we already have.[[306]](#footnote-306)*

In addition to radio programs, the cooperative publishes a column every first and third Wednesday and every second and fifth Thursday of the month in the local newspaper Gazeta do Sul.[[307]](#footnote-307) For many years, all members received a printed institutional newsletter called Catavento, which was recently replaced by an annual printed periodical distributed at assemblies, community meetings, and available to the public at service points. This booklet is also available online.

Communication is becoming increasingly important to the company since it allows for the development of both internal and external recognition. Currently, there are two contract employees and a communications department dedicated to developing advertisements and press releases. Even the organisation frequently hires third-party advisors to develop marketing strategies.

The goal of the communication strategy is to inform the public about the cooperative's products and services, market innovations, and problems affecting the organisation's group of stakeholders.

In addition to self-promotion as a credit and solidarity institution, internal policies permit the promotion of regional stakeholders and business partners. For instance, according to item 13 of the social fund regulations, the Sicredi Vale do Rio Pardo Cooperative is permitted to share educational materials highlighting its social projects and beneficiary organisations at community events, online, or in the media (including newspapers, radio, television, blogs, and magazines).[[308]](#footnote-308) Beneficiaries receive access to these spaces and participate in audiovisual recordings for dissemination by submitting a project and subscribing to the norms of this regulation. Local actors typically participate in social media, radio, and newspaper activities as part of a collaborative network of regional collaboration.

Finally, the cooperative posts news about many subjects that concern its members on its website, which is also connected on its social networks like Facebook and Instagram. The posts place experience reports and successful practical actions in the context of urban agriculture and cattle raising, demonstrating market strategies and techniques that support in both the transmission of technical knowledge and the management of businesses.

Overall, the organisation's communication strategy successfully fulfils the key task of providing essential technical information to rural producers and urban members, keeping them updated on new technologies, innovations, and challenges in the region as well as on the market. Additionally, and perhaps most significantly, it acts as a link between members, mitigating some of the challenges brought on by the cooperative's quick membership growth. As a result, the communication channels provide readers with essential information that aids in their continued development, improves their managerial abilities, and promotes teamwork and profitability in their enterprises and in their interactions with the cooperative.

## 8.12 Internal controls, fighting corruption and money laundering

Sicredi Vale do Rio Pardo ensures that its operations take place in a secure environment able to protect members against financial crimes, corruption schemes, and money laundering, by employing specialised prevention systems and procedures developed by their management, as well provided by the regional office, regulatory agencies, or independent auditors.

To improve internal control mechanisms in these areas, they offer ongoing trainmen to their staff. The managers are familiar with the legislation and regular updates from the regulator intended to combat corruption and money laundering.[[309]](#footnote-309) External and independent auditors conduct annual supervision of the business, and their findings are presented at general meetings for member approval. The system currently employs a team of internal auditors who also conduct periodic operational supervision.

One of the main differences from previous periods is that the business model now focuses on a compliance policy created in an internal, structured and decentralised manner. Previously, these duties were solely done by governmental authorities, who formulated regulations, established norms, and centralised their compliance forcing the players to adapt to it. However, with the opportunity of more self-regulation, certain agents' performance shines out. The cooperative now can hire specialised specialists to carry out these operations and perform tasks both locally and in secondary bodies (regional offices and federations), participating in the development of public policies.

Additionally, in light of recent corruption scandals in the nation within the most diverse levels of government (local, state, and federal), as well as political parties, these actors have distanced themselves from such actions and looked for alternative frameworks for accountability and order in their operations.

Additionally significant, is the members' trust in the corporate governance policy. The local general meeting minutes for 2014 provide evidence of this. Members expressly grant the board autonomy to respond to changes in regulations in it.[[310]](#footnote-310) In this meeting members reviewed participation dilemmas, strategic management, executive management, supervision, and control, as well as the implementation of segregation of functions, equity, transparency, and a code of conduct. They also addressed corporate education, corporate responsibility, accountability, the democratic process, and risk and credit practices (SICREDI 2014). Because these regulations may change in the future, the president recommended that the members provide the board of director's broad authority to adopt any necessary changes to the governance policy in the future. The members unanimously accepted it, giving the possibility for the board of directors to subsequently examine any necessary changes.

Giving directors these options is like handing them a blank cheque. However, this doesn't mean that members stop participating in political decisions. In 2018, at their general meeting, members voted for a senior leadership succession policy in line with National Monetary Council Resolution 4,538/2016.[[311]](#footnote-311) They also addressed fundamental values and a set of rules, responsibilities, flows, and processes necessary for execution of activities updating the company's compliance rules, as outlined in National Monetary Council Resolution 4,595/2017. They also voted on amendments which update the compliance policy's content in a systematic manner, laying out fundamental principles and duties for meeting regulatory obligations and preventing crimes against the financial system.[[312]](#footnote-312)

Internal regulations are aimed to prevent irregularities in the financial environment and in the organisation of its players. Policies that set compliance rules seek to improve internal controls and match the system with the organisation's goals in terms of overall business strategy and institutional policy requirements. And it is not difficult to find it. Members and other interested parties can access the compliance policy and internal audit procedures at the service points.

Given the complexity of the services and products provided, as well as society's expanding demand for financial solutions, the company is constantly improving its internal controls. Managers work to guarantee compliance with rules and regulations, as well as to prevent and mitigate risks associated with the activities they performed.[[313]](#footnote-313) To avoid risks, the organisation implements monitoring policies.

If the organisation does not assure its proper operation, it may facilitate illegal enrichment schemes, patronage relationships, and corruption. Fraud can easily be committed by forging or manipulating records, stealing money, omitting the results of transactions, documenting fictitious transactions, and/or abusing accounting policies and processes. So the organisation creates procedures to ensure that one individual does not control the flow of a transaction from beginning to end in order to avoid these institutional errors. For example, a cash manager does not keep accounting documents; the person in charge of approving a credit operation does not keep financial records; and so on. There is a double check in every operating procedure. The involvement of two or more persons in a transaction decreases risks, and the double-checking procedure reduces the possibility of fraud.[[314]](#footnote-314)

The managers indicate that the cooperative's staff analyses the account records at least once per month, and an employee who is not directly involved in the transactions reviews these reports. Every step of the process is recorded, and any inconsistencies are quickly brought to the attention of the cooperative's management or senior executive. There is also an ombudsman sector with which members or staff members can get in touch. Everyone, including the president and high executives, are subject to charges, and if found guilty, penalties may be laid out.

Furthermore, the records are kept both physically and electronically for conferences that are required.[[315]](#footnote-315) A department is in charge of monitoring the operational risk policy and organising, whereas it is necessary, the compliance procedures in accordance with Resolution 3.380/06 and other relevant laws.

The company relies on internal audit assistance provided by the regional office and also frequently checks its policies with both its staff and external auditors. Every year, proposals are discussed and new plans are formulated by the board of directors and the risk department. The organisation also makes advantage of the second- or third-level entity control structures as a strategy to cut costs. Currently, Banco Sicredi S.A. centralises internal controls for risk management.[[316]](#footnote-316)

Currently, the executives consider risk management in their daily operations and follow international Basel agreements-complaint procedures. Operational risk, market risk, and credit risk are some of the significant issues that the organisation deals with.[[317]](#footnote-317)

It should be noted that Sicredi Vale do Rio Pardo has its own internal audit policy and compliance guidelines. In other words, because it is a local cooperative, it is independent and, as such, has no obligation to the implementation of a standard set of internal controls from the system of which it is a member. As a result, its managers are free to follow or reject the recommendations made by the regional office. But generally, as the managers stated, they choose to follow its recommendations. Thus, there is a growing direct and formal involvement of managers with second-level entities in corporate governance, especially in the formulation of auditing policies to increase transparency and accountability. In addition to their regular monthly meetings, the board of directors and advisors accompany the administrative and managerial work of the cooperative, also participating in most of the meetings of its administrative units.

Thus, it can be seen that the anti-corruption strategy and compliance policies are perceived as something that the group has incorporated through a set of guidelines and codes of conduct, but that is present in informal norms of the work environment through daily operations and the environment in which these actors are situated (banking routines). Managers know that fighting risks must be addressed seriously since they involve money, which is the fruit of the community's economy, even in a negotiation involving family and friendships ties. Every negotiation must be conducted with the utmost precision. They are very clear that employees must serve the members, who are the ultimate beneficiaries of their actions.

Due to the fact that the members are business owners that value responsibility and accountability, this also affects the transparency process specified and implemented by the governance structure. To this end, the cooperative is governed by a specific internal legislation that has bylaws that determine, among other actions, the form and participation of members in management, as well as the governance structure to be followed.

## 8.13 Social Fund, Legal Reserve and FATES

Since 1971, Brazilian law has required that at least 15% of a credit union's net income remain undivided to its members – at least 10% as a legal reserve to cover losses and support the growth of its activities, and at least 5% as a reserve or provision known as the Fund for Technical, Educational and Social Assistance (FATES), to be used to provide assistance to members, their families, and employees (Brasil 1971). However, the cooperative internal bylaws can set higher percentages or provide alternative destinations for the profit based on the members' decisions (Girao Barroso and Bialoskorski Neto 2010).

Sicredi Vale do Rio Pardo 's reserve funds are established in line with national laws, internal regulations, and norms decided upon by the members during general meetings. Depending on how well they perform and the decisions that are taken at each assembly, these sums, their use, and their percentage may change every year. So there is an incentive for more people in the community to participate in the discussions.

A sizable portion of the profit (liquid earnings) is allocated for FATES and the Reserve Fund, increasing their stability and ability to support their associates and employees. There are three areas in which these funds are active: technical provision, educational support, and social assistance.

The delegates unanimously agreed to allocate the following FATES funds: R$395,000 for educational assistance, R$31,222 for technical assistance, and R$200,000 for social assistance, to be distributed through the following programs: *Escola Familia Agrícola*, *Crescer e Pertencer*, *União Faz a Vida*, *Programa Educação Cooperativa*, and *Sicredi foundation*.[[318]](#footnote-318)

Members of Sicredi Vale do Rio Pardo own these funds and have complete discretion over how they are spent in accordance with the decisions made at their meetings. Because the establishment and use of the funds must be approved by the majority of members annually, this is likely the organisation's most distinguishing feature in comparison to its market competitors.

Table - Legal obligation and self-regulation: organisational funds, 2022.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Mandatory** | **What does the national legislation require (law 5,764)?** | **What has been adopted by the members in 2022?** | **What is it, and what purpose does it serve?** |
| **FATES** | Yes | According to Brazilian legislation, FATES must receive at least 5% of the cooperative's profits. | In 2022, members decided to allocate 5% of their profit to this fund. | FATES is designed to provide assistance to members, their families and employees. |
| **Reserve Funds** | Yes | Brazilian law requires that the Reserve Fund receives a minimum of 10% of a cooperative's profits. | In 2022, members decided to allocate 45% of their profit to this fund. | The Reserve Fund is designed to cover losses and enable the expansion of the cooperative's activities. |
| **Social Fund** | No | The national legislation does not require the creation of this fund. | In 2022, members decided to allocate 2% of their profit to this fund. | The Social Fund is designed to provide funding for community-based social projects. In 2022, it helped 93 projects in the area. |

Source: Author, based on Sicredi Vale do Rio Pardo bylaws 2022 and Law 5,764.

An increase in reserves and funds implies an increase in the cooperative's net worth, whereas their distribution implies a decline in net worth and the cooperative's ability to allocate capital. Given the Basel I, II, and III accords' limitations, allocating surpluses to reserves rather than distributing it to members means a greater borrowing capacity.[[319]](#footnote-319) Then the members have to decide how much to share and how much to keep.

FATES and the Reserve Fund, as required by Law 5,764, are the largest source of profits allocation. Indeed, they frequently get additional increases as a result of decisions made by the members themselves at meetings. As in 2022, the members agreed to contribute 45% to the reserve fund rather than the 10% legally required. These funds are frequently used when there is a lack of liquidity or to cover specific operating expenses. Losses that have been verified during the year are covered with funds from the Reserve Fund and, if there aren't enough, by dividing up among the members in direct proportion to the services they used.

After deducting FATES and Reserve Fund, the General Assembly may decide to create new funds or reward members with any remaining earnings. For example, Sicredi Vale do Rio Pardo established an additional account (Social Fund) in 2019 to promote community projects.[[320]](#footnote-320) This fund was approved by the members during the local Core Assemblies, and the corresponding core delegates ratified it at the General Assembly.[[321]](#footnote-321)

This (extra, non-mandatory) fund has evolved into the main engine for community-developed initiatives focusing on sport, cultural, social, and environmental objectives. According to the bylaws, civil society organisations must register and support one of the 17 Sustainable Development Goals (SDGs) of the United Nations (UN) in order to receive income from the Social Fund.[[322]](#footnote-322)

The Social Fund was successful in financing 100 local community initiatives in 2019, allowing donation of resources to organisations working on charitable social, cultural, and environmental projects in the region with only 2% of the organisation profits. In 2020, members donated the social fund to hospitals in the region to purchase respirators and hospital equipment to fight the Covid 19 pandemic.[[323]](#footnote-323) In 2021, the Social Fund donated R$532,000 to 93 community projects, impacting more than 14,000 people.[[324]](#footnote-324)

*"Although our work is directed by financial transactions and the provision of financial products and services to our members, we cannot renounce our social responsibility and the ability to make a difference in the life of the community.”[[325]](#footnote-325)*

According to research, larger cooperatives, both in terms of financial structure and membership, are more likely to distribute their results to the community; smaller cooperatives, on the other hand, may have greater financial growth demands and are more likely to keep the results for their own growth (Girao Barroso and Bialoskorski Neto 2010). The case study of Sicredi Vale do Rio Pardo can contribute to this discussion by introducing an aspect from the perspective of the weak state, namely, how the state's inability to meet population demands may encourage the development of legitimate initiatives from society to address the community's problems. The creation of your social fund is certainly related to this

Therefore, activities that seek to address a community's problems may be connected to the generation of funds and an increase in the proportion of distribution. This idea is well illustrated by the Sicredi organisation, whose members, acting on their own initiative, work together to raise money and contribute more to local projects in an effort to meet local needs, especially when they do not receive the proper support, — in particular from the state. The distribution of social funds by Sicredi Vale do Rio Pardo and other cooperatives is a democratic and open participatory procedure, therefore examining it can help establish the extent to which these actions provide members a true sense of ownership of the business.

## 8.14 Investment in renewable energy and sustainable solutions

By engaging in activities that are geared toward environment and sustainable development, Sicredi Vale do Rio Pardo also promotes itself and the community. Financing for the construction of small photovoltaic plants is currently one of its most widely promoted credit lines. According to the managers, there is a high demand for this type of credit. The city of Santa Cruz do Sul, where the headquarters is located, has previously led the state rankings for photovoltaic energy, both in terms of the number of installations and power generation (Brose et al. 2020).

With the increased demand for photovoltaic panel installation, the organisation saw an opportunity to provide credit by financing photovoltaic power generation systems that can be installed by residents and connected directly to the electrical grid. More than 6,000 solar power plants have already been installed in Sicredi Vale do Rio Pardo's service area, which has a population of about 300,000 people. More than half of the systems that have been installed are financed, and Sicredi Vale do Rio Pardo is responsible for 75% of this financing.[[326]](#footnote-326)

In order to promote the construction of photovoltaic solar energy plants in the area, the cooperative established an exclusive line of credit in 2017. By April 2022, this initiative has already financed more than 2.8 thousand solar plants, with more than R$ 100 million in credit released.[[327]](#footnote-327) But one of the biggest barriers to the expansion of solar energy generation is cost. Due to their high initial installation prices, the majority of people still cannot afford solar systems. Installing a solar energy generating plant could cost a family about R$50,000 and a business about R$100,000. As mentioned, facilities largely rely on grants and funding, but this is shifting as efforts at collective action open doors to better financial conditions, lower material costs, and increase people's purchasing power.

Here, the implementation of solar plants in Santa Cruz do Sul by urban and rural people deserves special attention. Its outcomes could be compared to those of LoSAM's subproject H: Synology/Economics, which investigates the role of renewable energy for local self-regulation in China.[[328]](#footnote-328) This is an essential matter because the energy grid of these countries, as well as its legislation, have been undergoing changes in recent years, owing in part to shifting local population attitudes (Hauser 2022).

Local surveys also reveal that the environment is pushing up demand for on-site solar energy: 1) due to the high cost of electricity from the electricity provider 2) "networking" spread through relatives, neighbours, friends, and other trusted groups 3) favourable and reliable legislation 4) 26-year warranty on equipment ; 5) feeling of accomplishment by generating electricity without endangering the planet; 6) feeling of "independence" and "autonomy" after a long dependence on low-quality services provided by concessionaires, whether state-owned or private; 7) improvements to the regional electricity infrastructure, which, after that, does not rely only on centralised state planning and is instead driven by local actors who are given more power evolving from from passive energy buyers to co-generators of energy (Brose et al. 2020).

According to the Ministry of Mines and Energy, national photovoltaic and wind energy output in Brazil increased from less than 1% in 2009 to 11.1% in 2019 and projections indicate that by 2040, the solar photovoltaic source in distributed generation will account for 20% of the country's electricity supply (Monzoni et al. 2018). This is mainly due to community initiatives that seek sustainability and work for changes in energy policy.

Since April 2012, ANEEL (Agência Nacional de Energia Elétrica) has allowed residents to generate their own electricity. The agency has created rules enabling citizens to inject electricity into the public grid with Normative Resolution No. 482, using the renewable Energy Feed-in Tariff (FIT) just like the experience of European countries. However, Brazilian law prohibits the sale of surplus production and only allows for the compensation of credits, known as net metering.[[329]](#footnote-329)

Residents can benefit from shared generation, which allows two or more users (who live in the same region as the concessionary) to join together to install photovoltaic plants and share the credits generated by them. Consumers in a residential building, for example, who do not have their own space to install a solar system can join together to install a system at another place, generating credit to reduce their power use, but they cannot sell their surplus energy.

To serve these residents, financing policies had to be made. Sicredi Vale do Rio Pardo started offering terms of up to 120 months for payment of the investment in solar power generation, with the possibility of yearly contributions for rural producers. The cooperative was able to provide grace periods, negotiable rates, and financing of up to 100% for projects, materials, and installation.[[330]](#footnote-330) The financing credit lines, according to the managers, were a critical component for the expansion of solar energy in private homes and commercial buildings. For the executive director in charge of overseeing the credit line's implementation, the financing terms influence both micro-entrepreneurs' willingness to invest and consumers' ability to purchase their systems.

It is important to note that community efforts to adopt their own energy generation systems have a local economic and social impact in addition to reducing carbon emissions. Today, there are approximately 65 businesses that provide photovoltaic panel installation services in the nine municipalities served by Sicredi Vale do Rio Pardo. According to estimates, salespeople, installers, and new integrators generate 1,800 direct and indirect jobs in the industry. The community has already saved approximately R$ 100 million with just the photovoltaic credit line from Sicredi Vale do Rio Pardo, while reducing the amount of carbon dioxide (CO2) in the atmosphere by 120,000 tons, which is equivalent to planting 130,000 trees and avoiding the use of 75,000 tons of coal.[[331]](#footnote-331)

By funding the purchase of this equipment, the credit union serves as a financial intermediary that, either by granting credits to its members or by investing its own capital in the development of its own plant, encourages the development of energy generation systems and photovoltaic plants. According to the president of Sicredi Vale do Rio Pardo, members support these demands and contribute to the expansion of this goal.

"By having easily and accessible credit lines for solar energy generation, we are concentrating on increasing income for our members, while at the same time looking to create clean, renewable energy sources that are environmentally friendly. All of this is directly related to the objective of our cooperative, which is to foster regional and local economies.”[[332]](#footnote-332)

…

We helped put Santa Cruz do Sul in first place in the state of Rio Grande do Sul and fifth in Brazil in terms of installed power. Because the projects were funded with funds raised in the region, this is a legacy that each associate can be proud of. (RELATÓRIO ANUAL 2018)

The cooperative also made the decision to invest in its own photovoltaic power generation system in order to show the potential (economic and ecological) that such an investment is capable of generating. After receiving unanimous approval from members at a general meeting, Sicredi Vale do Rio Pardo built its own photovoltaic plant in August 2021 to supply all the electricity needs of its headquarters and service points (PACs).

Figure 10 - Photovoltaic Plant of Sicredi Vale do Rio Pardo (2021)



Source: extracted from the institutional website[[333]](#footnote-333)

Sicredi Vale do Rio Pardo has installed a photovoltaic plant near BR 471 highway in Rio Pardo, Linha Tamanco. The plant is made up of 1,238 photovoltaic modules and has an installed capacity of 500kWp.[[334]](#footnote-334) Over a period of six months, the plant was able to achieve significant benefits including cost savings of R$ 228,000 in electricity expenses and a reduction in the cooperative's carbon footprint. Additionally, the surplus energy generated by the plant resulted in credits equivalent to 17% of the total energy production, thereby contributing to the larger objective of sustainable energy production. With that, the company avoided releasing 327 tons of carbon dioxide gas into the atmosphere, which is equal to 275 tons of coal that wouldn't have burned and 450 trees that would have been grown. Aside from the financial benefit of lower electricity costs, the initiative benefits the neighborhood by employing clean and renewable energy, being able to accumulate credits for periods of low sunlight.

The local plant represents a trend toward sustainability and clean energy production triggered by individual initiatives including the provision of exclusive financing lines accessible to the approximately 60000 members.[[335]](#footnote-335) Residents are inspired to take similar actions by the cooperative's success in generating electricity. The investment manager explains that if a member decides to invest in his or her own photovoltaic system, he or she has the option of paying it off in five, six, or seven years with an instalment payment that is very similar to the amount of money that member currently spends on his or her monthly electric bill. According to the executive, the system can generate its own energy for the next 25 years after installation, with a return on investment of 4 to 5 years depending on where it is installed.[[336]](#footnote-336)

The construction of photovoltaic microgeneration plants is growing in the Santa Cruz do Sul municipality thanks to widely accessible financing and bottom up initiatives, creating a new productive chain that includes new businesses, jobs, and sources of income. Thus, the country, which historically has had weak state imperfections, is innovating in the production of renewable electricity through local initiatives.

## 8.15 State credit programs: democratising rural credit access

The federal government's rural and industrial credit programs encourage the growth of a wide range of financial institutions. Rural producers have had access to these state credit lines since Banco do Brasil issued the Carteira de Crédito Agrícola Industrial (CREAI) in 1937. As shown in Chapter 6 – the democratic interval from 1945-1964, the members of Sicredi Vale do Rio Pardo decided to maintain their independence until 1959, but after that they began to rely more and more on public funding lines to carry out their activities.

A number of additional federal rural credit programs were established with the re-democratisation, including *Poupança rural* (1986), *Securitização Rural* (1996), Pr*ograma Especial de Saneamento de Ativos - Pesa* (1998), *Programa de Revitalização das Cooperativas Agropecuárias* - Recoop (1998), and the *Programa de Fortalecimento das Instituições Financeiras* - *Proef* (2001). Brazilian credit cooperatives, as well as commercial and public banks, served as implementation agents for these programs, seeking financial solutions for the rural environment (Greatti 2017).

Prior to the 1990s, larger farmers who could repay their debts and had land and equipment as collateral could easily access credit through national lending channels. As a result, small farmers and their families in remote areas faced many difficulties in accessing credit.

In an effort to address these disparities, the federal government has introduced more accessible programs for the low-income rural population, such as Programa Nacional de Fortalecimento da Agricultura Familiar (Pronaf) (1996), Programa Nacional de Habitaçao Rural (PNHR) (2003), Programa de Garantia de Preço Mínimo para Agricultura Familiar (PGPAF) (2006), Programa de Aquisição de Alimentos (PAA) (2010). They regarded the low-income family farmers dispersed throughout the poorest regions, making them direct beneficiaries of public credit programs. One of the most successful programs was PRONAF - Programa Nacional para o Fortalecimento da Agricultura Familiar.

Over the years, Pronaf has become one of the Sicredi Vale do Rio Pardo Cooperative's most widely used credit lines in the rural sector, producing positive results. The following section discusses the specifics of this federal program and its implementation by the members of the cooperative.

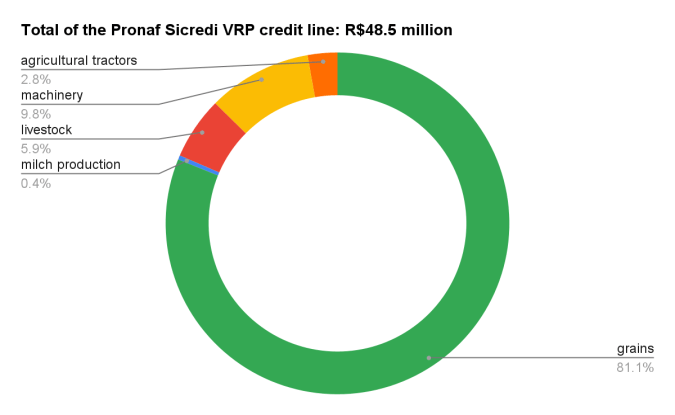
## 8.16 Sicredi Vale do Rio Pardo and Pronaf - Partnerships with the State

Pronaf was established in 1996, largely in response to the intense pressures brought about by rural people's movements, which demanded the creation of an agricultural policy appropriate to the reality of family agriculture. After some years it turned out to be one of the most significant rural credit programs in the nation (Búrigo 2006). Since its implementation by the federal government, it has been widely used by Sicredi Vale do Rio Pardo. The program finances the agricultural activities of small rural producers and their families at differentiated (Búrigo 2006) and even negative interest rates (Brusky 2007) in order to counteract the bias of official credit, which primarily benefits larger producers. In this regard, the federal government's relationship with credit cooperatives is excellent. Through credit cooperatives, the official policy can reach areas where the network of bank branches cannot. This is because cooperatives have a distinct social and operational capability that is better suited to local demands, as well as a much more expressive territorial dynamic than banks.

Pronaf has become the main catalyst of small-scale family agriculture in Sicredi Vale do Rio Pardo, as well as the largest public rural credit policy in terms of beneficiaries, accounting for the majority of the institution's rural credit application portfolio. By providing funding to small producers, the program positively impacts the neighbourhood. It is well known that the majority of food commodities, including fruits, vegetables, and greens, are produced by these producers on a small scale. A significant portion of these foods are also grown locally, and the families, who typically have little land, gain from receiving credit and increasing their production. As the rural economy of Santa Cruz do Sul and the region is historically linked to tobacco production, the Pronaf program is an excellent opportunity for farmers to diversify their production by bringing more food to the city - something that is greatly encouraged by Sicredi and the public authorities.

To obtain financing through Pronaf, individuals must meet some basic requirements, such as living and working on the rural property, or in nearby locations depending on the characteristics of the region. Although not universal, Pronaf's credit lines encourage farmers and their families to use green technologies and better forms of value-added to improve their crops and livestock. In 2016, this credit line reached R$48.5 million, accounting for 18.2% of the organisation's credit portfolio (Sicredi Vale do Rio Pardo's credit portfolio was R$265.4 million in 2016).[[337]](#footnote-337)

Chart - Pronaf at Sicredi Vale do Rio Pardo in the 2015/2016 harvest



Source: adapted from the 2015 Annual Report.

Managers in this credit line only work with small farmers, who use the federal funds for crop maintenance and production investments. The organisation is also free to establish its own policies, being able to create criteria, terms, and financing characteristics that meet the needs of these small producers and their families. A total of 2,433 transactions totalling R$30.9 million were made on the Pronaf credit line of Sicredi Vale do Rio Pardo in 2017; of these, 82% (R$25.3 million) were used to finance production costs.[[338]](#footnote-338)

State/cooperative partnerships are an important channel for the federal government to provide resources to rural areas, particularly at the local level, while also implementing policies and providing benefits to the local population. While subsidised credit lines for small farmers are the program's most important feature, they also help to strengthen a local network that works together to build the capacity of municipal and regional rural development actors. The program has also recently contributed to initiatives in technical education, inclusion of women, indigenous people, territorial development, and agricultural insurance.

The cooperative, which has experienced great success in rural areas, uses this line of credit to highlight its capabilities as a rural financial agent and to fortify its ties to the local population. Professionals within the company are trained in and recruited for the sole purpose of using this credit line.

Furthermore, to promote itself in the rural community, the organisation participates in traditional events[[339]](#footnote-339), with exhibition stands, using the opportunity to deliver the products acquired as a result of this financing, such as tractors and agricultural machinery.

*Last week, Sicredi Vale do Rio Pardo financed two agricultural tractors for members of its service unit in Sinimbu (RS) using Pronaf's resources. These tractors were delivered at Exposin 2015, which was held in Sinimbu from November 12th to 15th. Valmei Folmer, manager of the Sinimbu Service Unit, stated that "by providing financing to our members, the cooperative can help to develop agriculture in the region." Both members purchased Massey Ferguson tractors from Samaq dealers. Farmer Martin Alex Alpers received an MF 255, and farmer Sandor Schultz, who was accompanied by his family, received an MF 4275*.[[340]](#footnote-340)

During the Expoagro event, held at the Rincon del Rey in Rio Pardo (RS) on March 25, 26, and 27, four tractors financed by the Sicredi Vale do Rio Pardo were delivered to member farmers. This event is Brazil's largest agricultural and livestock gathering, with a focus on family farming, new technologies, products, offering a marketplace for rural communities to conduct business. By participating, Sicredi offers its members federal credit lines for purchasing equipment and financing production.

*By funding this equipment, we are fulfilling our collaboration mission and encouraging young farmers to stay in agriculture by providing productive machinery. As a result, our mission is actively integrated with the objectives of Expoagro”, statet Sicredi President, Heitor Petry. The rural producer Jair Goettert, a member of the Sicredi Santa Cruz-Afubra service point (UA) from Cerro Alegre Alto, was the first to receive his tractor purchased from Samaq dealer using the PSI agribusiness line of credit [Linha de Crédito PSI Agropecuária]. Luciano Metz, a farmer from the Monte Alverne district and a member of the same local UA, received his Tritec tractor through the Pronaf Mais Alimentos. Marciano José Posselt, a producer and member of the Sinimbu service unit, received a tractor and agricultural wagon purchased from Samaq dealer through Pronaf Mais Alimentos. The producer Lucio Andre Bohnen, also from the Monte Alverne unit, received his tractor via Pronaf mais Alimentos from Lothar Krause dealer. According to César Augusto Schmidt, Sicredi's executive credit advisor, the credit cooperative has several lines of credit for rural investments and is always looking for the most profitable and member-friendly ways to operate. "Our goal is to assist member farmers in increasing their incomes and improving the quality of life for their families". According to the executive, Sicredi System currently ranks third overall in rural credit operations and first in the Pronaf investment ranking among the resources provided by the National Bank for Social Development (BNDES).[[341]](#footnote-341)*

Small rural producers looking to mitigate crop failures and droughts in the region can also use the Pronaf lines. Due to the region's recent drought, many of them have gathered to discuss insurance and investments with members of the organisation and state secretaries in charge of program implementation.[[342]](#footnote-342) Thereby, rural producers' access to credit encourages the formation of groups to participate in the system, discussing policies and financing requirements. As a result, the small producer can bargain for better terms with the authorities through his cooperative.

Using credit lines provided by the federal government or public banks, cooperatives have developed into crucial operational agents which bring national policy into a local reality. In many regions, such as the Vale do Rio Pardo, this partnership continues to work well and has been fundamental for this productive sector. After more than 26 years of cooperation, one can see that Pronaf is the result of the pluralistic institutions that enable the democratisation of credit. It is evident that this program can be expanded further to value small family farming, which accounts for a large portion of the output and wealth created in rural Brazil.

## 8.17 Human resources and internal departments: workforce profile

The company has policies in place to train staff, support their education, and enhance the workplace environment. These strategies are a part of a plan created by local managers in collaboration with the regional offices and the Administrative Services Centre (CAS); once more, second- and third-level external actors are involved. Intensive training sessions for the staff are geared toward technical and cooperation skills for integration into the banking environment. Functional courses and training are offered, as well as integration with other cooperatives in the system, business partners, members, and technical visits.[[343]](#footnote-343)

The decision to form a union is up to the employees. Each local cooperative holds workers assemblies, and the votes are counted to reach collective agreements. The union that represents the workers of the local cooperatives regional office (Sicredi Sul) maintains collective agreements by regions.[[344]](#footnote-344)

Employee salaries are competitive in the market. Typically, several candidates compete for a position. To be approved, an employee must go through several stages, including technical knowledge tests and interviews that assess his or her knowledge of banking matters.

The human resources sector is supported by CAS, which prepares salary tables that are annually updated and revised for the entire national territory. The salaries vary according to the position, region, and expertise. All employees, including directors and presidents, are paid salaries and receive annual and semi-annual bonuses. Some of the benefits include: maternity and paternity leave, child care assistance, health plan assistance, food vouchers, profit-sharing plan (PPR), private pension plan, life insurance, dental plan, transportation vouchers, course and specialisation subventions, vacations, and birthday days off.

Sicredi (system) currently ranks among the top 100 best companies to work for in Brazil, was the twenty-fifth company that promoted the most employees, the ninth most sought after company to work for, and the 11th company with the most young people.[[345]](#footnote-345)

The managers of Sicredi Vale do Rio Pardo work on their regional policies to maintain system improvement, personnel development, and promotion of an internal environment that fosters employee career development and recognition.[[346]](#footnote-346)

At Sicredi Vale do Rio Pardo, numbers from the Human Resources sector are interesting. The local cooperative employs 264 people, of which 30.9% are men and 69.1% are women. The average age of the employees is 31 years old, and according to the climate survey, they are 80% satisfied; and the majority come from the region where the cooperative operates. The majority of them (85%) have a university degree, a graduate degree (7.5%), and only a few have a high school diploma (6%), or a master's degree (0.4%).[[347]](#footnote-347) According to the organisation's reports, there are only 28 women in leadership positions, and one of the two directors, the operations director, is a woman.

Employees are, as a rule, not permitted to serve on the board of directors. To participate in this governance body, the employee must leave their position. Profit distribution policies that deal with employee benefits are discussed by the board of directors and are accompanied by the staff - when they are invited.

Academic studies conducted in the cooperative's PACs show how satisfied employees are with the benefits and working conditions provided (Resch and Kothe 2012). One can also see from the organisation's reports that the staff members take part in member-created campaigns and attend local events. This can be considered a business strategy because it brings clients closer to the company's services and creates a difference in the target group's relationship with the company.

*Our employees are also members who support our initiative. Sicredi is always investing in employee development. We were named one of the "best companies to work" for the seventh year in a row. In 2017, we were the best credit cooperative in Brazil. Our employees assist our members in growing. They are a part of their lives, accompanying their business and personal projects through a partnership bond. As a result, they can provide members with financial advice and contribute to their prosperity.*[[348]](#footnote-348)

The method used to hire these experts is also relevant. The candidate who wishes to join the company must meet the requirements for the competency lists developed by the HR Sector with the assistance of CAS, which are subdivided into 15 competencies and four major areas:

Table - Skills needed to become an employee

|  |  |
| --- | --- |
| **Cooperative skills** | **Human skills** |
| 1) cooperative essence, 2) simplicity, 3) teamwork, 4) easy communication, 5) empathy and focus on the member | 6) balance and self-knowledge, 7) leadership 8) diversity and inclusion, 9) learning culture |
| **Transformation skills** | **Business skills** |
| 10) adaptability, 11) creativity, 12) foresight and trends | 13) proactivity, 14) strategic and organisational vision, 15) knowledge and technical skills |

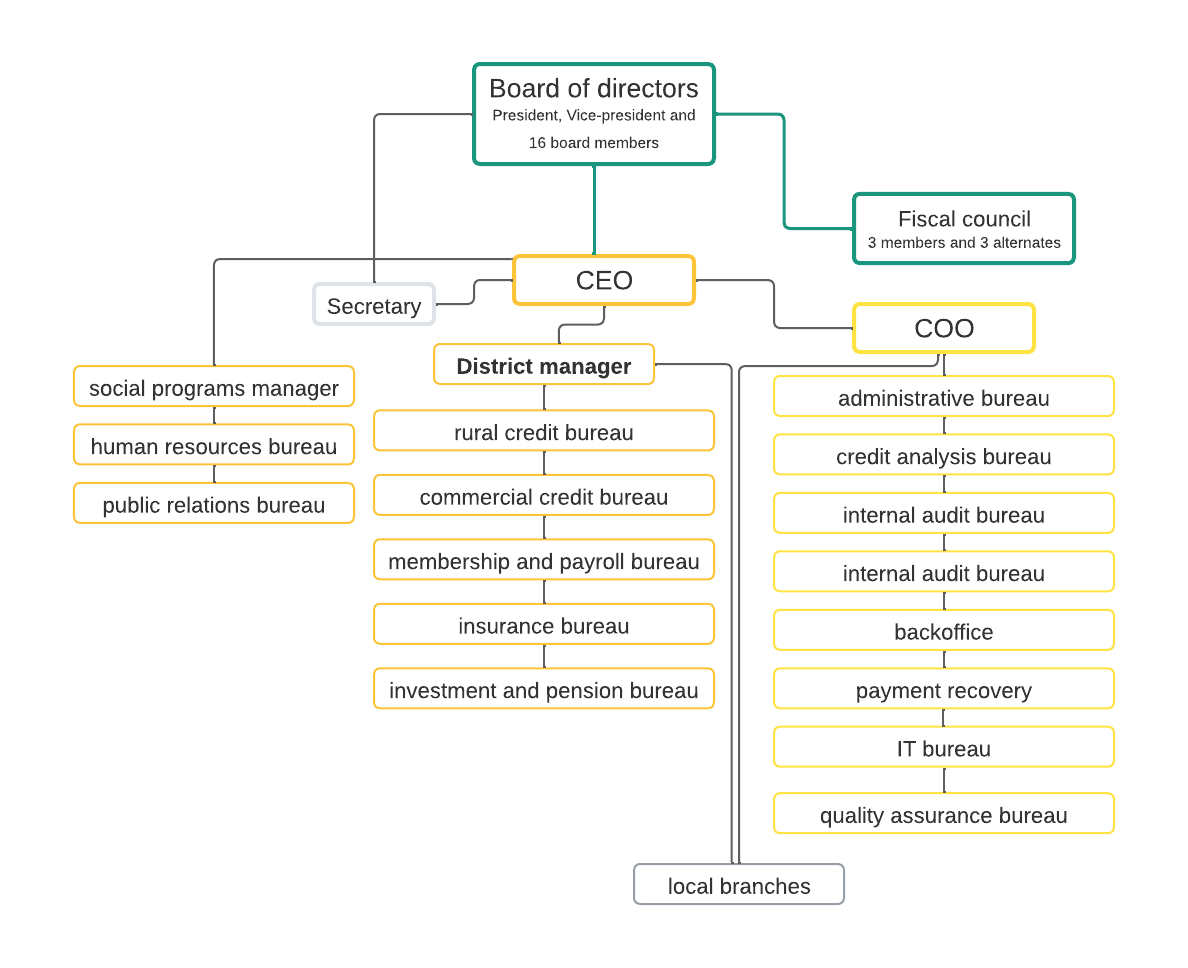
Source: Author. The table was created using information gathered from the HR manager (2020).

These values and competencies, of course, change over time. The first two areas, in particular, human skills and cooperation skills, bind traditional competencies inherent to the organisation since its inception. However, as managers point out, as the economy and society modernise, these skills are revised – *all of our values and competencies are updated every two years*.[[349]](#footnote-349) More experience in the latter two areas: transformation and business skills, is desired for the finance and technological environments. However, HR managers consider that staff must also have cooperation and human skills because these are more traditional attributes related to the Cooperative's history and tradition in the community.

Departments and directors hold weekly meetings on Mondays with managers to discuss work strategies and the implementation of policies, plan the upcoming week, and share information. The board of directors, represented by the president and vice president, follows these meetings. Other team and department meetings are held whenever necessary.

The tasks are divided up by departments. There are seven departments that report to the operations director (COO): administrative, credit analysis, internal control, back office, credit recovery, information technology and infrastructure, and process and quality. Additionally, the executive director (CEO) is in charge of eight departments: accounts, rural credit, commercial credit, insurance and consortia, pension and investment, relationship programs, people management, and communication. The task division is shown in the chart below.

Chart 31 - Sicredi Vale do Rio Pardo governance model (2022)



The Board of Directors' strategies must be carried out by the Executive and Operational Directors (CEO and COO), who are also in charge of the cooperative' s business and operations. Professionals in the departments are in charge of implementing the directions' strategies. The information travels a hierarchical path, passing through department managers and their operational employees before reaching the branches and service points (PACs).

During Brazil's democracy, an examination of the governance structure of Sicredi Vale do Rio Pardo, as well as specific labour conditions, reveals some changes. First, a centralised human resources department with a team of professionals specifically trained to handle hiring, salary payment, benefits, and employee training. Second, professionals who are in constant contact with CAS and Regional Offices, assisting management and operations. Third, a hierarchical information flow, with more technology and resources controlled by different employees or departments rather than being concentrated in the hands of a few people who control all the company's knowledge or processes.

The organisation has been able to expand its membership and organise its business strategy over the most recent period. Sicredi Vale do Rio Pardo now has a muscular structure divided into several departments, each with its own set of controls, and more than 264 employees, as opposed to the 1980s when only two professionals handled operational tasks as well as human resources-related duties and other responsibilities.

## 8.18 Presidents of Sicredi Vale do Rio Pardo (1988-2022)

During Brazilian democracy, members were led by Theodoro Paulo Musskopf, Mario Kuntz, and Heitor Álvaro Petry. This subtopic presents the biographies of these presidents, as well as how their characteristics converge or diverge from the previous one.

Like their predecessors, all of them have established strong ties with the residents of Santa Cruz do Sul and the surrounding communities. Enjoying charisma, political influence, and affiliations with social, religious, or political movements, they made a career within the organisation — this will be covered in more detail below. These presidents not only share an ethnic, territorial, and regional identity with the members, but have also built up a solid management expertise, technical skills, and business mindset.

Table - Presidents from 1987 to 2022

|  |  |  |  |
| --- | --- | --- | --- |
| **President** | **Term duration** | **start** | **end** |
| Theodoro Paulo Musskopf | 15 years | 1987 | 2002 |
| Mario Kuntz | 9 years | 2002 | 2011 |
| Heitor Álvaro Petry | 12 years | 2011 | present |

Source: Author, based on Sicredi Vale do Rio Pardo internal bylaws (2022).

All of the group's representatives during the Brazilian democracy had an entrepreneurial background, coming from families of entrepreneurs, or with significant positions in the community. Even after several generations, the business recognises and rewards the leaders' social presence as well as their entrepreneurial skills. It is important to highlight, however, that this leadership profile is still quite restrictive. In the 103-year history of Sicredi Vale do Rio Pardo, no woman has held the role of president, indicating that the organisation's top levels of power, as well as its important decisions, remain solely male domains.

The first president of the cooperative in this new period is Theodoro Paulo Musskopf. Musskopf was born in the Montenegro-RS region near Santa Cruz do Sul, attended school in Porto Alegre, and finished his studies in the countryside (rural high school). He married and established a family in Vera Cruz (RS). He taught at the parochial school from 1957 until 1958. In 1959, he began working for the Public State Teaching Service. In the settlements of Esquina Gaúcha, Lageado Grande (Tuparendi), São José da Reserva, and Entre Rios, he also taught religion, conducted reading classes, and organised youth movements. He served as the 4-S Club's chairman for 11 years, educating rural youth in leadership skills (Dummer and Schmökel 2009, 49). In 1972 he was elected as fiscal advisor in the cooperative. In 1987, during the transition to democracy, he was elected president of the cooperative and actively participated throughout the growth of the System — Sistema Cooperativo de Crédito (Sicredi) in the region. Musskopf was a key figure in the evolution of Credvarp into Sicredi Vale do Rio Pardo, integrating the activities in the system and also one of the creators of the União Faz a Vida Program — which for many years was the largest social project of the organisation He also held positions at ASCAR - Associação Sulina de Crédito e Assistência Rural. The ability of this leader to mobilize actors in the religious sector, bringing protestant members into the organisation that was primarily Catholic, is also a notable feature. Involved in the Trindade Evangelical Lutheran community in Vera Cruz, Musskopf founded the "Departamento dos Leigos," a local organisation with the aim of examining the Sacred Scriptures and acting as support for the work needed in the Community. He served as president of the local religious congregation from 1965 to 1975, 1980 to 1984, and 1986 to 1988 (Dummer et al. 2009, 66). Musskopf was succeeded by Mário Kuntz in 2002, after serving as the cooperative's president for 15 years.

In full growth and with a record of members in general assemblies, the cooperative elects Mario Kuntz, a businessman from the rural sector established in the city of Rio Pardinho. Unlike previous presidents, he climbed relevant positions in a very short period of time and was not associated with or familiar with the organisation. Kuntz came from an area where the company was growing. His arrival to Sicredi can be summed up as follows: in 1992, he joins as a new member, and in the second year he is invited to join the fiscal board, and in the following year he joins the board of directors where he remains for two more terms, until becoming the president of the organisation in 2002. Kuntz founded the Rural Producers Association (Associação dos Produtores Rurais) and served as its first president.[[350]](#footnote-350) He was also director of the *Associação Gaúcha Pró-escolas Famílias Agrícolas* (AGEFA) and got public funding for students in this model of rural school. [[351]](#footnote-351) During his term at Sicredi, he built bridges for social fund resources to finance students in rural schools, getting a strong reputation in both rural and urban locations. During his leadership, the cooperative implemented the open admissions policy and expanded its membership.

The last (and current) president is Heitor Petry, an actor well involved in local politics. With a degree in Social Studies, a postgraduate degree in Public Management and Regional Development and Cooperatives, he was also a teacher and youth leader. His political career began at a young age, at age 26, when he was elected councilman and served in two Vera Cruz legislatures between 1988 and 1996. In the City Council, he was also president on four occasions. He was elected mayor of Vera Cruz for the PP (Progressive Party) in two consecutive terms from 1997 to 2004, also leading the *Associaçao dos Municpios do Vale do Rio Pardo* (Amvarp) and the *Conselho Regional de Desenvolvimento* (Corede), where he is a founding member, acting prominently since its inception, in 1991, occupying different positions on the board.[[352]](#footnote-352) Petry is a rural farmer who originated from Vila Progresso, a small community nine kilometers from Vera Cruz's main office, where he raises beef cattle, soybeans, corn, and tobacco. Petry is also the husband of former mayor Rosane Petry (PP), a local political figure with two consecutive terms for mayor, from 2009 to 2016. This actor has significant influence in local and regional politics because to the familial succession in the local political sphere. His experience in class organisations includes terms as president of the Union of Rural Workers of Vera Cruz between 1991 and 1996, president of the Federação das Associações de Municípios do Rio Grande do Sul (Famurs) in 2004, and vice president of the Association of Brazilian Tobacco Farmers (AFUBRA) from 2007 to 2011. He has also been chosen to be the regional manager of the Banco da Terra, created by the Ministry of Agrarian Development (MDA) program, and worked at the former Caixa Econômica Estadual. Following his term as major, Petry is invited to Finance and Planning Department of Sinimbu (RS), and later advisor of the *Confederação Nacional dos Municípios* (CNM). Heitor Petry is now president of Corede/VRP, president of SICREDI, an effective member of AFUBRA’s Fiscal Committee, and elected councillor of APESC.[[353]](#footnote-353) This actor is distinguished not just by positions in political and economic institutions. Petry is a devoted follower of Veracruz’s religious and civic traditions. He is a member of the municipal choir and is involved in religious congregation activities, extending Musskopf’s leadership of evangelicals. His management in Sicredi is marked by the beginning of the Core Assemblies and the approach of the cooperative with other communities.

In the organisation's history, the current president may well have taken on more visible public positions. However, all of them have contributed to the growth of the region and the cooperative structure. Political connections, charisma, professional expertise, and involvement in social, religious, and class movements are thus a part of these leaders' daily lives and contribute to the informal norms that help them win the public's trust paving the way for their journey through institutions that seek social inclusion and participation.

## 8.19 Concluding remarks

Institutions change over time and so does the Sicredi Vale do Rio Pardo. This organisation has undergone statutory changes over its 103-year history and had at least 10 presidents, three of whom serving during the current Brazilian democratic system.

As demonstrated in this chapter, the organisation struggles to establish itself in the early years of Brazilian democracy, much like the majority of Brazilian society. High inflation, uncertainty about the new legal system, and insecurity with the newly established democratic institutions are a few of the challenges. But the cooperative gains local recognition and gradually becomes an important actor in the local financial system.

Its current structure in terms of products, services, and capacity to serve the public has changed. After surviving an authoritarian period of high banking concentration, many restrictions, and few incentives to stay in the sector from 1964 to 1988, the organisation saw an opportunity to reorganise itself in this new period (1988-2022), where it is showing its best results and greatest changes. However, its transformation and growth were not instantaneous.

Based on historically established bottom-up initiatives, the organisation has provided an institutional solution for the local community, with rules aimed at both the common good and the financial interests of its members. With regard to other financial players that do not have such capillarity and support for specific sectors (mainly rural areas), Sicredi Vale do Rio Pardo stands out as a suitable alternative to address current social and economic issues by developing innovative solutions and boosting its local infrastructure.

During the democratic era, Sicredi Vale do Rio Pardo developed its operations in an effort to promote participation, financial and social inclusion following market innovation and the needs of its members. This organisation has implemented several mechanisms to control its service units (PACs) as well executive management, in order to modernise its administration.

After adopting open admission, with no entry restrictions and more accessibility (lower entry costs), its governance starts to meet the needs of a more general public.This may be seen in its lending portfolio, which comprises all sectors of the local economy, such as manufacturing, trade, services, and small and large-scale agriculture.

Members create internal rules that encourage responsible solutions through the development and commercialisation of products and services guided by policies of social inclusion, financial and socio-environmental responsibility, codes of conduct, and policies to prevent money laundering and fight corruption.

Methods of allocating funds to the community are employed, following accountability systems, internal rules, local cores and committees that use more open and transparent norms than in earlier periods — one should know that there is always potential for improvement in these fields.

Community ties and social accomplishment are historical institutional features of this organisation, as demonstrated in the preceding chapters; indeed, in more recent times, these features have become more structured and carried out by departments and professionals trained specifically to achieve these goals, with monitored and targeted actions — typical of modern business. The organisation's close links to the Santa Cruz do Sul and nearby cities, for instance, can be seen in its social activities that foster financial education and member participation. Even though these goals aren't really new, they were developed by teams of experts and departments who were employed especially for this task. Programs like *Cooperativas Escolares*, *União Faz a Vida*, *Educação na Ponta do Lápis*, and resources like the Social Fund, FATES, and reserve funds are a few examples given in this chapter. Furthermore, investments in communication and social media were ways to promote the business and penetrate the community by reaching out to an increasing number of individuals.

While its structure and the concept of one person, one vote remained unchanged, a set of strategies, self-regulated by local members or supported by second- and third-degree entities, evolved and impacted the business model during the democratic regime. The success with rural and urban credit operations, the use of public resources like Pronaf (1993), the admission of associates from various sectors (2003), and the realization of partnerships with public, private, and community institutions demonstrate that the members, especially the executives, were aware of the evolution of the legal environment, which allowed a wider range of products and services and organisational gains.

The financial rules were set in compliance with Brazilian banking norms, international agreements (Basel Accords), and guidelines provided by the Brazilian Central Bank and National Monetary Council while also members had spaces to create its internal rules and bylaws. In general, the members got more room to deliberate on reserve funds, social programs and dividend distribution.

Independent external auditors and an internal team audit the compliance with all of these regulations. Important issues have now been approved by the members at core and general meetings; accounting records double-checked; the control of the organisation is not limited to the president and there is a system of checks and balances that guarantees the distribution of power and rights. Therefore, with these measures, the potential for corruption or clientelistic and patrimonial relationships is scaled back.

All of these mechanisms help the cooperative offer its financial products and services in the community in a reliable and responsible way, and its effects lead to the long-term growth of both the company and the people involved in their financial operations. Moreover, the products and services address the needs of the members by increasing their relationships, productivity, and efficiency while also delivering, for example, social and environmental benefits.

The challenges that a collective organisation faces when its members increase quickly and unpredictably are further illustrated by the case study of Sicredi Vale do Rio Pardo. An environment with more actors results in a decline in participation quality, increasing social heterogeneity, and class conflict (business, individual, rural and urban). The involvement of representatives (delegates), its small meetings near to the communities, engagement in local events, and the presence on social media like newspapers and radio were all efforts to restore legitimacy and recover member participation.

Even in difficult circumstances, legitimacy and trust could be built. This chapter has demonstrated how the cooperative generated positive results in difficult years such as 2008 and 2020, when global finances were shaken by the subprime mortgage crisis and the coronavirus pandemic. In 2020, for example, the cooperative surpassed one billion reais in assets and increased its equity by 33.8% even in a global pandemic scenario, with a surplus of 32.2 million (a 17.08% increase over the previous year). Its primary sources of income were local lending and credit interest rates, which, at the same time, were supported by governmental programs.

The members' decision to allocate the majority of surpluses to reserve funds, even in the absence of legal obligations, have also contributed to the organisation's stability. Indeed, this is a topic that must be investigated further: how do credit cooperatives distribute their surpluses, and how do they help the society by fulfilling responsibilities of the State, such as education and social assistance? This chapter has demonstrated that the social and educational activities and programs carried out by Sicredi Vale do Rio Pardo with its reserve funds, were helpful and appreciated by community and public authorities.

Much has changed since 1945-1964 or 1964-1985, when only the board and finance committee enjoyed full authority to manage the organisation 's funds or distribute resources in the community. Currently, there are clear norms and guidelines that promote greater accountability: contributions have to be approved in general assemblies, and civil society organisations must apply for funding through public calls or programs before receiving the money. Additionally, community donations are no longer only made to religious or charity groups but also to initiatives in the fields of education, culture, sports, and environmental preservation.

Sicredi Vale do Rio Pardo's bottom-up initiatives, driven by significant players in a context of a weak state, are important in delivering services to particular sectors, like the agriculture sector and local urban economy. The company was able to strengthen its relationships with local associations, businesses, families, and governmental bodies by taking part in community activities and events which opened doors for new investments and regional growth. Additionally, the business cooperated with the federal government as a licensed operator to carry out public policies, with in funding programs such as PRONAF and lines of credit with Banco do Brasil.

A set of internal rules established as a result of the modernization of administration and the growth of membership delivers social services in the community. Support for sporting, cultural, social, educational, and economic development activities, as well as assistance for class organisations, financial education initiatives, and local business promotions, are among the opportunities given. By keeping a close relationship with its members and offering them with products and services suited to their needs, the organisation fulfils its objectives, and members better understand its governance model and can get close to the organisation's management and decision-making process.

Changes to the governance structure were made to create conditions for expansion, adapt to the needs of the financial system, improve levels of efficiency, and implement national monetary policies in order to prepare the organisation for its entry into urban centres with a larger number of members. Members now have more decision-making authority, and regulatory bodies no longer directly or indirectly interfere with their management.

The information presented in this chapter demonstrates the development of the cooperative over the recent Brazilian democratic period, illustrating its local and state recognition. The organisation has expanded beyond the average of other financial groups as a result of increasing visibility and membership. It has established a reputation for being a significant source of credit for both people and businesses, with its focus on micro, small, and medium-sized enterprises serving both urban and rural populations. By using internal guidelines and rules adapted to the national financial system, members provide services typical of a traditional financial institution, while at the same time encourage savings and, through cooperation, provide assistance to members of their community through social programs.

Recent improvements in this century-old organisation's history have gained recognition from the community and contributed to its success. Installation of its own photovoltaic power plant, the building of new headquarters, and the establishment of the Social Fund are a few examples that involved member participation and discussion. Even if not everyone attends meetings or assemblies, the initiatives are well embraced and supported by the community. The next chapter presents the findings of this study as well as prospective paths for future research on self-regulation in weak state situations when studying credit cooperatives or other collective organisations.

# 9 Comparative analysis

This chapter presents a comparative analysis of the local cooperative Sicredi Vale do Rio Pardo in five distinct Brazilian political regimes. The study employs an institutional-historical approach using empirical data presented in previous chapters to identify the main mechanisms that produce stability or changes throughout the trajectory of this organisation.

The analysis focuses on investigating the relationships established by the cooperative with its members, community, state, and market to identify changes in the governance model along the organisation's institutional trajectory. For this purpose, a framework composed of 20 categories was subdivided into three topics: (i) Relations with the community and members; (ii) Relations with the state and market; and (iii) Governance model.

The first topic, "Relations with the community and members," considered categories that analyse the number of members, social projects and donations, church influence, rural and urban factors, own resources, informal relationships, and trust. These categories seek to identify the extent of member engagement and collaboration with the local community in general.

In the second topic, the analysis was expanded and included categories that refer to the cooperative's "Relationship with the state and market", taking into account external elements that affect its path. The data evaluated the impact of state control and supervision, the use of state resources, geographic expansion, association restrictions, product and service diversification, and market growth on the cooperative's overall strategy. The analysis delves into the mechanism that affect the cooperative's performance and allow it to overcome market difficulties, such as problems faced by members in accessing financial systems, executing operations, and obtaining financing. Additionally, the topic considered the limited role of the state, acting as both a partner and obstacle, as an essential factor to evaluate the cooperative's performance.

In the third topic, "Governance model," information such as member participation, one member-one vote model, general assembly, and bureaucracy level were considered. The analysis focused on the institutional mechanisms created by the cooperative, as well as the effectiveness of the governance model in enabling the organisation to achieve its objectives and ensure member participation and results.

Finally, the last topic presents the critical junctures and windows of opportunity that shaped the institutional evolution of Sicredi Vale do Rio Pardo and how forces influenced decision-making during periods of change.

This this chapter provides valuable insights into the institutional analysis of Sicredi Vale do Rio Pardo and may be useful for policymakers, members, and researchers interested in understanding the institutional evolution of credit cooperatives in a weak state context. In this example a "weak state" refers to a situation where the government or state institutions lack the capacity, resources, or effectiveness to provide adequate governance, regulation, and support to economic actors and organisations. Our findings with the comparative analysis underscore the importance of the cooperative's relationships with its members, community, the State, and the market in influencing its institutional evolution. By identifying critical junctures and windows of opportunity, this study contributes to the broader literature on the institutional evolution of cooperatives in Brazil and beyond.

Table - The analytical framework

|  | **Relations with community and members** | | | | |
| --- | --- | --- | --- | --- | --- |
|  | 1919-1930 | 1930-1945 | 1945-1964 | 1964-1988 | 1988-2022 |
| **Number of members** |  |  |  |  |  |
| **Social projects/donations** |  |  |  |  |  |
| **Church influence** |  |  |  |  |  |
| **Rural influence** |  |  |  |  |  |
| **Urban influence** |  |  |  |  |  |
| **Own resources** |  |  |  |  |  |
| **Informal relations** |  |  |  |  |  |
| **Trust** |  |  |  |  |  |
|  | **Relations with the state and market** | | | | |
|  | 1919-1930 | 1930-1945 | 1945-1964 | 1964-1988 | 1988-2022 |
| **State control supervision** |  |  |  |  |  |
| **Use of state resources** |  |  |  |  |  |
| **Geographic expansion** |  |  |  |  |  |
| **Restrictions** |  |  |  |  |  |
| **Product and services** |  |  |  |  |  |
| **Growth** |  |  |  |  |  |
|  | **Governance model** | | | | |
|  | 1919-1930 | 1930-1945 | 1945-1964 | 1964-1988 | 1988-2022 |
| **One person, one vote** |  |  |  |  |  |
| **Member participation** |  |  |  |  |  |
| **Core assemblies** |  |  |  |  |  |
| **Red type** |  |  |  |  |  |
|  | **Critical Junctures and Windows of Opportunities** | | | | |
|  | 1919-1930 | 1930-1945 | 1945-1964 | 1964-1988 | 1988-2022 |
| **Windows of opportunities** |  |  |  |  |  |
| **Critical junctures** |  |  |  |  |  |

Source: Author.

## 9.1 Relation with community and members

The path of Sicredi Vale do Rio Pardo over the past century can largely be attributed to its creation of trust-based and inclusive institutions between its members and the community. The bond between the community and members were essential in unifying a small group of German-origin producers and overcoming the obstacles encountered during the early stages of the cooperative's formation. With shared aspirations, the cooperative was founded in Santa Cruz do Sul in 1919, and it continues to play a major role in the local economy.

This long-standing interaction has given the cooperative advantages over its competitors. Despite its substantial organisational size, the cooperative has recently made efforts to build trust and community involvement through regular meetings and the appointment of representatives, such as delegates and local leaders. The executive directors and presidents are also easily accessible to members and actively engage in important events.

Sicredi was not an inclusive institution when it started in 1919 or in 1930 when Vargas came to power; on the contrary, only a small part of the population of Santa Cruz do Sul could benefit, join and be represented. However, the cooperative had a fundamentally democratic identity, based on cooperative principles. Over time, it has maintained a tendency to become more inclusive, keeping the rule of one person, one vote and electing its representatives in a democratic way since its creation, as well as accepting more members in the more recent period, especially in today's Brazilian democracy.

The analysis of Sicredi's relationship with the community and its members over the years illustrates how the organisation, through local self-regulation strategies, has aimed to build and maintain bonds of trust and inclusion through its activities. In order to measure some aspects of this relationship over the five periods studied, the following categories were used to assess the changes and trends in the organisation over time. These categories are important for understanding the cooperative's trajectory, its self-reinforcing mechanisms and how self-regulation adapts to its environment and stakeholders over time.

**Number of members**

A credit cooperative is a financial institution that is owned and controlled by its members. The members pool their resources to provide credit, savings, and other financial services to each other. The number of members and the resources they bring contribute to the cooperative's ability to provide financial services and make loans. The more members a cooperative has, the more capital it has to work with, and the better it can serve its members. The members also play an active role in the governance of the cooperative, making decisions about how the organisation run and how its resources are used. Without a strong membership base, a credit cooperative would not have the resources or support needed to achieve its goals and serve its members.

Between 1919 and 1930, the cooperative was in its early stage and the number of members was low (1). The foundations for its operation were still being established. It 's worth noting that the cooperative began its activities in 1919 with 50 members and maintained a low level of members in the following years due to high association fees. From 1930 to 1945, membership likely did not experience significant growth due to the high entry costs. During this period, the organisation continued to face challenges, resulting in a low membership number (2) on the scale. Unfortunately, few documents were found for this period, which prevents a more detailed assessment. From 1945 to 1964, during the Brazilian democratic interval, the cooperative experienced a modest growth (3) in members, due to efforts to expand its base and reach new markets, particularly in urban areas, despite economic difficulties. During this period, the number of members exceeded 5,000. From 1964 to 1988, the cooperative was affected by restrictions imposed by the authoritarian regime in Brazil, which resulted in a reduction in its members, lowering its position (2) on this scale. Chart 18 - Number of members (1964-1988) presented in chapter 7 shows a drop from over 4,600 members to just 682 during the military period. However, from 1988 to 2022, the cooperative experienced steady growth in membership, thanks to political and economic stability, the emergence of new markets and the inclusion of new financial services and products. In addition, the development of a democracy and the consolidation of rights in the cooperative sector allowed Sicredi Vale do Rio Pardo more room to grow. This puts the number of members in the high range (5) which can be seen in Chart 20 - Sicredi Vale do Rio Pardo Members from 1988 to 2022 (in thousands) in Chapter 8, it is possible to observe an evolution from 800 members in 1988 to 58,000 in 2022. The highlight is the year 2003, when the cooperative began accepting members without any restrictions (open admission).

**Social projects/donations**

It is important to note that the category of social projects and donations evaluated the actors and sectors assisted by the cooperative in carrying out its activities, and was not based solely on monetary values. In the years 1919 to 1930, the cooperative maintained a moderate level (3) of involvement in social projects and local donations. Since its creation, the organisation has invested in local projects, mainly linked to the Catholic Church, with the aim of promoting social development and filling the gaps left by the state, as the supply of essential public goods for the population, such as education, health, and support for leaders. However, there were no formal rules for the creation of programmes, nor was there an exact amount to be donated, and decisions were even concentrated in the hands of the directors, who had the autonomy to decide how the funds would be distributed and who would benefit.

During the period 1930-1945, despite legal reforms and the strong presence of the Vargas government, the cooperative still managed to maintain this moderate level of donations (3), with evidence of donations to sectors such as churches, schools, hospitals and class organisations (although there are no precise documents to confirm all these cases). From 1945 to 1964, the cooperative began to record its donations more systematically in the meetings of the Board of Directors and the Fiscal Council. This shows a growing concern for transparency and internal member control of the organisation 's social presence. An internal reform in 1952 created the obligation of two reserve funds: 80% for the general reserve fund (used for local activities and social actions) and 20% for a special fund (for emergencies). This not only provided more resources for social action but also helped to ensure that donations were recorded more systematically, targeting them to different social groups. However, donations were still concentrated in the hands of the directors. Moreover, it is important to note that the cooperative began to focus its donations on internal activities, such as the construction of the Agricultural Training Centre (CTA), which operated from 1955 to 1965, hiring teachers, organising educational events, technical visits, and many other activities. This reflects a commitment to the development and empowerment of members and the local community. In general, the organisation maintains a moderate attitude towards donations during this period (3). It is worth noting that only 0.3% of the amount deposited by members was donated to external projects.

During the period 1964-1988, the donations occurred in a scenario of restrictions imposed by the military regime in Brazil, which significantly affected the organisation's savings and consequently its social actions. The donations practically disappeared, due to the restrictions of operations and the financial crisis faced by the organisation. The cooperative lost its CTA and its internal social activities were compromised. Consequently, scale (2) for this period reflects the negative impact of government restrictions and economic difficulties on the cooperative's ability to carry out social actions and donations.

Between 1988 and 2002, the Sicredi Vale do Rio Pardo experienced a steady growth in membership and investment, resulting in a significant increase in the number of social actions and donations in the community. With more recent political and economic stability, the cooperative is expanding its social programmes. This has been assisted by the actions of Sicredi National, which has offered support to extend the support of its member cooperatives. The level of achievement between 1988 and 2022 can be considered high (5), as there has been a significant increase in the number of social projects and donations, and the organisation has managed to consolidate itself as an institution with social and economic responsibility towards its local community. Programs have been introduced in a more formal and systematic way, with clear and transparent rules for members and with resources made available to civil society organisations. Decisions are now concentrated not only in the hands of the directors, but in the programme guidelines, which are monitored by groups and evaluation commissions with clearly defined rules. This has ensured greater accountability and equity in the distribution of these funds to the community. Examples of these actions are the União Faz a Vida project and the Social Fund, which contribute to the education and training of students in the community with well-defined objectives.

**Church influence**

The relationship between Sicredi Vale do Rio Pardo and the church is a convergence of traditional and rational elements. On one hand, the cooperative is rooted in the long-standing tradition of communal support and cooperation within the church, reflecting the strong ties of solidarity and mutual aid that are central to the church's mission. On the other hand, the cooperative also embodies the principles of rationality, offering its members a range of financial services and products based on efficient, evidence-based decision making. This combination of traditional and rational elements allows the cooperative to effectively serve the needs of its members while also advancing its mission within the community.

Church influence was very strong in the early years (1919-1930), with a high score (5). Many financing projects were linked to the activities of the Catholic Church. However, over time, the entry of new members, the association with second-level entities, and the more intense regulation of the state apparatus have reshaped the Church's influence on the organisation. During 1930-1945, 1945-1964, 1964-1988 and 1988-2022, the organisation's relationship with the Church remained stable (4). Furthermore, its leaders belong to the religious local community and have legitimacy in that space. Both Catholic and, more recently, Evangelical leaders have led the organisation, demonstrating that the relationship with the Church is still relevant and valued by the cooperative and the community. The opening of service points and administrative headquarters was always marked by traditional ceremonies involving religious leaders, priests and pastors, as well as local artists, successful entrepreneurs and political leaders. Until the 1970s, most of the donations were concentrated on churches, such as renovations, donations and support for their activities. Since then, however, other sectors have been competing for these resources, widening the scope of the cooperative's activities and limiting the exclusive concentration of donations to religious activities.

**Rural influence**

The relationship between the credit cooperative and the rural environment can be understood as a dynamic interplay between economic and social forces. Sicredi Vale do Rio Pardo is firmly rooted in the rural environment and connected to the needs and goals of its members. By providing financial services and support to farmers, ranchers, and rural entrepreneurs, the cooperative helps to spur economic development and growth in these areas.

Historically, the cooperative has developed a strong relationship (5) with the rural sector since its foundation in 1919. Its first members came from this background, and even the region of Santa Cruz do Sul, where the cooperative is located, is heavily dependent on the agricultural sector, especially tobacco. From the outset, the cooperative aimed to organise the economy of rural workers in the region, providing them with financial services and other benefits. Between 1930 and 1945, the organisation continued to be active in this sector and maintained a strong influence (5). From 1945 to 1964, the agricultural sector continued to be an important force in the local economy, and the cooperative maintained its performance (5) by providing technical and financial support for the acquisition of technologies for planting and land management, but it was already showing signs of following urban development and supporting members coming from the rural exodus process. From 1964 to 1988, the organisation remained strong in the rural sector due to government restrictions on its activities in the urban environment (5). From 1988 to 2022, the organisation have maintained a strong relationship in the rural sector, but formally started a process of relationship with the urban sector, like urban business, services and industries. From 2003, with the legal possibility of accepting members from other sectors, the organisation began to focus on different areas, resulting in a decrease in its rural influence (4), but still many programmes and services aimed at the rural community are part of the cooperative's routine.

One of the reasons for the stability of this credit union is its historical link to the agricultural sector. Historically, agribusiness has been a major contributor to Brazil's gross domestic product (GDP). Since the cooperative is active in such an important sector, it is natural that the organisation is also experiencing growth. The agricultural sector currently accounts for 27% of the country's GDP and is considered a stable and attractive sector for investors. Even in times of economic crisis, agriculture has managed to continue its expansion, consolidating its position as one of the main drivers of the Brazilian economy. Working in harmony with the rural sector, this organisation has established itself as an important player in agriculture, providing the financing, insurance and other services required by the sector. As part of its activities, the organisation meet with rural industry organisations and leaders, rural workers' unions, production firms, cooperatives, and associations, including EMATER, to discuss strategies for the agricultural sector in the region. Until today it organizes meetings of rural communities to talk about topics such as sustainability, technology, production efficiency, opportunities and challenges in the national market, and agribusiness in the regions where it operates.

**Urban influence**

The cooperative relationship with the urban sector has grown over the years. As shown in the first chapters, since its foundation in 1919, this organisation has been mainly involved in the rural area, with little participation from the urban environment (1). Its founding members and member organisations were even involved in rural associations and Bauenvereins. However, between 1930 and 1945, this situation began to change, and the organisation started to expand, becoming more involved in the urban sector, but still with little influence (2). This is explained by the growth of the urban environment and the development of commerce and services in this segment, which provide new opportunities for the organisation to gradually migrate to this environment. In addition, the rural exodus and the influence of urban leaders also contributed to this change, bringing the cooperative into contact with an increasingly broad public with varied needs.

With the migration from rural areas to cities, actors sought new economic and social opportunities and the cooperative adapted to serve this population. Its leaders increasingly became references in urban ventures such as commerce and industry. From 1945 to 1964, the organisation continued its presence in the urban sector, achieving a higher level of influence (3) due to the growth of commerce and the service sector as well as the increasing needs of this population.

From 1964 to 1988, due to government restrictions in the military regime and regulations imposed by regulatory bodies such as the Bacen, the cooperative was forced to operate only in the rural sector, but its relationship (albeit informal and forbidden) with the urban sector continued, but in a reduced form (3). From 1988 onwards, the cooperative began to focus on new areas, which led to an increase (4) in its relationship with the urban sector. Sicredi Vale do Rio Pardo made efforts to expand its presence in the urban environment. As shown in this study, in 2003 the cooperative began offering open admission to members, allowing it to reach a wide range of customers and to introduce new products and services to meet the needs of this population. In addition, the organisation has adapted to technological innovation, offering digital financial services and mobile banking through systemic support (Central offices and Sicredi Nacional) to facilitate and increase access to urban customers. The cooperative has also been going through a process of banking services expansion (*bancarização*), where processes traditionally adopted by banks are being adopted more frequently by traditional cooperatives. This includes offering checks, credit cards, digital banking transactions, and financial efficiency indicators to remain competitive and relevant in the urban market. As a result, Sicredi Vale do Rio Pardo has been able to adapt to the challenges and opportunities of the modern world, becoming a flexible organisation able to meet the needs of its customers, whether in the rural or urban environment.

**Own resources**

During the period from 1919 to 1930 and from 1930 to 1945, the cooperative operated with exclusively its own resources, not receiving capital from external sources or public banks. This was due to a combination of factors, including the scarcity of external financing options, a distrust of the national financial system, and a culture of self management from the first members. Even after the creation of CREAI (in 1937), the federal government agency in charge of lending credit to financial institutions and promoting agriculture and industry in Brazil, the members decided not to take out public loans and to seek external aid, remaining self-sufficient for at least 22 years, until 1959. Thus, in these first two periods, they followed a strong (endogenous) self-financing strategy (5) keeping itself closed and not relying on external sources, thereby maintaining its independence and autonomy.

A significant change in the financing strategy occurred after 1959, when the directors decided to borrow credit from the CREAI of Banco do Brasil, in response to member complaints regarding lack of credit options. This decision resulted in a gradual increase of debt from external sources, especially with the federal government. However, it also allowed the assistance of a larger number of farmers, facilitating the acquisition of machinery, tools, vehicles and animals, contributing to the mechanization of agriculture and the development of rural industries, such as the tobacco processing industry, storage, transport and export. It is important to highlight that, from 1964 on, there was a significant decrease in own resources (4) and an increase in the dependence on government resources. By taking these loans, the organisation incorporates guidelines planned by the government, losing part of its autonomy and independence.

During 1988-2022, the organisation faced an even greater dependence on external sources of funding, particularly from the public sector, which has resulted in a significant increase in its debt. Its self-financing capacity has declined (on a scale of 2), due to the limited equity capital. To deal with this situation, the cooperative has sought to diversify its funding sources, including raising funds in local initiatives, and get support from second and third partner institutions in order to ensure its financial stability and sustainability.

The Brazilian government, in different periods, sought to implement strategies to subsidise the activities of cooperatives in order to promote their economic and social development. These strategies included, for example, the creation of development institutions, such as the CREAI of Banco do Brasil, which provided financial resources for cooperatives; fiscal and monetary policies; and training programs for cooperative members. Greater credit access via public banks was also a strategy to subsidise the sector's activities. Currently, several funding programs for the agricultural sector can be listed, for example, the Programa Nacional de Fortalecimento da Agricultura Familiar (Pronaf) which is focused on family agriculture and offers specific credit lines for investments and funding of agricultural activities, the Programa de Garantia da Atividade Agropecuária (Proagro) which offers guarantees for rural credit operations, aiming to increase access to credit for the agricultural sector, the Programa de Aquisição de Alimentos (PAA): which aims to ensure food security in the country, among others.

At Sicredi Vale do Rio Pardo, as in any other credit union, organisational freedom is directly related to its capacity for self-financing. When members work with their own capital, they have more independence to define their policies and strategies in accordance with their values and principles. However, when seeking external financing, whether through private financial institutions or public programs, they are limited by the conditions imposed by the lenders, such as the maximum limit of the loan, areas of application of the resources, rates, and required guarantees. In this scenario, when applying for external credit, the cooperatives give up part of their freedom in order to gain access to more financial resources.

Public development programs for the sector currently aim at subsidizing the activities of cooperatives, and can be considered as an important source of financial resources for these organisations. However, it is important to highlight that when joining these programs, the cooperatives need to observe the regulations and guidelines established by the government, which may limit their autonomy. On the other hand, if these programs are created strategically, taking into account local aspects, with the involvement of members, they can contribute significantly to improving the socioeconomic conditions of the families involved.

**Informal relations**

Informal relationships within cooperatives are not formalised in official documents or records. They are a result of interactions between actors and are based on trust, patronage, and friendship. Although they are not written down, these relationships can have a significant impact on the dynamics of the organisation and the relationship with the community.

During the period 1919-1930, the cooperative had a very informal relationship (5) with its members, characterised by negotiations based on relationships of trust and oral contracts, also known as 'mustache negotiations', without many bureaucratic processes. This was due to the restricted nature of the initial group of the cooperative, composed mainly of individuals related by ethnic, family and cultural ties, which allowed for a closer and more informal relation. Even in smaller enterprises, as is the case of this cooperative in its initial years, informal relationships are more frequent, because the organisational structure is less structured and trust among members is an important characteristic for the functioning of its activities. However, as the cooperative grows, there is naturally a process of formalization and regulation of activities, such as the adoption of accounting and legal practices, in addition to regulatory and legal pressure, which requires members to comply with rules and regulations to ensure transparency and accountability of activities. These factors contribute to a decrease in informal practices.

During the 1930-1945 period, the Getúlio Vargas government implemented measures to increase the regulation and oversight of cooperatives in Brazil. This included the creation of supervisory bodies, such as the Superintendência da Moeda e Crédito (SUMOC) and the Ministry of Finance, in order to regulate and control financial activities. In addition, several laws and decrees were enacted that established rules and guidelines for the formalising of financial activities, including rules on assemblies, members' rights, federations and confederations and their respective bodies. During the Estado Novo period (1937-1945), regulations became more strict aiming to centralise the supervision and organisation of cooperatives under the control of government ministries. These regulations contributed to a decrease in informality (4) and a greater formalisation of activities.

In the period 1945 to 1964, the regulation and control of cooperatives by government agencies remained a distinguishing feature despite the democratic interval. SUMOC and the Ministry of Finance have created regulation and supervision form cooperatives. Nevertheless, it is important to note that the regulation and supervision implemented by the previous Vargas government, specifically during the Estado Novo, resulted in a lock-in with the bureaucratic processes of this organisation. This is evident in the increase in the number of processes and their insertion in the urban environment, where red tape and the need to comply with national regulations and norms became an obligatory. These factors contributed to keeping the level of informal relations between the cooperative and its community at 4 on a scale of 1 to 5.

During the period 1964-1988, the cooperative experienced a further decrease in its informality, reaching a scale of 3. This is a result of the implementation of authoritarian measures by the military government and the establishment of the Central Bank as a new supervisory body. The Banking Reform Law (Law 4.595/64) and the changes in the organisation of the national financial system also contributed to this decrease in informal issues. Despite this, informal practices could still be observed, as when some directors tried to hide their negotiations with urban businesses and social organisations, which were banned by the regulator. The credit cooperatives that survived (the military rule) were those that followed the norms and transformed their organisational structure according to the rules of the Central Bank. This became evident when comparing the great number of Raiffeisen cooperatives existing in Rio Grande do Sul in the early 1960s, where only 12 cooperatives survived until 1985, when the state was re-democratised. The change in management behaviour in adapting to the rules of the bureaucratic state reinforced this trajectory.

With the country's re-democratisation since 1988, the strict state supervisions stop, and are substituted by inspecting entities of the system created by the members (centrals, federations and external auditors), thus informality remains low (3). Standard banking routines and protocols were implemented to ensure compliance with system-wide regulations set by those entities, such as the Central Offices and Sicredi Nacional. Currently, the organisation is under the control and supervision of its institutional bodies, such as Sicredi Central and Sicredi Nacional, as well as the regulations issued by the Central Bank. Sicredi Vale do Rio Pardo's administrative routines are similar to those of conventional banks, but the organisation is able to differentiate itself in the market because of its local tradition and the region in which it was formed. This is an example of how formality can be maintained without losing the identity and cooperative character.

**Trust**

Trust is an essential component for the success and stability of any financial institution, especially a cooperative credit institution. In the absence of trust, people would not deposit their financial resources and would not use the credit services offered by any unknown organisation. Maintaining trust is an ongoing process that requires transparency, ethics and accountability. The case of the União Popular de Santa Cruz do Sul cooperative is an example of this. Throughout the period 1919-2022, trust was a key factor in the existence and success of this organisation, especially in times of economic instability and national and international crises. The confidence of the members was important for the growth and development of this cooperative. When members trust the institution, they are more likely to deposit their financial resources and apply for loans. In turn, this enables the cooperative to expand its business and offer new products and services. Trust is also an important element in the credit union's relationship with regulators and investors. A successful and trustworthy credit institution will attract investment and have a healthy relationship with regulators, which is essential for its long-term growth and stability. Similarly, trust can be understood as a component of social capital, i.e. a set of resources available to the organisation that arise from social relationships between individuals and groups. In this sense, trust, as a form of social capital, allows the cooperative to build relationships with its members and the community.

During the period 1919-1930, i.e. the first years of operation, trust among the founding members of the cooperative was fundamental (5) for its formation as a credit institution. As the cooperative was founded by individuals connected by ethnic, family and cultural ties, the relations between the members allowed the development of trust. From 1930 to 1945, this element remained important (5) as the organisation underwent legal changes and had to adapt to the regulations and inspections imposed by the government, especially during the Estado Novo. In the period 1945-1964, trust continued its importance (5), also helping the organisation to deal with additional challenges such as the entry of new actors from the urban area, the increase of its products and services. This element contributed to ensure internal cohesion and cooperation, allowing the cooperative to adapt and to serve different groups. From 1964 to 1988, this element remained important (5) despite the regulations and inspections imposed by the military rule, which became even stricter. The trust among members and the ability to adapt to new regulations were crucial for the survival of the cooperative during this period. Trust also allowed cooperative leaders to be recruited on the basis of their skills and ability to represent members' interests before the authorities, which was essential to ensure business continuity. Furthermore, trust has enabled the cooperative to maintain effective communication and collective decision-making, which is required to face the challenges posed by the military government. During the period 1988-2022, the trust between the members of the cooperative allowed it to expand its business, especially in the Vale do Rio Pardo region, where it was able to employ more than 264 people and establish itself in more than 15 neighbouring municipalities. In addition, it was possible to establish relationships with central offices and federations, expanding the range of business with both individuals and companies. Seeking to maintain the trust in the community, members approved the model of delegate voting and core assemblies in 2012. The process allowed participants to elect delegates to represent them at general meetings and other important decisions, giving them greater autonomy in decision making. This has been fundamental in this model as members trust their elected delegates to represent their core’s decisions at general assemblies. In addition, the core assemblies brought the cooperative closer to its public by making many meetings during the year in different spaces, increasing trust in the processes. This model can be seen as a way of bringing democracy to decision making, developing members’ participation in the cooperative and the legitimacy of the organisation. In summary, trust among members was crucial for the formation, stability and growth of the cooperative over the years.

**Number of members:** this category measures the growth in membership over the periods analysed on a scale of 1 to 5, where 1 is the lowest and 5 the highest number of members. It makes it possible to evaluate the expansion of the cooperative and the attraction of new members.

**Social projects/donations:** on a scale of 1 to 5, this category measures the cooperative's degree of involvement in social projects and donations, with 1 indicating less involvement and 5 indicating greater involvement. It enables an assessment of the cooperative's commitment to the community and its social responsibility.

**Church influence:** on a scale of 1 to 5, this category measures the influence of the church in the organisation. It allows an assessment of the relationship between the cooperative and the church and how it influences the decisions and actions of the cooperative, with 1 indicating less church influence and 5 indicating more.

**Rural influence:** on a scale of 1 to 5, this category measures the influence of the rural community on the cooperative over the periods evaluated. It makes it possible to assess the cooperative's performance in the rural community and how it has worked to promote the inclusion and development of this community.

**Urban influence:** on a scale of 1 to 5, it checks the influence of the urban community on the organisation during the evaluated periods. It makes it possible to assess the performance of the cooperative in the urban community and how it has worked to meet the needs of the urban community.

**Own resources:** on a scale of 1 to 5, it measures the dependence of the cooperative on its own resources, with 1 indicating a lower use of own resources and 5 indicating a higher use of own resources. It makes it possible to assess the cooperative's ability to sustain itself through its own resources and its financial independence over time.

**Informal relations:** on a scale of 1 to 5, it measures the cooperative's relationship with its community through informal processes, where 1 indicates low formality and 5 indicates high formality. It makes it possible to assess how the cooperative has developed informal relations with its community and how these relations have evolved with the increasingly formal trend in the banking environment.

**Trust:** This is the foundation of the cooperative's relationship with its community and members, and is cultivated through its efforts to become more inclusive and to invest in community projects and programmes. On a scale of 1 to 5, this category measures the level of trust that members have in the cooperative. It allows to assess the level of trust of the cooperative, as well as the quality of its services and its ability to deliver on its promises. 1 indicates low trust and 5 indicates high trust.

Table - Relations with community and members

|  | **1919-1930** | **1930-1945** | **1945-1964** | **1964-1988** | **1988-2022** |
| --- | --- | --- | --- | --- | --- |
| **Number of members** | 1 | 2 | 3 | 2 | 5 |
| **Social projects/donations** | 3 | 3 | 3 | 2 | 5 |
| **Church influence** | 5 | 4 | 4 | 4 | 4 |
| **Rural influence** | 5 | 5 | 5 | 5 | 4 |
| **Urban influence** | 1 | 2 | 3 | 3 | 4 |
| **Own resources** | 5 | 5 | 4 | 4 | 2 |
| **Informal relations** | 5 | 4 | 4 | 3 | 3 |
| **Trust** | 5 | 5 | 5 | 5 | 5 |

Source: Author.

## 9.2 Relation with the state and market

Sicredi Vale do Rio Pardo's relationship with the market and the State is complex, with historical roots dating back to its founding. Throughout its history, the organisation has faced regulatory and political constraints, as well as economic and market challenges. This relationship has been influenced by various factors, including internal policies and government regulations, market dynamics and its organisational structure. Furthermore, this relationship is an issue that unfolds over time, and as such, it is important to analyse the history of this organisation to understand how this relationship with the state and the market has changed.

One of the most important category in the relationship between the Sicredi Vale do Rio Pardo cooperative and the state is government regulation. Throughout its existence, the cooperative has had to comply with laws and regulations set by the government, and these laws have affected its ability to operate and compete in the market. For example, during periods of government reforms, this organisation has been affected by changes in legal regulation and economic policy. Another important variable is market dynamics, as the cooperative coexisted with other financial institutions and local businesses, which affected its ability to attract and retain members, as well as its ability to obtain funding and other resources. Finally, its organisational structure also played an important role in its relationship with the state and the market. Its flexible organisational structure allowed the organisation to adapt to changes in the market and government regulations, as well as to ensure unity and internal cooperation among its members. This is directly related to its democratic governance model and its ability to deal with the changes and demands of its environment. This has been a challenge for many other cooperatives that have had to close their doors.

On the one hand, the cooperative has consolidated itself as a form of economic organisation based on self-management, and solidarity among its members, with the aim of meeting common needs and their aspirations. On the other hand, it has also acted as a business, aiming to generate profit for its members, who are also the owners and partners of the organisation. The difference is that due to its governance model, unlike a traditional company, the profit generated was reinvested in the organisation's funds, or divided among the members in proportion to their participation in the cooperative, and not distributed based on the number of shares held by each investor, like traditional companies.

Furthermore, these decisions were taken democratically among the members (one member one vote), guaranteeing equal power and participation in decisions. The State, in turn, was the main regulatory agent of the economy and had the authority to create and enforce laws and regulations affecting the activities of this and other cooperatives. Thus, it is correct to argue that cooperatives needed to adapt to regulations and policies in order to operate in the market, while the state functioned to ensure that cooperatives were in compliance with laws and regulations and protected the interests of members and the public. Understanding these categories is essential for a proper analysis of the relationship between cooperatives and the state and market over the years.

**State control and supervision**

From 1919 to 1930, the level of state intervention in the cooperative sector was low (2), with little supervision or regulation of its activities. This was due to the fact that the organisation was relatively new and small, and therefore not considered a threat to the financial institutions already operating in the urban centres, since the country's great financial capital were concentrated in public banks and a few private ones. The low level of regulation was also due to the lack of specific legislation of cooperatives at the time. Their subordination was linked to the Ministry of Agriculture, and the restricted nature of their initial group, composed mainly of individuals linked by ethnic, family and cultural ties, organised in a self-regulated way, was linked to a local and rural economy. In other words, this scenario is characterised by the lack of specific regulation for credit unions and the absence of a legal bureaucratic structure able to regulate and supervise the activities of cooperatives, which may be considered a weakness of the state or its weakness in regulating this sector.

However, from 1930, with the implementation of government measures to increase regulation and oversight of cooperatives in Brazil, the level of state intervention and supervision increased significantly, reaching its peak (5) during the Estado Novo period (1937-1945). This included the creation of regulatory bodies, such as the Superintendência da Moeda e Crédito (SUMOC) and the Ministry of Finance, with the aim of regulating and supervising the financial activities of cooperatives. In this context, cooperatives were used as a tool for the country's economic development, which led to increased state intervention in their activities. From 1945 to 1964, state supervision continued, but there was still some flexibility for cooperatives to adapt to their specific needs (4). During this period, the organisation was able to benefit from the support of a second-level institution, which operated until the beginning of the military regime, assisting in the processes of supervision and control. Members were able to operate with the authorisation of the Ministry of Agriculture, which had fewer restrictions than SUMOC or the Ministry of Finance.

During the period 1964-1988, state supervision reached its peak again (5), with the creation of the Central Bank and Law no. 4.595/64, known as the Banking Reform. With the objective of regulating and supervising the country's financial activities, the Central Bank became empowered to inspect and control credit cooperatives. In addition, prohibitions on lending to urban activities and businesses were implemented, forcing these organisations to operate exclusively in rural areas. To make things worse, the second level institution (the cooperative central) was closed, which limited the ability of the cooperatives to organise themselves and supervise autonomously. With this, state supervision became even more present and rigorous, directly impacting the activities and functioning of credit unions in the country.

After 1988, with the enactment of the National Constitution, cooperative credit institutions begin to have more autonomy. The Central Office of Rio Grande do Sul Cocecrer-RS), responsible for assisting its affiliates in their activities, was re-established and was able to meet the demands of its local cooperatives. Sicredi Nacional, also created in this context, contributed to assisting the demands of their affiliates. Despite this greater autonomy, it is important to note that state oversight continued to be present in the cooperative sector. Nevertheless, throughout the period from 1988 to 2022, there was a change in the character of this supervision, which became less rigid and more oriented towards the assurance of good practices and transparency (4). This happened, for example, with the creation of specialized auditing firms to control the cooperatives' accounts and ensure the legality of their operations. Another important change in this period was the possibility for cooperatives to operate in sectors other than agriculture, such as business, civil society associations, and others. In addition, since 2002 there was the open admission of members, which allowed the expansion of the membership base and, consequently, the diversification of the activities of cooperatives.

The periods 1945-1964 (4) and 1988-2022 (4) present themselves as windows of opportunity for the creation of second and third-level institutions, such as Sicredi Nacional, the central offices and the federations, enabling the representation and defence of the interests of these cooperatives before government policies and controls. These institutions were fundamental to ensuring the survival and growth of the credit unions, as well as enabling greater local autonomy and less state control. As second and third-level entities emerged, they changed the regulatory landscape for cooperatives. By assuming responsibility for monitoring the activities of cooperatives within their jurisdiction, they reduced the need for direct government oversight and promoted greater autonomy for local cooperatives. Moreover, these entities became important advocates for the interests of local cooperatives before the government. Through representation and lobbying efforts, they were able to influence public policies and government regulations to benefit local cooperatives and their members.

**Use of public resources**

The use of public resources is a category that contrasts with the use of own resources, since, as explained in the context of the relationship between the co-op and the community, the more (own) resources, the greater the autonomy of the union and its capacity to self-organise. Therefore, when the members work with public resources, they have less scope to set the rules and destinations of the resources in their community, since these resources have guidelines to be applied in certain contexts, according to the public policy created by each government. When these resources come from the state, as in the case of financial policies and the opening of credit, the members have to follow specific guidelines for the distribution of these resources, which reduces their space for self-regulation and local autonomy.

Between 1919-1930 the União Popular de Santa Cruz do Sul used no public funds in its operations, opting for endogenous financing through the members' own savings (0). Also, between 1930-1945 the organisation continued without using public resources (0), maintaining its financial autonomy. But between 1945-1964 the organisation started to use public resources in its operations, specifically in 1959, when it hired loans from Banco do Brasil to finance its operations (1). From 1964 on, the use of public resources increased significantly (2), with the cooperative turning more dependent on public loans to run its operations. This led to a decrease in local autonomy in the establishment of rules and destinations of resources, as members had to follow specific guidelines for their allocation. This situation continued during 1988-2022, with the organisation depending even more on public resources (3) in its operations and having less freedom to make financial decisions.

The capacity for self-regulation is limited when public resources are used. This is because members need to follow the guidelines established by the government for the allocation of these resources. However, this does not mean that self-regulation disappears completely. Members still have the ability to make decisions within the guidelines set by the government. For example, if a credit policy states that credit should be limited to rural areas, members can still decide whether the resource will be used to finance tobacco or food production. Similarly, if the policy states that only small producers can receive the credit, members still have the ability to decide which small producers will benefit. The same is valid for urban credit allocation policies, members can exercise a certain degree of autonomy in determining which companies or enterprises will benefit from their credit offerings. If a credit policy is aimed at the urban environment, for instance, the cooperative can choose to allocate credit to businesses involved in the tobacco trade, machinery trade, or to support local startups and micro-enterprises.

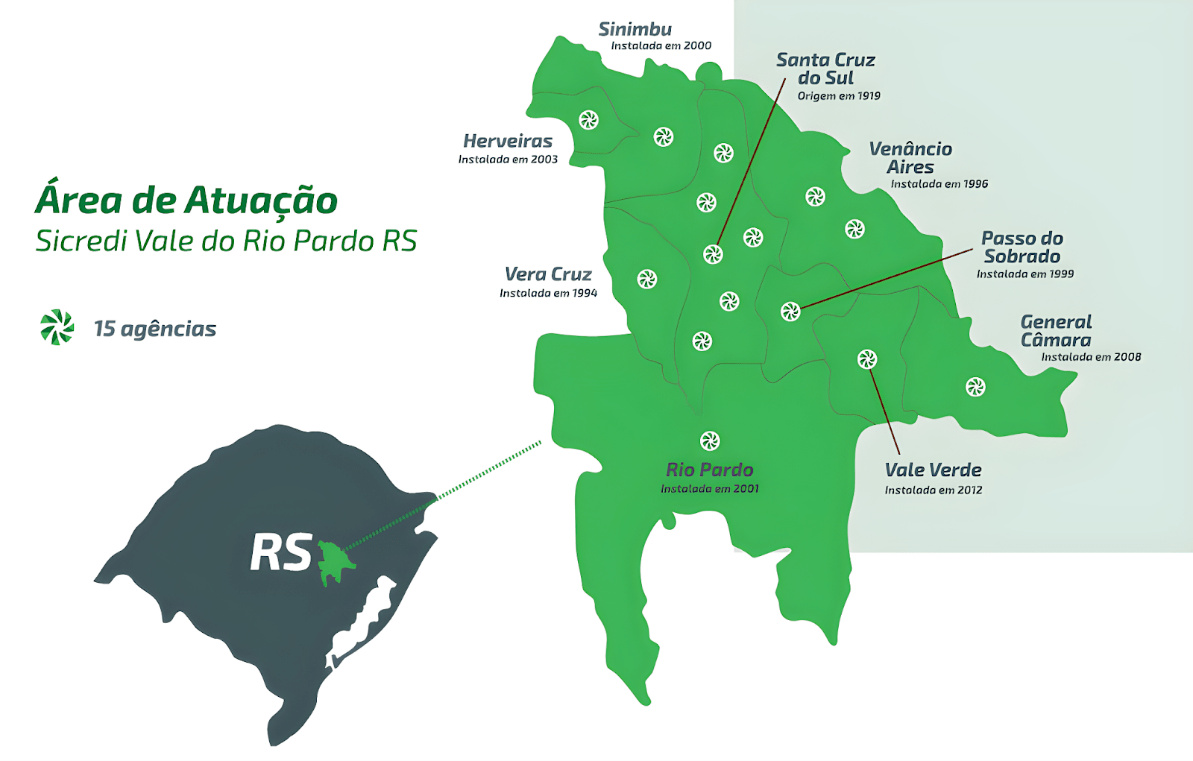
**Geographic expansion**

The cooperative started its activities in the back of the Clube União in Santa Cruz do Sul in 1919, in a space lent by members of the Catholic Church. Only in 1925, it managed to acquire its first property, where it serves its customers to this day. In the first years of its existence, this organisation found itself limited in its ability to act geographically in the region. The União Popular de Santa Cruz do Sul had few members and not enough infrastructure to expand its operations to neighbouring municipalities, even though this was a recognised need. As a solution, the organisation relied on banking correspondents, which often did volunteer work to assist in operations and serve their districts.

During the period 1930 to 1945 and 1945 to 1964, the organisation continued to face significant limitations in its ability to expand its geographical presence (maintains 1). These difficulties were caused by a combination of factors, including a low level of operations and dynamics of the local economy, as well as constraints of government fiscal and monetary policies. This has prevented the cooperative from investing in infrastructure and expanding its geographical presence. Additionally, the limited number of members at the start of the cooperative also contributed to these difficulties. Although there were no physical service points in neighbouring villages, the cooperative invested in partnerships with local merchants and farmers to offer correspondence banking services, such as check clearing and deposits. This demonstrates how the organisation, even in the face of limitations, was able to adapt and find creative solutions to meet the needs of the community.

Since 1988, the cooperative has been able to expand to more municipalities (4), open physical branches and provide services closer to its members, thanks to increased resources (financial and human) and political incentives. Passo do Sobrado in 1999, Rio Pardo in 2001, General Camara in 2008, Veracruz in 1994 and Vale Verde in 2012, all of which have received service infrastructure. Geographic expansion is an important indicator of the cooperative's ability to meet the needs of its members, as well as the success of its governance and self-regulation. Geographical presence is shown in the figure below.

Figure - The 9 municipalities and the 15 branches of Sicredi Vale do Rio Pardo (2021)

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Source: Adapted from Annual report 2021

Sicredi's recent expansion into municipalities in the interior of the state has provided clients in those regions with access to financial services that traditional banks have difficulty reaching. Physical structures also gave members stability and recognition, as they are no longer dependent on banking correspondents or travelling merchants. However, the debate on expanding to other regions and states is currently under analysis by the executives and board of Sicredi Vale do Rio Pardo. Factors such as potential demand, financial viability, and the ability to maintain cooperative principles and democratic governance are being considered. Geographical expansion is a complex issue that requires further research.

**Entry restrictions**

The organisation was highly restrictive in admitting new members between 1919 and 1930 (5). These restrictions resulted from a number of reasons, such as high entrance fees, specific qualification requirements, such as belonging to a Bauernverein and being Catholic, or geographical restrictions. The entry of women into the organisation was particularly limited, as most of the early members were men, of similar ethnic origin and religion (Catholic and German-speaking), and with agriculture and business as their main occupation. In the early years, restrictions on membership were high and reflected social and economic inequalities, limiting the growth and diversification of membership and the organisation's ability to meet the needs of a wider community. These restrictions were a challenge for the organisation.

Between 1930 and 1945 there was a slight opening up of membership policy, with the organisation accepting not only Catholics but also Protestants (4). However, financial barriers to membership remained, particularly for poor rural people, due to entrance fees. Unfortunately, few documents have been found for this period, making it difficult to determine any further restrictions. Nevertheless, it can be said that the entry of non-Catholics and other non-governmental organisations helped to increase the number of accounts and transactions.

In the period from 1945 to 1964, the restrictions for new members to join the cooperative continued strong (4). This is an expression of financial exclusion and limited access to banking products in Brazil, as well as other issues. Negotiations almost always involved the same persons: the lender, the borrower, and the collateral provider, who generally knew each other well. Outsiders to the existing business relationships had difficulty obtaining loans and joining the cooperative. This increases existing economic and social inequalities and hinders the diversification of membership and the ability to meet the broader needs of the community.

During the period from 1964 to 1988, the cooperative faced economic and legal restrictions that prevented new members from joining, especially during the military rule. As a result, private banks concentrated in urban and industrial areas, and the cooperative had to focus on serving existing members who had economic resources for rural investments. This limited membership growth and diversification and made it difficult to meet the needs of the wider community.

The period 1988-2022 marked the consolidation of a new democratic order in Brazil, resulting in the evolution of legislation on cooperatives and other financial institutions. The democratisation and expansion of access to the financial system were visible objectives in the path of Sicredi Vale do Rio Pardo. The economic barriers for new members to join the cooperative have gradually reduced (2), allowing anyone to open an account with the organisation at affordable rates. In 2012, legislation allowed for open membership, making it even easier for new and more diverse members to join. Recently, with the support of Sicredi Nacional, the cooperative began offering free digital banking accounts, adapting to the needs of the market and the requirements of digital inclusion and diversity. In this context, Sicredi Vale do Rio Pardo has been an important agent in democratising access to the financial system, enabling the inclusion of individuals and groups historically excluded from the traditional financial system. This step has contributed to the reduction of social and economic inequalities, which is fundamental for the construction of a more just and egalitarian society. Today, the cooperative has more than 60,000 members from different sectors, demonstrating its capacity to adapt and meet the needs of society at a greater level. It is important to note that despite the progress made, there is still room to further expand financial access and the inclusion of new members in the cooperative system. This can be achieved through more comprehensive internal arrangements and more inclusive governance policies that allow the expansion of financial services and the inclusion of new members from different economic and social segments. The cooperative plays an important role in democratising access to credit, and this is a mission that must be pursued continuously.

**Communication**

In 1919-1930, União Popular de Santa Cruz do Sul was relatively new and small. Internal and external communication within the cooperative was highly diffuse and mainly relied on personal and informal methods among members. The quality and frequency of communication channels were not well established and information sharing was often opaque. Communication in this period was mainly oral, with many members and potential members learning about the cooperative through their neighbours, family or work colleagues. The German language is an important element in this context due to the large number of immigrants and their descendants in the region. The language is connected to the organisation and is an issue of belonging and identity of the immigrants and their families. Knowing that, the cooperative also promoted itself in the community through German-language newspapers and radio stations, which helped to spread the organisation and its goals among the population. In addition, the cooperative had banking correspondents who travelled to distant locations to conduct business and communicate with members who lived in more distant districts. Church also played an important role in publicising the cooperative, and the Bauvereins encouraged new members to join the organisation. All these factors indicate that the initial communication was rather informal and diffuse, which leads to a score of 2

During the period 1930-1945, the internal and external communication of the cooperative developed relatively well. This is driven by the increase in the number of members and the actions of the central office of Rio Grande do Sul, which promoted the cooperatives in the region. In addition, newspapers of the time, such as the Kolonie newspaper and the St. Paulus Blatt, which were published in the German language, contributed to the dissemination of the results of the cooperatives and encouraged farmers to join together. These newspapers were important means of information for the immigrants and their descendants. Nevertheless, with the rise of Vargas and the nationalist policies, the official communication of the cooperative started to be made in Portuguese, as well as the reports and balance sheets, which made it possible to attract a different contingent of members, not only those of German origin and their descendants. In addition, the annual meetings and management reports became more visible and were published in the region's print media in both languages. This has increased the quality and efficiency of communication channels and also improved the transparency and clarity of information shared for both members and regulators. Therefore, an increase (3) for communication during this period.

During 1945-1964 the cooperative's communication was constant, assisted by the Central Office in Rio Grande do Sul. Local and regional events, newspapers and radio stations were used to publicise the accomplishments, especially the social ones, for example, the dissemination of the benefits of the agricultural technical school (CTA), giving more legitimacy to the organisation. Switching to Portuguese has allowed communication with other members, broadening the membership base and the representativeness of the organisation. This reflects the cooperative's ability to adapt to institutional and social challenges, while maintaining its communication efficiency, with a score of 3.

During the period 1964-1988, restrictions imposed by the military rule led to difficulties in the cooperative's existence. Internal and external communication was hindered, due to the lack of resources and the loss of members, both business and urban residents. The restrictions imposed by the military rule affected the legal status of the cooperative, limiting its ability to act and communicate effectively with its urban audience. The leaders, however, sought to maintain transparency and clearness in the information they shared, even in the face of difficulties. The cooperative's communication was restricted to internal meetings and assemblies, losing space in the printed media and on the radio. The administration reports, in this period, showed the decrease in the number of members and the difficulties they faced. Communication is frozen (3), reflecting the interventions of the military government.

In the recent period (1988-2022), the cooperative presents a more efficient communication (5), thanks to the use of advanced technologies and expanding communication channels such as Internet, social networks and email. This led to a change in the forms of communication, currently carried out by a specific department made up of two people in charge of institutional communication, the creation of campaigns and the dissemination of events. In the 2000s, the bi-monthly publication "Catavento" kept members up to date with updates on the cooperative, with news and information about its members and employees. Currently, financial, technical and management information is published annually in the cooperative's magazine, which is available to anyone interested. Relevant information can be accessed through the institution's website, and up-to-date data on all Brazilian credit unions can be obtained from the Central Bank's database. Sicredi Nacional also contributes to the promotion of its members by sponsoring major sports, agricultural, technological and educational events. Sicredi Vale do Rio Pardo is also present at local events and on radio and television, contributing to the company's visibility. This reflects its ability to adapt to technological changes, while improving its effectiveness in institutional communication.

**Growth in product and services**

From 1919 to 1930, Sicredi Vale do Rio Pardo was an important player in meeting the financial needs of the local agricultural economy by providing a small range of financial products and services. These offerings, which included checking and savings accounts, agricultural loans, payments, investments, insurance, and financial counselling and advice, were aimed at serving the rural population. The cooperative financial organisation has acted as a bureaucratic institution, striving for administrative efficiency to the needs of farmers and small rural producers. However, it is important to recognise that this institution faced limitations in terms of the variety of financial products and services compared to those available in urban and commercial financial institutions. These limitations were influenced by factors such as the local economy, geographic location, and financial constraints.

Financial services and products remained largely unchanged between the periods of 1930-1945, 1945-1964, and 1964-1988 (1). The cooperative followed the evolution of the local economy, seeking to address the needs of its clients whenever possible. Restrictions imposed by authoritarian governments and the dynamics of the economy resulted in most financial services and products being confined to rural areas. In the current era (1988-2022), with fewer restrictions, the organisation offers a range of over 200 financial services and products that cater to both urban and rural communities, including industry, urban commerce and startups (5). An analysis of the historical and structural characteristics of this organisation, as well as comparisons with other financial institutions, leads to the assertion that, over time, Sicredi Vale do Rio Pardo has acquired competitive advantages that have enabled it to stand out in serving the rural sector. Due to its history of operations in rural areas, this organisation has developed as a financial institution highly oriented to meet the needs of this sector. This has reflected, currently, in the recognition of this organisation as a strong player in the rural environment. Today, while it continues to serve rural areas, Sicredi also established a significant presence in urban markets, where it competes with major Brazilian commercial banks. The system offers a range of banking services, including online accounts, loans, financing, financial advisory, investment options, insurance, working capital, payment options, credit card machines, and electronic service terminals. Its ability to serve to both rural and urban areas has helped this local owned financial institution, in providing efficient financial solutions to a diverse range of members.

**State control/supervision:** evaluates the degree of state intervention in the management and regulation of the cooperative, measured on a scale of 1 to 5, where 1 indicates less state intervention and 5 indicates greater state intervention.

**Use of state resources:** evaluates the access of the cooperative to programmes and benefits offered by the State, measured on a scale of 1 to 5, where 1 indicates less access and 5 indicates greater access.

Geographic expansion: evaluates the geographical coverage of the organisation's operations, measured on a scale of 1 to 5, where 1 indicates operations in fewer municipalities and 5 indicates operations in more municipalities.

**Entry restrictions:** evaluates the rules that limit the entry of new members into the organisation, measured on a scale of 1 to 5, where 1 indicates lower restrictions and 5 indicates higher restrictions.

**Communication:** evaluates the efficiency of the cooperative's internal and external communication, including the quality and frequency, channels used, transparency and clarity of information shared, measured on a scale of 1 to 5, where 1 indicates less effective communication and 5 indicates more effective communication.

**Market growth and product and services**: evaluates the potential for growth and expansion within the market, measured on a scale of 1 to 5, where 1 indicates lower potential for growth and 5 indicates higher potential for growth. It also evaluates the variety of products and services offered by businesses operating within the market.

By analysing these categories over time, it is possible to understand how the state and the market relate to this organisation.

Table - Relations with the state and market

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **1919-1930** | **1930-1945** | **1945-1964** | **1964-1988** | **1988-2022** |
| **State control / supervision** | 2 | 5 | 4 | 5 | 4 |
| **Use of public resources** | 0 | 0 | 1 | 1 | 3 |
| **Geographic expansion** | 1 | 1 | 1 | 1 | 4 |
| **Entry restrictions** | 5 | 4 | 4 | 4 | 2 |
| **Communication** | 2 | 3 | 3 | 3 | 5 |
| **Market growth and services** | 1 | 1 | 1 | 1 | 5 |

Source: Author

## 9.3 Governance model

Understanding the evolution of an organisation's governance requires consideration of essential aspects, including its history, culture, rules, and member involvement. These elements influence the organisation's decision-making processes, power distribution, and overall effectiveness. An analysis of an organisation's governance provide insights into how decisions are made, who holds the power, and how the organisation can improve its operations and achieve its goals. In a cooperative, governance can be complex, because the members are the owners and drivers of this enterprise. In the subsequent topics, a detailed analysis of the categories "one person one vote", "member participation", "profit distribution and funds" and "bureaucracy" will be carried out to understand how these aspects relate to the company's governance model.

**One person, one vote**

The principle of "one person, one vote" contributes to the understanding of the governance dynamics of Sicredi Vale do Rio Pardo. This principle is an indicator of internal democracy, as it ensures that all members have the ability to influence group decisions. When analysing the history of Sicredi Vale do Rio Pardo, it is possible to observe that the principle of "one person, one vote" has been a permanent concern, with a score of 5 in all the periods analysed (1919-1930, 1930-1945, 1945-1964, 1964-1988 and 1988-2022), i.e. throughout its history, the group's decisions have respected this principle. This suggests that the cooperative has managed to build a solid democratic structure and that the members have their decisions taken into account within this principle, ensuring that each one has an equal capacity to influence decisions in general assemblies.

In the case of Sicredi Vale do Rio Pardo, the principle of democratic governance, "one person, one vote," was not only abstract, but implemented in practice. Through the democratic election of its board of directors and presidents, cooperative members had the power to make decisions that reflected the will of their fellow members. Additionally, the organisation during its existence had several meetings where members were updated on its operations and achievements. Indeed, cooperative decisions, including the most controversial ones, were typically reached through consensus among members. This high degree of agreement reflects the great commitment of members to work together for a greater good, with benefits for all those involved.

**Member participation**

Governance dynamics of the Sicredi Vale do Rio Pardo Cooperative can also be understood by analysing member participation in the organisation's decisions and processes, particularly in general assemblies. Analysing the history of the cooperative, it is possible to see that member participation is a variable aspect over time. During 1919-1930, member participation was high (5), suggesting that members were engaged and present in the decisions. This can be explained by the fact that during this period, the organisation was composed of few members and the participation of each of them had a greater weight in the decisions. Also, in smaller groups people tend to feel more comfortable to participate and share their opinions, while in larger groups it can be more difficult to make this happen. Therefore, participation may be easier to maintain in a smaller group, such as in the early years of this organisation's operation.

Because of this, from 1930-1945, with the growth of the group and its services and products, it is possible to state a decrease in participation (3) although the "one person, one vote" principle was maintained. During the periods 1945-1964 and 1964-1988, the participation of members continued to decrease, having (3) and (2) respectively, indicating a dilution in the participation of those involved. Seeking to address this situation, the organisation, in the 1988-2022 period, seeks strategies to achieve greater member participation. The greatest change was the creation of core assemblies and the introduction of delegates, aimed at greater interaction among members and greater representation of each core interests. Other strategies involved hiring buses to take members from distant locations to assemblies, and holding meetings in larger spaces, which increased the responsiveness of members. With these measures, member participation has increased significantly (4), indicating that these strategies have been effective in addressing the problem.

The analysis of member participation data shows that assemblies with the highest number of attendees and the highest percentage of members occur during leadership election periods. This indicates the importance of these events for the organisation. It's crucial, however, to consider the possibility of increasing member participation in the cooperative beyond just elections. Effective communication channels are necessary to keep members informed about the cooperative's activities and the progress of its social programs, which can help to increase their engagement and sense of belonging to the organisation. Additionally, financial transparency is essential for members to understand how their resources are being used, which can build trust and increase member interest in participating.

**Profit distribution**

Profit distribution by the credit union during the analysed five periods shows a significant change in the resource distribution policy. From 1919 to 1930, from 1930 to 1945, and from 1945 to 1964 (0), the cooperative did not distribute its profits to the members. During these periods, profits, if available, were used for other purposes, such as internal reserves and community donations.

During these early periods, the cooperative chose to reinvest its profits into its own internal funds. The goal was to strengthen the institution and ensure its long-term sustainability. With this strategy, it was possible to build up financial reserves that still exist today. In addition, part of the profits were allocated to the community, demonstrating the cooperative's social commitment to support and contribute to local development.

During the first years, the cooperative generated profits from the difference between the interest rates on deposits and loans, which were 7.5% and 9%, respectively. An indivisible fund was created to receive these sums without member distribution.

A reform of statutes in 1923 changed the composition of the fund, but profits were still not distributed. This reform established that 80% of the profits, as verified by the annual balance sheet, would be allocated to the "Reserve Fund" and the remaining 20% would be allocated to a "Special Reserve Account", to be used for unforeseen expenses or other purposes, to be decided by the Board of Directors.

A reform in 1966 changed the composition of profit distribution, allocating 10% to the Reserve Fund, 20% to the Social Fund, and 70% to the Development and Planning Fund, while still not distributing any profits to members. It was only in 1974, with a new legal reform, that members were given the right to decide whether some of the profits (or "surplus") could be returned in the form of increased capital. This reform also created the obligation of the FATES (Technical, Educational and Social Assistance Fund) to allocate at least 20% of the net profit to technical, educational and social assistance, according to Law 5764 of 1971. With that, 80% of the organisation's profits could be distributed among the members (capital increase) and 20% had a fixed destination for FATES.

In 1991, the cooperative joined the Sicredi system and its statutes established that 30% of the net profit would be allocated to the reserve fund and 5% to FATES. The remaining profits (65%) would be decided by the General Assembly as to their final destination, which could be a capital increase (member distribution). A new reform in 2016 established that 45% of the profits would be allocated to a reserve fund to cover losses and support the development of the cooperative. In addition, 5% would be allocated to FATES. The remaining profits (50%) would be at the disposal of the General Assembly of Members to be distributed at its discretion.

Since 1971, the decision to allow the distribution of profits to the members reflects a greater autonomy acquired over the years. It also acknowledges the contribution of each member to the growth and prosperity of the institution. According to the managers, this policy encourages the participation and involvement of members, strengthening their sense of belonging and commitment.

**Red type and bureaucracy**

The governance of an organisation is affected by the level of its bureaucracy. The higher the bureaucratic institution, the greater is complexity of decisions and longer it takes to implement changes. On the other hand, bureaucracy is important for a collective organisation because it provides the framework for making decisions and accomplishing tasks. This includes the establishment of rules and procedures for communication, workflow, transparency and accountability of members and employees. Therefore, members must have a bureaucracy proportional to the size of their activities to facilitate the functioning of their governance.

An analysis of the bureaucracy in Sicredi Vale do Rio Pardo shows how the organisation has adapted and evolved over the years. In the beginning, there was little bureaucracy (1), but it grew naturally with the increase in the number of members and products offered. This observation may be obvious, but it is interesting to note that, apart from the growth itself, the bureaucracy was also influenced by the demands of authoritarian regimes, such as the periods between 1937 and 1945 and between 1964 and 1988, when Vargas and the Military Regime, respectively, created a greater number of rules and regulations.

Between 1930 and 1945, in order to maintain its activity, the cooperative had to adapt to the requirements imposed by legislation, especially during the Estado Novo. This led to a significant increase in the number of rules and procedures adopted by the organisation, increasing its bureaucracy (4). But this process also served to guarantee the regularity and accountability of its operations.

In the period between 1945 and 1964, they continued to deal with regulatory challenges, but this time with less severe actions. Bureaucracy, meanwhile, remains high (4) as members adapt to the regulations imposed by the Estado Novo (lock-in).

From 1964 to 1988, the restrictions imposed by the military rule became more stringent and had an impact on the organisation's flexibility in conducting activities with members in the urban sector, enterprises and social organisations. Complex rules and procedures (5) hampered its ability to respond quickly to member demands and business environment challenges. The increasing rigidity of the bureaucratic organisation affected its ability to respond to local needs.

Since 1988, the passage of new, more flexible legislation allowed Sicredi Vale do Rio Pardo to reduce bureaucracy (4). Regulatory oversight became less incisive, resulting in greater flexibility for the organisation in expanding its activities and meeting the demands of its members. In addition, Sicredi National also offered resources to make processes less bureaucratic, which has allowed for greater agility in decision making and implementation of changes. The reduction in bureaucracy was fundamental to the organisation's competitiveness in the business environment.

**One person one vote:** measures the voting equality among cooperative members, on a scale of 1 to 5, where 1 indicates less equality and 5 indicates more equality.

**Member participation:** measures the participation of members in the decision making of the cooperative, measured on a scale of 1 to 5, where 1 indicates less participation and 5 indicates more participation.

**Profit distribution:** evaluates the members' ability to influence formation of funds for the organisation or receive them as equity, measured on a scale of 0 to 5, where 0 indicates no profit sharing, 1 indicates less ability to share profits, and 5 indicates greater capacity to share profits.

**Red tape/bureaucracy:** evaluates the level of paperwork in the cooperative, measured on a scale of 1 to 5, where 1 indicates less bureaucracy and 5 indicates more bureaucracy

Table - Governance model

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **1919-1930** | **1930-1945** | **1945-1964** | **1964-1988** | **1988-2022** |
| **One person one vote** | 5 | 5 | 5 | 5 | 5 |
| **Member participation** | 5 | 3 | 3 | 2 | 4 |
| **Profit distribution** | 0 | 0 | 0 | 5 | 4 |
| **Red type/bureaucracy** | 1 | 4 | 4 | 5 | 4 |

Source: Author

## 9.4 Critical Junctures and Windows of opportunities

Critical junctures occur when external events happen without control, and actors must decide whether to maintain or change their institutions. They arise due to various causes, such as political and economic crises, conflicts, and other significant circumstances. Two of five Brazilian political periods discussed in this thesis, were critical junctures for Sicredi Vale do Rio Pardo. The first occurred during the financial regulations of Getúlio Vargas' government, particularly during the Estado Novo (1937), with inspections by the Ministry of Agriculture, Ministry of Finance, and Ministry of Labour, as well as the implementation of SUMOC, centralising the country's monetary authority. The second critical juncture was during the military rule (1964-1988), when Sicredi Vale do Rio Pardo faced restrictions imposed by the government and the Central Bank that often did not take into account its local needs. In both periods, the company had to adapt and change its internal regulations to comply with the rules of the monetary authorities, without many bargain.

As shown in chapter 5, during Getúlio Vargas' administration (1930-1945), the organisation faced several challenges. The 1932 Cooperative Law and the creation of the Department of Cooperative Assistance (DAC) in 1933 were introduced to encourage the formation of cooperatives. However, these measures also restricted their independence and autonomy. Production and credit cooperatives were affected by the government's policy, which aimed to integrate the economy and organise agricultural and agro-industrial activities. In particular, the company had to adapt to the new laws and regulations imposed by the government, which became even more interventionist with the implementation of the Estado Novo, in 1937. Corporatism was used to centralise economic decision-making, and the right to form and operate cooperatives was controlled by presidential decrees. As a result, cooperatives had to navigate between maintaining their core values and complying with the new regulations.

During Brazil's military rule (1964 to 1985), credit cooperatives faced even stricter regulations. The government implemented Law 5,464 of 1964 (banking reform) and Central Bank regulations to limit these institutions' ability to operate and compete in urban areas. Sicredi Vale do Rio Pardo was directly impacted by the changes in the Brazilian economy and society and was forbidden to negociate with firms and other organisations. As shown in chapter 7, Sicredi lost several members, and its finances collapsed because of the new rules. High banking concentration and foreign capital entry into urban areas hindered its expansion, especially in rural regions. The national economic policy focused on state intervention, resulted in reduced capacity for local institutions. Additionally, the industrialisation process shifted the Brazilian economy's focus from agriculture to industry, making a challenge for local cooperatives to adapt and enjoy market opportunities. Furthermore, economic power and money income became increasingly concentrated among a few large companies and large banks, resulting in difficulties for cooperatives and local actors to compete and thrive.

These two critical junctures revealed the ability of local finance institutions to adapt to the challenging institutional environment. Facing restrictive regulations and economic restrictions, Sicredi had to navigate through complex set of constraints to maintain its core values while complying with government regulations. During these two periods, Sicredi Vale do Rio Pardo had to make frequent changes from its traditional path due imposition of strict regulations and changing economic conditions. Changes were more noticeable, when regulatory pressure was at its highest and the cooperative's ability to self-regulate was limited.

In addition, political critical junctures discussed in this thesis, national economic downturns impacted the operations and services of Sicredi Vale do Rio Pardo. Financial crises, which occurred at various points in Brazil's history, have posed challenges for this local cooperative, reflecting its resilience in the face of external economic shocks. The 1950s and 1960s witnessed periods of significant inflation and financial instability in Brazil. As we have showed, these crises had a direct impact on the cooperative's ability to provide financial services and support to its members. The volatile economic conditions forced Sicredi Vale do Rio Pardo to navigate through the turbulent waves of hyperinflation, rapidly changing monetary policies, and economic uncertainty. Similarly, the 1980s and 1990s marked a period of economic turbulence in Brazil, characterized by high inflation rates, fiscal challenges, and currency devaluation. Sicredi Vale do Rio Pardo faced the daunting task of managing its financial resources amidst the macroeconomic environment. These crises tested the cooperative's ability to provide financial stability and support to its members when the broader economic conditions were volatile.

In more recent times, the international financial crisis of 2008 and the global COVID-19 pandemic have further underscored the significance of financial crises as critical (economic) junctures for financial organizations like Sicredi Vale do Rio Pardo. The 2008 financial crisis, originating in the United States, sent shockwaves through the global financial system, affecting investor confidence and overall financial stability. Also, the COVID-19 pandemic created a worldwide health crisis with immediate economic consequences, posed more direct challenges to financial operations. However, it is noteworthy that these crises affected the institution to a lesser extent compared to the other financial organizations. This can be attributed to the cooperative's localized focus and its deeper integration within the regional economy. Unlike larger financial institutions that are globally interconnected, Sicredi Vale do Rio Pardo's operations are closely tied to the economic conditions of its immediate surroundings.

However, not only faced the organisation several challenges along its path but also favourable circumstances. Specifically, during three distinct Brazilian democratic experiences, namely the Old Republic[[354]](#footnote-354), the democratic interval, and the current democracy, windows of opportunity arose, anchoring the organisation's mission in responding to the economic and social needs of its members. These opportunities allowed local institutions to thrive, addressing local problems effectively through self-organisation in democratic spaces, very different from the military rule and the Estado Novo phase.

As shown in chapter 4, during the first period covered in the thesis (1919-1930), the local cooperative was emerging in a context of Brazilian political history marked by regional oligarchies dominated by coffee and milk production concentrated in Sao Paulo and Minas Gerais. Meanwhile, Vale do Rio Pardo, in Rio Grande do Sul, where the cooperative located, faced challenges, such as limited access to financial institutions and a lack of state support for rural populations. Despite these obstacles, local initiatives and collective organisations were means for communities to organise and address their challenges. This was a window of opportunity for local actors to address their economic and social needs. In this scenario, Sicredi Vale do Rio Pardo emerged as a legitimate force through the self-organisation of its members, providing financial services while also supporting local events, educational and cultural initiatives and collective fundraising. Its role in the local finances enabled members to access resources for productive activities, thus improving their businesses and increasing their incomes. Other two windows of opportunities further influenced this path-dependent trajectory in subsequent democratic periods: the brief democratic interval from 1945 to 1964 and the current Brazilian democracy from 1988 to 2022.

During the democratic interval from 1945 to 1964, following the end of the authoritarian Estado Novo regime, significant developments in the country's political and economic agenda presented other chances for cooperatives to further their legacy. As shown in chapter 6, Sicredi Vale do Rio Pardo, responded to these opportunities by modernising its management practices, while still adhering to its community values. One notable achievement in this period was the establishment of the Agricultural Training Centre (CTA), which provided education to rural community members between 1956 and 1965. The expansion of the cooperative's services allowed for increased membership and transactions, providing access to external financing resources and facilitated operational growth. In addition, it's prudent management of deposits and loans, even during moments of economic turbulence and inflation, contributed to its reputation as a reliable local financial institution, offering loans and other forms of financial assistance. The organisation remained steadfast in its commitment to fostering strong relationships among its members, promoting cooperation, solidarity, and mutual interest.

Finally, after the end of the military rule in Brazil in 1985 and the promulgation of the Federal Constitution in 1988, the country entered a new democratic era. The period brought significant benefits to local finances, including the emergence of new opportunities and inclusive measures that enable the population to access financial products. Sicredi Vale do Rio Pardo was able to take advantage of this context and consolidate itself as one stable institution serving local communities, operating within a national system. As showed on chapter 7, one of the most relevant opportunities for Sicredi Vale do Rio Pardo's success was the constitutional guarantee of autonomy, which allowed the cooperative to operate without undue interference from the state. This enabled the cooperative to invest in local projects, promote financial inclusion, and access government programs, such as the National Program for Strengthening Family Agriculture (Pronaf), which provided greater access to resources to finance its activities. Moreover, by operating within a national system (without restrictions), the local cooperative was able to achieve economies of scale and establish itself as a significant player in local and regional finance. Members of the movement also had a Parliamentary Front in Defense of Cooperativism, which provided a platform to voice their interests in the national Congress, resulting in further gains for the cooperative movement in Brazil. Sicredi National initiatives also provided access to cutting-edge systems and technologies, facilitating personalised service to members in the local financial market. In addition to these benefits, the democratised environment of Brazil required the implementation of rigorous internal control measures to combat corruption and money laundering. This scenario opened opportunities to promote greater transparency and ethical conduct in business dealings, which helped enhance the institution's reputation and trust amongst its members and regulators. Finally, the democratic context of Brazil offered opportunities for managers and members to invest in sustainable projects, renewable sources of energy, and solutions that met specific population demands. Such initiatives were used for development goals of the region in which the institution operates, as well as to the reduction of environmental impacts associated with financial activities.

Windows of opportunity during Brazil's democratic transition have prompted Sicredi Vale do Rio Pardo to undertake significant changes in its path, with a clear emphasis on increased self-regulation. These opportunities presented individuals and local collective organisations with increased autonomy to serve their communities. The case of Sicredi Vale do Rio Pardo serves as an example of how effectively capitalizing on such opportunities during moments of increased democracy can drive progress for local institutions.

# 10 Synthesis and implications

In this study, we investigated the local self-regulation capacity of Sicredi Vale do Rio Pardo, a local credit cooperative with over a century of history in the southern region of Brazil. By analysing historical documents, interviewing members, and tracing the evolution of national legislation, we demonstrated the importance that local self-regulation plays in the success of this collective organisation. Our analysis encompassed five periods of Brazilian history. It showed how this credit union adapted to the country's changing political and economic landscape and the needs and aspirations of its members and the wider community. Specifically, we identified significant changes in governance structures concerning members, regulatory bodies, and the community at large.

Sicredi Vale do Rio Pardo's case study has shown how this local organisation has become a reference in meeting financial and social needs and has adapted to the needs of its members and the region while maintaining its cooperative identity.

In 1919, a group of German immigrants established a credit union to address the needs of a rural and isolated community mainly composed of farmers. They found that conventional financial institutions were inadequate in meeting the specific requirements of the local population. Despite its ethnic and cultural origins, the credit union expanded beyond its initial boundaries and ventured into urban centres while preserving its local identity. Over the years, it has become a significant player, providing financial and social services. The organisation has empowered its members to invest in their activities and improve their living conditions by offering access to financial services that traditional institutions could not provide.

Despite more than a century of existence, Sicredi Vale do Rio Pardo continues to operate within a context marked by a persistent weak statehood in Brazil, particularly evident in rural and isolated regions. In these areas, government support and services remain lacking, compelling local communities, including those served by Sicredi Vale do Rio Pardo, to address their financial, cultural and social needs. The absence of government assistance and market institutions underscores the importance of self-regulation, driving community involvement in challenges posed by weak statehood.

By answering the guiding research questions (What is regulated? Who regulates it? How is it regulated? Where is it regulated? Why is it regulated? How are the relations of local groups with the State?), the present study demonstrated significant changes that took place in Sicredi Vale do Rio Pardo, which gradually transformed from a small, more endogenous, centralised, and highly restrictive local cooperative to an exogenous, decentralised, and more inclusive organisation, with a structure providing finance services for over 60,000 members with a staff of 284 employees.

The cooperative's internal governance remained hierarchical, with several departments that engaged members and staff to discuss and propose solutions to local issues. Today, the organisation controls 1.7 billion reais (R$) in assets, 2.8 times the budget from Santa Cruz do Sul, where it has its headquarters. The organisation's evolution from its origins in 1919, with just 50 active members and limited resources, to its current state is remarkable.

Despite early challenges, including operating in borrowed spaces and limited resources, the involvement of its members and local initiatives provided a base for future growth. This transformation from a small project to a thriving organisation illustrates how self-organisation based on cooperative principles can bring about significant and positive change over decades in weak state areas.

Also, partnership with other entities of the Sicredi National System enabled the cooperative to attain greater autonomy to operate in the local financial system, as regulations were established to ensure its independence from the state and central government without any interference in its activities. This transformation primarily occurred after the promulgation of the Federal Constitution in 1988 and the enactment of the law that allowed free admission of members to Brazilian credit cooperatives in 2003.

Our study revealed that in political stability and democratic environments, external regulatory and supervisory agencies adopted a more collaborative approach, contributing to more self-regulation development of the local financial system. However, during political disruption and authoritarian regimes, State authorities limited autonomy and hindered the growth of local initiatives like Sicredi Vale do Rio Pardo. Our analysis showed that a series of national regulations, starting with the Estado Novo in 1937, disrupted local development dynamics and affected local cooperatives' members. Additionally, during the military regime from 1964, rules became even more stringent, and supervisory agencies interfered directly in management. Therefore, this research emphasised the significance of maintaining a democratic environment without political ruptures to facilitate the growth of local financial institutions.

Three of the five empirical chapters presented in this thesis were windows of opportunity for the organisation: the Old Republic, the Democratic Interval, and the current democratic period from 1988 on. During these phases, Sicredi Vale do Rio enhanced its governance and local structure, taking advantage of favourable political and social circumstances to establish itself. On the other hand, the two periods were critical junctures, characterised by significant challenges that necessitated the cooperative's ability to adapt and reconfigure itself to cope with adverse circumstances. The first was the Estado Novo regime from 1937 to 1945, while the second was the military dictatorship from 1964 to 1985. Despite facing numerous challenges during these periods, Sicredi Vale do Rio demonstrated its capacity to overcome them, consolidating its trajectory as an essential institution within local finances.

Access to rural credit and government policies were closely linked and directly impacted community life. When government policies facilitated access to subsidised agricultural credit or encourage the development of local agriculture through incentives for cooperatives, these policies stimulate the local economy, increase agricultural production and improve local farmers' quality of life.

During authoritarian regimes, these issues received less attention and often became non-existent. Moreover, during authoritarian rule in Brazil, governments focused on national interests that did not benefit local agricultural members and rural communities. As we show, national interests during Brazilian periods of democratic exception concentrated on other sectors of the economy and the consolidation of central political power, often neglecting local initiatives, such as Sicredi Vale do Rio Pardo.

Brazilian authoritarian regimes, especially those of 1964, focused on achieving fast industrialisation, strengthening the urban sector and consolidating central power and financial control. This resulted in economic policies that neglected the needs and demands of rural areas and local agriculture. We provide evidence that during authoritarian regimes in Brazil, the state restricted access to credit and other specific rural development policies in ways that did not benefit local farmers and small cooperatives. During these periods, the state imposed substantial control over the operation of credit cooperatives, strictly regulating their activities, members' activities and lending methods. The authorities adopted policies that limited the autonomy of Sicredi Vale do Rio Pardo and directly affected their ability to meet the needs of rural communities.

Restrictions also limited member scope and geographic reach, hindering their ability to serve local communities and stay on the market. Additionally, state control extended to credit provision, with restrictions on interest rates and funding sources, leading to operational challenges and closures for many credit cooperatives during this period.

We showed that representation structures, like central offices, were closed during periods of instability. This led to a loss of coordination of local initiatives. The lack of proper representation weakened the ability of cooperatives to influence public policies that directly affected their sectors and operations. Also, during this context, institutions such as the CTA (Agricultural Training Centre) and the Santa Cruz Hotel, both under the control of cooperative members, were forced to suspend their operations to comply with the regulations imposed by the government at the time. This was a challenging period in which the Santa Cruz community had to explore alternative strategies to survive in a hostile environment.

Not only has Sicredi Vale do Rio Pardo survived authoritarian regimes, but it has also overcome crises in the new democratic era. But unlike traditional financial institutions, members have shown resilience in the face of international monetary problems like inflation in the 1990s, financial crises in 2008 and during the COVID-19 pandemic. These situations were critical junctures for financial institutions, but affected the cooperative in less severe ways.

This has been attributed to a business model focused on local financial services and rural economy, local management, support for communities and agricultural projects, with less dependence on short-term capital, and favorable regulations. These factors enabled the cooperative to survive during economic turmoil while traditional financial institutions faced significant challenges. Evidence from Sicredi Vale do Rio Pardo shows that external shocks affect local organisations less abruptly, reflecting the resilience of local institutions in the face of significant economic challenges, in contrast to the difficulties faced by conventional financial players who have been severely affected by such events.

The research showed local members' active involvement in decision-making and the cooperative's engagement in community and local activities, including working with social projects, making donations, and funding sustainable initiatives. The study revealed that self-regulation and the participation of key actors were crucial to the survival and sustenance of ties with the local community.

However, local members' active involvement proved challenging when the organisation underwent expansion. Sicredi Vale do Rio Pardo has recently faced this problem, with assemblies with less than 10% of its members participating and many operational decisions concentrated on hired executives. This problem is widespread among cooperatives worldwide. As organisations grow and become more complex, it becomes difficult to maintain the involvement of members in instances of decision-making and activities.

Sicredi Vale do Rio Pardo has implemented strategies to enhance transparency and interaction with its base to overcome the challenge of low member participation. These measures included incentives such as discounts or profit distribution to stimulate greater engagement and organising events to foster networking and involvement in geographically remote areas. Nonetheless, as evidenced by this research, this matter still poses a significant obstacle to the cooperative's ability to improve member participation and achieve better results.

Despite significant growth in membership from 2003 onwards, the traditional voting model used by the cooperative was inadequate in accommodating the large number of members and ensuring their participation. Consequently, members implemented changes to its voting model in 2012, including core assemblies and delegates with imperative voting by representatives aligned with the decisions of each core. Although limiting direct member participation, the imperative voting system and core assemblies brought the cooperative closer to local demands. According to managers, this modification enabled Sicredi Vale do Rio to maintain a closer dialogue with its base while ensuring local interests' representation in the participatory decision-making process.

On a larger scale, social initiatives undertaken by Sicredi Nacional and Sicredi Vale do Rio Pardo positively influence the communities they serve. The field research conducted has captured this phenomenon. Through ongoing efforts, the organisation has built lasting and strong relationships with the communities it serves. In this way, Sicredi Vale do Rio Pardo has strengthened its role as a supporter and driver of progress in its regions.

This thesis has shown how Sicredi Vale do Rio Pardo has adopted the principle of one person, one vote throughout its trajectory. Future research can be carried out to verify the effects of the practices adopted by the cooperative in terms of member participation and decision-making to identify new ways of improving its governance model.

Our empirical chapters have shown that the ownership of the cooperative remained in the hands of the members, but operational control was delegated to a professional team that carried out more complex duties, far from the reality of most members. This process of professionalisation of management began in the 1950s and was gradually adopted by Sicredi Vale do Rio Pardo in the following decades. This change was necessary for the cooperative to survive in the market, keep growing, and meet members' needs while maintaining its core principles. In this work, we argued that this change did not represent a degeneration of the cooperative but rather a necessary measure to ensure its survival and competitiveness in a modern economy with ongoing technological advances. The essence of the cooperative remained intact, such as its local structure, voting practices, and ownership continued to be held by the member-owners and linked to local aspects.

When looking at leadership profiles, one notices that the organisation's leaders shared similarities with an established regional elite, maintaining close ties and occupying leading political and economic roles. In addition, presidents, directors and board members were active in local politics and economy, holding positions such as mayors, councillors and deputies. This link between organisational leadership and political and economic power is a characteristic feature of the organisation. Our research shows how these leaders participate in regional dynamics, promoting not only the cooperative's interests but also private interests and representing the community in diverse spheres. This participation exemplifies how an organisation and its leaders can influence the regional context.

We have also shown the evolution of the management and control functions in the cooperative over time. Initially, the president assumed two roles: chair and director, which may have been adequate for the size and needs of the organisation at the time. At first, some roles were performed on a voluntary basis, but they soon became paid positions, with individuals accumulating roles and positions.

However, with the growth and modernisation of the financial system, especially after the 1990s, it became necessary to appoint an executive director to handle more complex tasks. In addition, the cooperative created a board of directors (1950s), which also received more community members, replacing the burden centred on the president. Since then, this board has played a crucial role in the governance of the cooperative, ensuring that the organisation is aligned with its members' principles while also being closer to the community.

In contrast, this study has also highlighted the inadequate turnover of key positions, particularly among presidents and senior executives. Despite the recent adoption of rules and initiatives to promote leadership renewal and better governance, presidents and senior executives have remained entrenched in their roles for extended periods, resulting in limited diversification. In addition, the participation of women was restricted in earlier periods, though more recently, there has been a significant increase in their representation. Today, the local cooperative employs 184 women, representing 70% of the staff, including the financial director. Nevertheless, men still dominate the upper echelons of management, such as the presidency and the position of chief operating officer.

Our research explored the link between the local economy and the active participation of members in the cooperative's deliberative bodies. In particular, the region's economy, heavily influenced by tobacco cultivation, industrialisation and trade, significantly contributed to members' decision-making. Industrialisation, particularly with the arrival of international companies in the late 1950s and 1960s, brought about a significant change in the operational dynamics of the credit cooperative. This economic turn not only affected the way cooperative members perceived their own financial needs but also directly influenced the policies and strategies of the local financial institution.

Also we have highlighted the active involvement of specific groups in the cultivation of food crops, driven by the need to reduce their dependence on the tobacco-based economy. Initiatives similar to the efforts of the CTA in the 1950s and more recent interventions have focused on promoting the adoption of polyculture methods, food production, soil conservation and the cultivation of sustainable practices.

Regarding state control over the operations of this organisation, our analysis demonstrated that in the local financial market, the adoption of self-regulation and joing into a national system has led to a reduction in the extent of state oversight. Specifically, the institutions formed under the umbrella of Sistema Sicredi Nacional have assumed much of the responsibility for compliance with industry standards and regulations. However, it is essential to note that self-regulation did not wholly replaced the actions of the Central Bank and other regulatory bodies. Sicredi Nacional and its centralised structures, such as the central offices, for example, began to complement the regulatory body and oversee local activities. In contrast, the state national regulatory body continued to manage Sicredi Nacional and other entities in the system. Indeed, the role of external regulatory bodies, such as the Central Bank, and external auditors was highlighted as fundamental to monitoring the activities of the cooperative and ensuring compliance with industry norms and laws.

For instance, government agencies are responsible for financial regulations, bank supervision, and other relevant authorities overseeing the financial sector. And, as the organisation has grown, its regulatory environment become more complex, involving multiple layers of oversight. By integrating with Sistema Sicredi Nacional, the local cooperative of Santa Cruz do Sul has gained access to a set of standardised norms and regulations, facilitating its compliance process for its local members. In addition, second and third-level system institutions, such as Sicredi's central offices and Banco Sicredi, brought greater efficiency in risk management and the prevention of operational and governance problems, like corruption and money laundry.

Therefore, we found that while self-regulation is efficient for some segments of the financial market and gives autonomy to local institutions, there is still a need for (external) regulators to supervise activities and impose sanctions in case of non-compliance with sectoral norms and regulations. Also, given the financial market's regulatory complexity and its activities impact on the economy, it is fundamental that external regulatory bodies and internal structures of the Sistema Nacional Sicredi act together. Therefore, an equilibrium between self-regulation and external supervision is necessary, with the primary objective of ensuring effective governance and protecting the public interest in the financial market. This work showed that this balance was more significant in democratic periods. Indeed, they were windows of opportunity that increased the cooperative reach and local impact.

In the context of the Brazilian financial system, the concept of the "weak state" have shown inappropriate, given the historical characteristics that have shaped the sector in the country. First, throughout its history, Brazil has adopted a centralised and regulated policy for its national financial system, especially during authoritarian periods. These measures were aimed at strengthening the State's capacity to regulate and supervise financial activities, which led to the consolidation of the banking sector following central government guidelines. It is also worth noting that the cooperative credit system, of which Sicredi Vale do Rio Pardo is a part, developed in cooperation with other financial institutions and the State. Therefore, instead of a weak state unable to impose regulations, the Brazilian government actively formulated policies and supervised financial activities. This involved the creation of regulatory agencies such as SUMOC and the Central Bank of Brazil, which have fulfilled their role in maintaining the stability and security of the financial system.

However, when looking at other aspects of the Brazilian economy and society, the concept of a "weak state" becomes relevant, especially in local spheres. Income concentration is a persistent problem in Brazil, where a significant portion of the population holds a disproportionate share of wealth. The State has historically failed to implement effective policies to redistribute resources, demonstrating its weakness in promoting a more equitable distribution of resources. In Brazil, a few major banks dominate the financial sector, resulting in a limited competition and options for individuals and businesses seeking loans or credit. This concentration of economic power has produced higher interest rates, stricter lending criteria, and reduced access to credit for small businesses and lower-income individuals.

What makes cooperative banks an example of path dependency is their ability to maintain their identity. On one hand, they operate within the national financial system, cooperating with government regulations and contributing to the broader economy. On the other hand, they steadfastly uphold their historical mission of serving local populations. They provide essential financial services, including credit, financial education, and support for small businesses and lower-income individuals, particularly in areas where larger banks may be less inclined to invest.

The persistence of cooperative principles, such as democratic ownership and a strong commitment to local development, further emphasizes their path-dependent nature. These principles, deeply embedded in their historical origins, continue to shape their operations, differentiating them from conventional commercial banks.

As the research shows, Sicredi Vale do Rio Pardo, as part of the Brazilian cooperative credit system, has had to adapt to the laws and restrictions imposed by the State throughout its history. Like other financial institutions, the cooperative recognised the importance of complying with regulatory requirements to maintain the trust of its members and the general public. Such compliance ensured the system's stability and provided a safe environment for depositors and investors. As discussed, Sicredi Vale do Rio Pardo has played an essential role in filling the gaps left by the State in the region. This gives us a better understanding of the 'weak state', where government institutions may not be able to provide financial services and economic support to local communities adequately.

Our findings shed light on challenges local institutions face in diverse contexts, stimulating further research in these fields. By illuminating the trajectory of a century-old credit union in southern Brazil and its ability to self-regulate within its local environment, this thesis has used a historical institutionalist approach to explore how Sicredi Vale do Rio Pardo has kept its identity and sustained itself to the present day.

Tracing relational patterns for comparative analysis, we provided insights into the governance of Sicredi Vale do Rio Pardo during different Brazilian political periods. The analytical framework highlighted organisational changes with its community, members, State, and market. Also, categories such as membership growth, social initiatives, relations with church and rural/urban dynamics, financial autonomy, informal networks, and trust levels were analysed. Finally, the analytical framework identified critical junctures and windows of opportunity that shaped the cooperative's trajectory. This approach allowed a better understanding of how the cooperative's governance evolved and responded to external forces and internal dynamics.

Although the analysis offers a comprehensive view of the institutional evolution, some limitations should be considered. First, the analysis focuses on a single credit union and may not represent the diversity of other credit cooperatives in Brazil. Another limitation is that it mainly draws on reports from leaders and managers, which may result in an incomplete understanding of the experience and perception of other members. A broader approach that incorporates the perspective of other members (and non members) can provide more valuable information. Additionally, the analysis of official documents may have limitations, as they may contain biases and not fully capture the organisation's reality. It is, therefore, essential to consider these limitations when interpreting the analysis results. Future research should look into other century-old cooperatives with analogous growth processes and consider the data presented here. Future research may also look at the issue of participation by community members and internal members who are not part of the leadership circle. When attempting to comprehend institutional changes and member participation in cooperatives, it is important to consider other cooperatives and geographical particularities while addressing their historical developments.

Finally, in conclusion, self-regulation was central to the functioning of Sicredi Vale do Rio Pardo and can be taken as a positive example that encouraged transparency, trust, corporate governance and the protection of members' rights. Moreover, the evolution of self-regulation over time reflects the political and economic changes in the country and how the organisation was perceived by society and the state.

# Versicherung an Eides statt

Hiermit versichere ich an Eides statt, dass ich die Dissertation " Governance and participation in a weak state: institutional changes of a credit cooperative in south Brazil" selbstständig verfasst habe.

Bei der Anfertigung wurde keine Hilfe Dritter in Anspruch genommen. Ich habe keine entgeltliche Hilfe von Vermittlungs- bzw. Beratungsdiensten (Promotionsberater oder anderer Personen) in Anspruch genommen. Niemand hat von mir unmittelbar oder mittelbar entgeltliche Leistungen für Arbeiten erhalten, die im Zusammenhang mit dem Inhalt der vorgelegten Dissertation stehen.

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Würzburg, den 24.09.2023

Matheus Jones Zago

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**Appendix 1**

Top carrer progretion from 1945 to 1964

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Position** | **Term** | **Age when taking over** | **Professional career** | **Career after taking the top job** |
| Bruno Agnes | President | 1946-1961 | Takes office at age 33 | Joins the cooperative at age 20 as an accountant. He is a member of the city's commercial association, director of the gymnastics society, founder of the Gazeta de St. Cruz newspaper, president of social associations: Clube União (Protestant Church), member of the Catholic Community, businessman in a car dealership, founding member of the Rotary Club and former president, teacher, president of the Parent-Teacher Circle of the Association of Former Students of the Colégio Maristas, fiscal counselor in the Regional Office.[[355]](#footnote-355) Councilor in four legislatures and president of the city council - holds the office of mayor.[[356]](#footnote-356)  He designs the cooperative's agricultural technical school (CTA). | no info  He dies during his term as president in 1961, at the age of 48. |
| Leopoldo Morsch | Fiscal Council  Secretary  Manager  President | 1946-1947  1947-1951  1951-1959  1961-1971 | He takes over the fiscal council at age 29.  Takes on the role of secretary at age 30.  He takes over as manager at the age of 34.  He assumes as President at the age of 44. | He starts his professional life in the organisation as an assistant in 1932, at the age of 15. He serves as fiscal council, secretary, until being promoted to manager in 1951, after the death of José Mergener.  He is a teacher at Colégio São Luiz, member of the Rotary Club, director and founder of the Gazeta Newspaper, president of the Frente Agrária Gaúcha (regional parliamentary force) in 1960.Incentives the creation of the Rural Workers Union. Takes over the presidency of the cooperative after Agnes' death.[[357]](#footnote-357) | Founder of the Commercial and Industrial Association of Santa Cruz do Sul (ACI), president of APESC (first regional university - future Unisc), professor and director of the Faculty of Accounting.  After the presidency, he continues to hold administrative positions in the cooperative (manager).[[358]](#footnote-358) |
| José Mergener | Manager | 1945-1951 | He takes over as manager at the age of 41. | Owner of the men's clothing and accessories company Mergener and Decker.[[359]](#footnote-359) President of ACI - commercial and industrial association of Santa Cruz do Sul during the years 1941 and 1947.[[360]](#footnote-360) Elected councilman in 1935. Candidate for mayor by the Frente Única (PL, UDN, PRP, and PTB) in 1947 not elected. Alternate of fiscal council at Cooperativa Santa Cruzense in 1951. Candidate for vice-mayor in 1951, died one month before the elections[[361]](#footnote-361). | no info  Dies during his term as manager in 1951, at the age of 47. |
| Olibio Helfer | Secretary  Gerente | 1952-1959  1961-1971 | Takes over as secretary at age 22  Takes over management at age 31 | Secretary of the cooperative until 1961  Leader in the creation of the bank employees' union (Associação Profissional de Empregados em Estabelecimentos Bancários). He is elected alternate treasurer in the union in 1970.[[362]](#footnote-362) |  |
| Arno Goettems | Secretary | 1945-1949 | Assumes on the role of secretary, at age 28 | Graduated in accounting in 1942, at the age of 22[[363]](#footnote-363)  Leader of the Youth Choir "Canarinhos de Sta. Cruz do Sul | no info |
| Arnoldo Zimmer | Fiscal council  Secretary | 1949-1951  1951-1953 | Assumes the role of fiscal council, at age 27  Assumes the role of secretary, at age 30 | Begins his professional career in commerce at the age of 16. In 1941, at the age of 21, creates Zimmer-Goettert & cia. LTDA.[[364]](#footnote-364)  Serves on the cooperative's fiscal council from 1949-1951. | After a brief period as secretary, he returns to his position on the fiscal council, for at least 15 years[[365]](#footnote-365),  from 1953 to 1956, from 1956 to 1959, from 1959 to 1961, from 1963 to 1965, from 1971 to 1974. |
| Antonio Wilibaldo Eick | Conselho fiscal  Secretário | 1951-1959  1959-1971 | Takes over as supervisory board at age 49  Takes over as secretary, at 57 | Farmer, first chairman of the Union of Self-Employed Workers of Santa Cruz do Sul[[366]](#footnote-366) and the first president of the Catholic Community of São José.[[367]](#footnote-367) | no info |
| Pedro Avelino Junges | Secretary  President | 1952-1953  1976-1987 | Becomes secretary at age 38  Becomes President at age 58 | He arrives in Santa Cruz in 1934 at the request of the parish to teach courses in community schools in the interior of the municipality, maintained by local communities. He teaches in the community for 18 years.  He is appointed secretary of the cooperative in 1952 and coordinates the construction of the buildings and the organisation of the infrastructure for the Agricultural Training Centre (CTA)  Deputy City Councilman in the 2nd legislature, 1952-1955.  Works in administrative positions, until his election as president in 1976  In total, he works 36 years in the cooperative  He actively participates in the city's choir (Coral Santa Cecília, from the São João Batista Parish), and is also organist and conductor.[[368]](#footnote-368) | He engages in community and religious education activities. |

Author, base on Sicredi Vale do Rio Pardo bylaws

**Appendix 2**

Deposits from civil society organisations with active accounts (1968)

|  |  |  |
| --- | --- | --- |
|  | **Name of the civil society organisation/legal entity** | **Amount in custody** |
| 1 | Ação católica Sinimbu | 0,57 |
| 2 | Aeroclube Santa Cruz | 0,11 |
| 3 | Associação comercial de Santa Cruz do Sul | 2,23 |
| 4 | Apostolado sagrado coração de Jesus | 72,51 |
| 5 | Associação católica João Serra | 14,74 |
| 6 | Associação de ex-alunos e amigos irmãos maristas | 1315,16 |
| 7 | Associação dos fumicultores do Brasil | 455,90 |
| 8 | Associações dos funcionários da CEEE | 932,27 |
| 9 | Associação pró ensino em Santa Cruz do Sul | 98,41 |
| 10 | Associação dos profissionais empregados bancários | 26,24 |
| 11 | Associação de prof. da ind. da alimentação de Santa Cruz | 25,13 |
| 12 | Associações prof. da indústria de construção de Santa Cruz | 23,76 |
| 13 | Associações prof. ind. met. mat. ele. Santa Cruz | 17,60 |
| 14 | Atlético Vasco da Gama | 0,06 |
| 15 | Avierco[[369]](#footnote-369) | 334,52 |
| 16 | Bispado de Santa Cruz no Brasil | 37,73 |
| 17 | Bispado de Santa Cruz com seminário | 62,26 |
| 18 | Capela Nossa senhora Aparecida | 16,23 |
| 19 | Capela Santo Joaquim | 0,07 |
| 20 | Capela São João | 19,62 |
| 21 | Capela São João Batista | 49,48 |
| 22 | Capela São José | 8,30 |
| 23 | Capela São Luiz da medalha | 73,70 |
| 24 | Cáritas brasileira | 808,68 |
| 25 | Casa de formação Loiola | 4,66 |
| 26 | Cavalaria União | 60,69 |
| 27 | Cemitério católico arroio Grande | 113,18 |
| 28 | Cemitério três mártires | 0,31 |
| 29 | Centro de desenvolvimento comercial Santa Cruz | 0,18 |
| 30 | Círculo Operário Santa Cruz do Sul | 49,61 |
| 31 | Clube 4S - Força p/ União | 17,61 |
| 32 | Clube 4S - Sempre Unidos | 23,19 |
| 33 | Clube 4S - União para o progresso | 21,82 |
| 34 | Comunidade católica campo de dentro | 0,78 |
| 35 | Comunidade católica capão da Cruz | 194,82 |
| 36 | Comunidade católica Divino espírito Santo | 3392,20 |
| 37 | Comunidade católica dona Josefa | 0,35 |
| 38 | Comunidade católica linha Cinco | 10,06 |
| 39 | Comunidade católica linha Formosa | 139,67 |
| 40 | Comunidade católica linha João Alves | 237,17 |
| 41 | Comunidade católica linha Pinheiral | 689,43 |
| 42 | Comunidade católica linha Risch | 35,55 |
| 43 | Comunidade católica linha Santa Cruz | 2,84 |
| 44 | Comunidade católica Nossa senhora da Conceição | 1041,75 |
| 45 | Comunidade católica Nossa senhora de Fátima | 228,99 |
| 46 | Comunidade católica Ponte Andreas | 11,16 |
| 47 | Comunidade católica Rincão del Rey | 1,02 |
| 48 | Comunidade católica sagrado coração de Jesus | 0,93 |
| 49 | Comunidade católica Santo anjo da Guarda | 2,52 |
| 50 | Comunidade católica Santo Antônio | 94,25 |
| 51 | Comunidade católica São José | 1177,43 |
| 52 | Comunidade católica São José | 4,97 |
| 53 | Comunidade católica São Luís | 0,88 |
| 54 | Comunidade católica São Miguel | 2,50 |
| 55 | Comunidade católica São Miguel Monte alverne | 109,38 |
| 56 | Comunidade católica São Pedro | 118,76 |
| 57 | Comunidade católica São Sebastião | 0,52 |
| 58 | Comunidade católica Trombudo | 53,45 |
| 59 | Comunidade católica Vera Cruz | 2,06 |
| 60 | Comunidade católica escolar linha João Alves | 19,67 |
| 61 | Comunidade escolar Dona Carlota | 8,00 |
| 62 | Comunidade escolar linha Travessa | 0,86 |
| 63 | Comunidade escolar Padre Rio Pardinho | 56,26 |
| 64 | Comunidade escolar Rio pardense | 1,05 |
| 65 | Comunidade escolar Santo Antônio | 0,71 |
| 66 | Comunidade evangélica luterana Santa Cruz do Sul | 7,43 |
| 67 | Comunidade evangélica luterana Trindade | 0,16 |
| 68 | Comunidade evangélica Padre Rio Pardinho | 297,83 |
| 69 | Comunidade evangélica Rio Pardinho | 2,56 |
| 70 | Comunidade igreja católica Sinimbu | 28,42 |
| 71 | Comunidade igreja Felipe Neri | 0,84 |
| 72 | Comunidade Sagrada família linha sítio | 0,77 |
| 73 | Comunidade Santa Terezinha | 493,73 |
| 74 | Comunidade Santo Antônio | 9,08 |
| 75 | Comunidade São José Monte alverne | 21,47 |
| 76 | Comunidade São Nicolau Boa esperança | 0,49 |
| 77 | Comunidade São Sebastião | 13,73 |
| 78 | Comunidade Cerro Alegre | 244,15 |
| 79 | Congregação Aparecida | 0,21 |
| 80 | Congregação das mães | 4,13 |
| 81 | Congregação das moças | 3,01 |
| 82 | Congregação dos moços | 0,06 |
| 83 | Congregação Mariana dos moços | 0,19 |
| 84 | Congregação dos moços de São Alegre | 1,94 |
| 85 | Construção do colégio Sinimbu | 0,66 |
| 86 | Cooperativa agrícola Padre Theodoro Amstad Ltda | 22,00 |
| 87 | Cooperativa agrícola Sítio Ltda | 0,05 |
| 88 | Corinthians esporte clube | 10,09 |
| 89 | Coro misto São José | 4,18 |
| 90 | Couro Santa Cecília c/ piano | 111,62 |
| 91 | Delegacia municipal Sesi | 0,56 |
| 92 | Departamento Esp. Cia. Cig. Sinimbu | 0,12 |
| 93 | Diretório acadêmico da Faccosul | 1411,79 |
| 94 | Escas | 6,96 |
| 95 | Escola Cruzeiro do Sul | 17,90 |
| 96 | Escola particular Nossa senhora Auxiliadora | 0,11 |
| 97 | Esporte clube Rio Pardinho | 0,08 |
| 98 | Esporte clube Teresa | 2,62 |
| 99 | Faculdade de Ciências Contábeis | 2563,48 |
| 100 | Frente agrária gaúcha | 18,95 |
| 101 | Fundação Jorge Hoelzel | 1,87 |
| 102 | Fundo Túmulo Con. Kroetz | 2,61 |
| 103 | Grêmio dos comerciários de Santa Cruz do Sul | 3,60 |
| 104 | Grêmio arroio Grande | 112,64 |
| 105 | Grupo bolão centenário | 66,81 |
| 106 | Grupo escolar Santa Cruz | 2,00 |
| 107 | Gruta Nossa senhora de Lourdes | 2,38 |
| 108 | Guarany Foot Ball Club | 1,30 |
| 109 | Guarda noturna particular | 0,13 |
| 110 | Hospital Santa Cruz | 3,24 |
| 111 | Igreja da ressurreição | 99,00 |
| 112 | Jornal o contador | 32,68 |
| 113 | Juventude agrária católica | 17,45 |
| 114 | Juventude católica São Pedro | 13,32 |
| 115 | Juventude Sinimbu | 1,24 |
| 116 | Juventude São João Serra | 45,63 |
| 117 | Liceu São Luís | 368,01 |
| 118 | Liga União colonial | 1,12 |
| 119 | Liga clube de Santa Cruz | 18,81 |
| 120 | Movimento familiar cristão | 104,34 |
| 121 | Obra social São José | 0,42 |
| 122 | Coração apostolado | 1,47 |
| 123 | Orquestra Cassino Santa Cruz | 4,77 |
| 124 | Padre Vigário paróquia católica | 0,65 |
| 125 | Paróquia Santo Antônio arroio Grande | 29,54 |
| 126 | Círculo operário | 3,22 |
| 127 | Prefeitura municipal de Santa Cruz do Sul | 12,97 |
| 128 | Idem | 24,49 |
| 129 | Rotary Club Santa Cruz c/ Esporte | 0,24 |
| 130 | Schmetz & Bund | 1,23 |
| 131 | Sociedade auxílio aos necessitados | 64,72 |
| 132 | Sociedade beneficente Hospital Trombudo | 208,65 |
| 133 | Sociedade beneficente Leprosos Riograndense | 16,57 |
| 134 | Sociedade Cáritas beneficente Ana Nery | 8,74 |
| 135 | Sociedade Cáritas Literária São Francisco de Assis | 173,72 |
| 136 | Sociedade Concórdia | 2,22 |
| 137 | Sociedade damas renascença | 36,67 |
| 138 | Sociedade das mães de trombudo | 1,64 |
| 139 | Sociedade das mães cristãs de Teresa | 1,53 |
| 140 | Sociedade Damas Flor de maio | 1,00 |
| 141 | Sociedade escolar sagrado coração de Jesus | 109,21 |
| 142 | Sociedade escolar Santa Cruz | 5037,84 |
| 143 | Sociedade Lotto Margarida | 7,69 |
| 144 | Sociedade operária recreativa | 42,77 |
| 145 | Sociedade União linha Arlindo | 0,44 |
| 146 | Sociedade União Liberdade | 3,00 |
| 147 | Sociedade União linha Santa Cruz | 2,57 |
| 148 | Sociedade União Popular de Boa Vista | 4,73 |
| 149 | Sociedade União Santa Cecília | 14,62 |
| 150 | Sociedade União Santa Cruz | 4,85 |
| 151 | Sociedade 27 de setembro | 1,57 |
| 152 | Tênis clube Santa Cruz | 1,08 |
| 153 | União Sul Brasileira de Cooperativas | 230,26 |
| 154 | Idem C/E | 9,06 |
| 155 | Volksverein Linha Santa Cruz | 0,16 |
| 156 | Colégio estadual Ernesto A. Oliveira | 5,10 |
|  | Total | 24.555,49 |

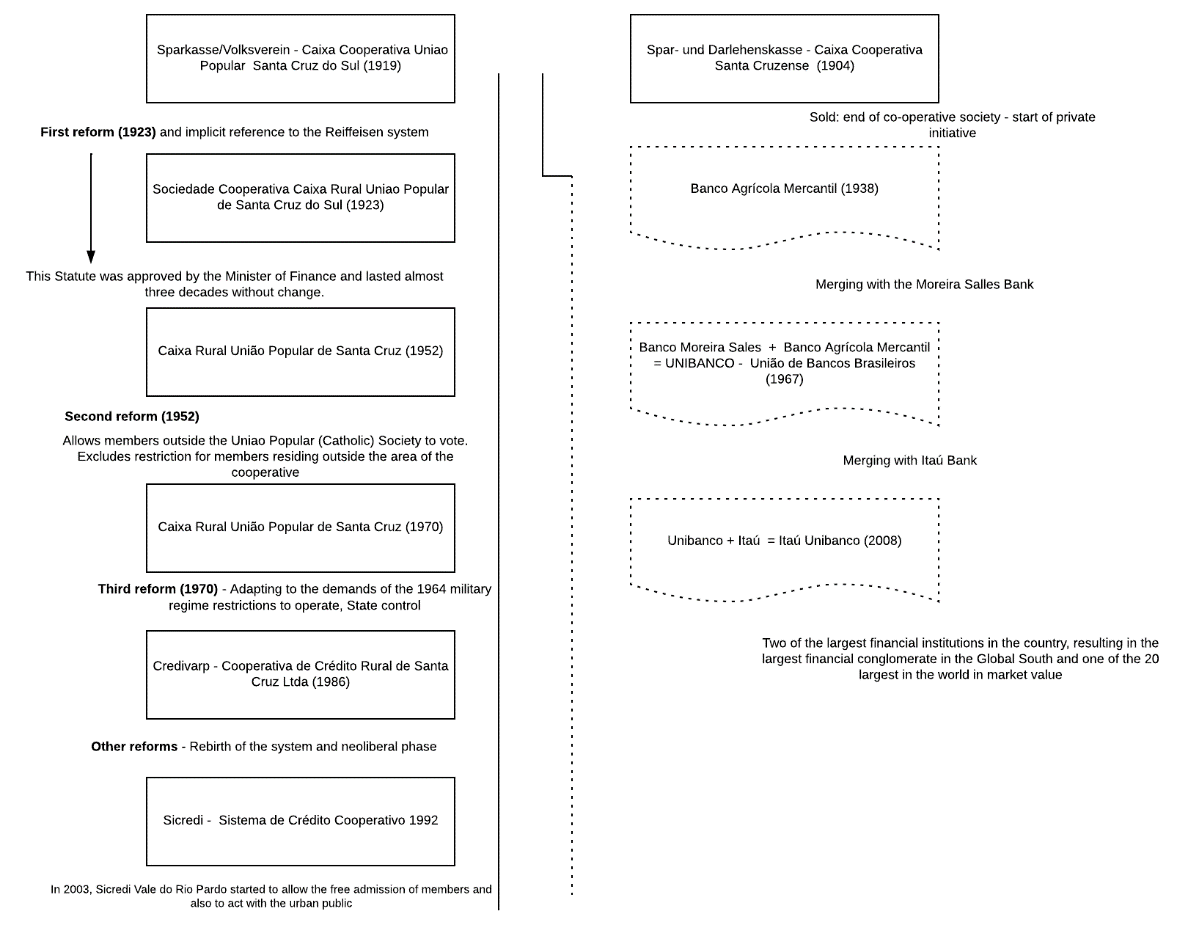
Source: Sicredi Vale do Rio Pardo (1968) [[370]](#footnote-370)

**Apendix 3**

List of civil society organisations whose accounts were closed as inactive in 1968

|  |  |  |
| --- | --- | --- |
|  | **Name of the civil society organisation** | **Amount in custody** |
| 1 | Ação católica de Sinimbu | 0,57 |
| 2 | Aeroclube Santa Cruz | 0,11 |
| 3 | Associação comercial de Santa Cruz | 2,23 |
| 4 | Associação esportiva Sudan | 18,07 |
| 5 | Associação pró ensino em Santa Cruz do Sul | 99,5 |
| 6 | Associação profissional dos bancários | 26,53 |
| 7 | Associação profissional das indústrias de alimentação | 25,41 |
| 8 | Associação profissional da indústria de construção | 24,02 |
| 9 | Associação profissional Met. Mec. Mat. Elétrico | 17,79 |
| 10 | Atlético Vasco da Gama | 0,06 |
| 11 | Avierco | 136,19 |
| 12 | Capela Nossa Senhora da Aparecida | 136,19 |
| 13 | Capela Santo Joaquim | 16,4 |
| 14 | Capela São João | 0,07 |
| 15 | Capela São José | 19,89 |
| 16 | Capela São Luiz Malhada | 74,51 |
| 17 | Casa de formação Loiola | 4,56 |
| 18 | Cavalaria União | 61,35 |
| 19 | Cemitério católico arroio Grande | 114,42 |
| 20 | Cemitério três mártires | 0,31 |
| 21 | Centro de desenvolvimento comunidade Santa Cruz do Sul | 0,18 |
| 22 | Clube 4 S - Força para União | 17,8 |
| 23 | Clube 4 S - Sempre Unidos | 141,9 |
| 24 | Clube 4 S - União para o progresso | 22 |
| 25 | Comunidade católica campo de dentro | 0,78 |
| 26 | Comunidade católica capão da Cruz | 196,96 |
| 27 | Comunidade católica dona Josefa | 0,35 |
| 28 | Comunidade católica linha Cinco | 10,17 |
| 29 | Comunidade católica linha Formosa | 40,25 |
| 30 | Comunidade católica linha João Alves | 239,78 |
| 31 | Comunidade católica linha Risch | 35,94 |
| 32 | Comunidade católica linha Santa Cruz | 2,84 |
| 33 | Comunidade católica Padre Andreas | 11,28 |
| 34 | Comunidade católica Rincão del Rey | 1,02 |
| 35 | Comunidade católica Santo Antônio | 95,29 |
| 36 | Comunidade católica São José | 5,02 |
| 37 | Comunidade católica São Luís | 0,88 |
| 38 | Comunidade católica São Miguel | 2,5 |
| 39 | Comunidade católica São Pedro | 120,07 |
| 40 | Comunidade católica São Sebastião | 0,52 |
| 41 | Comunidade católica Trombudo | 54,04 |
| 42 | Comunidade católica de Vera Cruz | 2,06 |
| 43 | Comunidade escolar católica linha João Alves | 19,88 |
| 44 | Comunidade escolar Dona Carlota | 135,09 |
| 45 | Comunidade escolar linha travessa | 0,86 |
| 46 | Comunidade escolar Riopardense | 1,05 |
| 47 | Comunidade escolar Santo Antônio | 0,71 |
| 48 | Comunidade evangélica luterana Trindade | 0,16 |
| 49 | Comunidade igreja católica Sinimbu | 28,73 |
| 50 | Comunidade igreja Felipe Neri | 0,84 |
| 51 | Comunidade Sagrada família linha sítio | 0,77 |
| 52 | Comunidade Santa Terezinha | 117,59 |
| 53 | Comunidade Santo Antônio | 9,17 |
| 54 | Comunidade São Nicolau Boa Esperança | 0,49 |
| 55 | Congregação Aparecida | 0,21 |
| 56 | Congregação das mães | 44,12 |
| 57 | Congregação das moças | 3,01 |
| 58 | Congregação dos moços | 0,06 |
| 59 | Congregação Mariana dos moços | 0,19 |
| 60 | Congregação dos moços | 1,94 |
| 61 | Construção do colégio Sinimbu | 0,66 |
| 62 | Cooperativa agrícola sítio Ltda | 0,05 |
| 63 | Corinthians esporte clube | 10,2 |
| 64 | Coro misto São José | 4,18 |
| 65 | Cinza Games delegacia municipal do Sesi | 0,56 |
| 66 | Departamento esportivo companhia Cig. Sinimbu | 0,12 |
| 67 | Escas | 7,04 |
| 68 | Escola Cruzeiro do Sul | 18,09 |
| 69 | Escola particular Nossa senhora Auxiliadora | 0,11 |
| 70 | Esporte clube Rio Pardinho | 0,08 |
| 71 | Sport Club Tereza | 2,62 |
| 72 | Frente agrícola gaúcha | 19,15 |
| 73 | Fundação José Hoelzel | 1,87 |
| 74 | Grêmio dos comerciários | 3,6 |
| 75 | Grupo bolão centenário | 67,65 |
| 76 | Gruta Nossa senhora de Lourdes | 2,38 |
| 77 | Guarany futebol clube | 1,3 |
| 78 | Guarda noturna particular | 0,13 |
| 79 | Hospital Santa Cruz | 3,24 |
| 80 | Jornal o contador | 33,04 |
| 81 | Juventude agrária católica | 17,64 |
| 82 | Juventude católica São Pedro | 13,46 |
| 83 | Juventude escola Sinimbu | 1,24 |
| 84 | Liceu São Luís | 372,07 |
| 85 | Liga União Colonial | 1,12 |
| 86 | Movimento familiar cristão | 105,49 |
| 87 | Obra Social São José | 0,42 |
| 88 | Oração apostolado | 1,47 |
| 89 | Padre Vigário Paróquia Católica | 0,65 |
| 90 | Prefeitura municipal | 37,87 |
| 91 | Rotary Club Santa Cruz | 0,24 |
| 92 | Schuetz & Bund | 1,23 |
| 93 | Sociedade beneficente Hospital Trombudo | 210,95 |
| 94 | Sociedade beneficente leprosos Riograndense | 16,74 |
| 95 | Sociedade Cáritas beneficente Ana Nery | 0,24 |
| 96 | Sociedade Concórdia | 2,22 |
| 87 | Sociedade de damas Renascença | 37,07 |
| 98 | Sociedade das mães Trombudo | 1,64 |
| 99 | Sociedade das mães cristãs de Teresa | 1,53 |
| 100 | Sociedade de damas flor de maio | 110,42 |
| 101 | Sociedade escolar sagrado coração de Jesus | 7,77 |
| 102 | Sociedade Lotto Margarida | 43,24 |
| 103 | Sociedade Operária Recreativa | 0,44 |
| 104 | Sociedade União linha Arlindo | 3 |
| 105 | Sociedade União linha Santa Cruz | 2,57 |
| 106 | Sociedade União popular de Boa Vista | 4,73 |
| 107 | Sociedade União Santa Cecília | 14,78 |
| 108 | Sociedade União Santa Cruz | 4,85 |
| 109 | Sociedade 27 de setembro | 1,57 |
| 110 | Tênis Clube Santa Cruz | 1,08 |
| 111 | União Sul Brasileira de Cooperativas | 241,95 |
| 112 | Volksverein linha Santa Cruz | 0,16 |
|  | **Total** | 3580,60 |

Source: Sicredi Vale do Rio Pardo (1968) [[371]](#footnote-371)



**Appendix 3 -** Main events for Sicredi Vale do Rio Pardo

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| **Year** | **First republic: background and structuring of cooperative institutions.** |
| **1889** | Immigrant workers in Brazil respond to precarious work conditions by forming political and cooperative associations, including political parties, unions, and cooperatives. These cooperative associations often create rural and urban consumption and credit services to address the issue. |
| **1891** | Paragraph 8 of Article 72 in the Federal Constitution of Brazil acknowledges the right of workers to form associations, unions and cooperatives. |
| **1895-1900** | Workers' organisations and trade union groups appear in several regions, mainly in São Paulo and Rio de Janeiro, the two largest urban centres with a significant concentration of workers. |
| **1899** | First General Assembly of the *Riograndense Farmers Association*, in Santa Catarina: the Swiss Jesuit Priest Amstad presents the idea of organizing a Farmers Association of Rio Grande do Sul. |
| **1900** | Priest Amstad and other leaders promoted a wide-ranging cooperative campaign among immigrant settlers in Rio Grande do Sul. |
| **1900-1909** | The "*Bauerverein*" (Farmers' Association) operated in Rio Grande do Sul included Italian, Portuguese, Protestant and Catholic settlers; these associations were the germ of production, consumption and credit cooperatives. |
| **1900-1914** | "*Riograndenser Bauernfreund*", a German-language newsletter, for fourteen years disseminated information on cooperatives |
| **1902** | Priest Teodoro Amstadt established the first Raiffeisen Credit Union in the municipality of Nova Petrópolis (RS) with German settlers. Today this credit union is the current Sicredi Pioneira. |
| **1903** | The Decree 979 allowed farmers and professionals in rural industries to organise trade unions to defend their interests. Article 10 of the Decree allowed trade unions to organise rural credit unions and production cooperatives. This legislation, however, did not interfered with the internal rules of the institutions. |
| **1904** | In Santa Cruz do Sul, during the IV General Assembly of the *Riograndenser Bauverein,* Priest Amstad presented the functions of the cooperatives (production, consumption and credit). His work has made Rio Grande do Sul an important Brazilian centre for Raiffeisen credit unions. |
| **1906** | Teodoro Amstad created in Lajeado (RS), the first Luzzatti Credit Cooperative of Brazil (still in activity). |
| **1907** | Decree 1.637, organised trade unions and cooperatives; It also provided for the organisation of cooperative federations and the constitution of agricultural credit cooperatives, with personal, joint and unlimited liability of members. |
| **1908-1914** | Several credit and consumption cooperatives were set up in countryside villages: Cooperativa Prima (SC) in 1909, Cooperativa Colonial Nova Veneza (SC) 1910, Cooperativa de plantadores de fumo (SC) 1910, Cooperativa Agrícola Mista em Vila Nova (RS) - 1911, Sociedade Agrária Mista de Benedito Novo (SC) 1912, Cooperativa de Consumo e Exportação created at Blumenau (SC) 1914. |
| **1918-1931** | Creation of several cooperative, urban and rural banks, Caixas Populares and Caixas Raiffeisen, and also rural, consumer and school cooperatives. |
| **1919** | **Foundation of *Caixa Cooperativa União Popular de Santa Cruz do Sul*, today Sicredi Vale do Rio Pardo – our case study.** |
| **1925** | The first Central Office of Rural Banks was established, called União Popular do Rio Grande do Sul. |
| **1925** | Law 4,984 (31/12) addressed the Luzzatti Banks and Rural Raiffeisen banks (art.40). |
| **1926** | Dec. 17339 (02/06) - approved the regulation of supervision of Luzzatti Banks and Rural Raiffeisen Banks. |
| **1926** | SER - Serviço de Economia Rural, of the Ministry of Agriculture, has replaced the Agricultural Credit Section. The entity was responsible for the registration, control, statistics; supervision of the cooperative advisory committee, etc. |

Source: Adapted from Pinho (2004), Barth et al. (2014), Fundação Sicredi (2014)

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| **Period 2** | **Vargas administration: growth and State intervention** |
| **1932** | Decree 22,239 provided on the organisation and functioning of the cooperative society; it considered cooperatives as "sui generis " legal societies, with specific characteristics. |
| **1933** | Dec. 23,611 revoked Dec. 979/33 and allowed the creation of professional cooperative consortia, in an attempt to establish, in Brazil, the trade union type of cooperativism. |
| **1934** | The Federal Constitution has granted freedom of association and non-dissolution, except by a court order. |
| **1934** | All credit unions from this date require government authorisation to operate (Dec. 24.647) |
| **1937** | The constitution of 1937 has granted freedom of association (art. 22, n.9) and freedom of professional or trade union association (art. 138); however it has given states the competence to legislate on cooperatives (art. 18, f) with the aim of remedying the deficiencies of federal law. |
| **1938** | Decree 581, transfers the supervision of rural cooperatives to the Ministry of Agriculture and credit cooperatives under incubation from the Ministry of Finance. There is a centralised control of cooperative activities. Strong pressure for registration, inspection and assistance to cooperative societies. |
| **1939** | Decreto-Lei n 1.836, allows the admission of legal entities in extractive industry cooperatives. |
| **1940** | Creation of União Sul-Brasileira de Cooperativa Central — South-Brazilian Union of Central Cooperative |
| **1941** | Decree-Law No. 6,980, approves the regulation for inspection of Cooperative Societies. Credit Unions are inspected by the Ministry of Finance. |
| **1941** | Decree-Law No. 7,038, strengthens standards for rural unionization. |
| **1942** | Getúlio Vargas signed the decree n° 5.154, which allowed the Ministry of Agriculture (through SER - Servico de Economia Rural) to intervene in cooperative societies. Creates the task of the superintendents to supervise the cooperative activities. |
| **1943** | Ordinance No. 2,160, makes mandatory the "Registration of Brazilian Cooperative Societies" in the Ministry of Agriculture. |
| **1943** | Caixa de Crédito Cooperativo (CCC) - is created in the city of Rio de Janeiro, by the Getúlio Vargas Government (the CCC was the germ of BNCC, the National Bank of Cooperative Credit). |

Source: Adapted from Pinho (2004), Barth et al. (2014), Fundação Sicredi (2014)

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| **Period 3** | **Democratic interval** |
| **1945** | Decree-Law No 8.127, orders that in each municipality there must be only one rural association. |
| **1945** | Getúlio Vargas creates the Superintendence of Money and Credit - SUMOC which had the function of supervising banks, finances, investment companies, and credit unions. Among the functions is authorization for operation, capital increase, among others. |
| **1946** | The Federal Constitution granted freedom of association (art. 1 41, paragraphs 12 and 13), including professional or trade union association, and the right to strike. |
| **1951** | BNCC, Banco Nacional de Crédito Cooperativo is created by the Getúlio Vargas Government. |
| **1963** | DCOR (Divisão de Cooperativismo e Organização Rural), installed in the Ministry of Agriculture to replace SER (Serviço de Economia Rural). |

Source: Adapted from Pinho (2004), Barth et al. (2014), Fundação Sicredi (2014)

|  |  |
| --- | --- |
| **Period 4** | **Military Rule: banking reform and suppression of credit cooperatives** |
| **1964** | During the military regime, Law 4,595 reformulates the banking system and establishes the rules of the Federal Government's financial policy, making credit cooperatives in the country - Raiffeisen, Luzzatti, rural and urban credit cooperatives - almost impossible to exist. |
| **1964** | The Land Statute, approved, slows down the process of radicalization of the class struggle in the countryside; it supported, among other instruments, the creation of a cooperative system governed by the State. |
| **1965** | In addition to restrictive measures in the cooperatives, the country faced a difficult economic environment - rising inflation, high interest rates, a recessionary tendencies and several other problems, which made the cooperatives' work difficult. |
| **1966** | Decree-law 59 established the national policy of cooperatives, created the CNC (National Council of Cooperativism), revoked decree no. 22.239/32; created an excessive system of State control and determined other measures. |
| **1968** | The process of "pacification and unification" of the cooperative, at state and national levels, was financed by the Minister of Agriculture. The state encouraged the agglutination of cooperatives into regional civil societies. |
| **1969** | Created the Brazilian Cooperative Organisation (OCB) with the unification of UNASCO (União Nacional das Associações Cooperativas) and ABCOOP (Associação Brasileira de Cooperativas). The OCB became the representative of the national cooperative. |
| **1960-1980** | More than 50 credit cooperatives were closed in Rio Grande do Sul. |
| **1970** | The OCB (Organização das Cooperativas Brasileiras) created several OCEs - Estadual Cooperative Organisations, in several Units of the Federation in substitution of the UCEs. Representatives and senators from the PT (Workers' Party), as well as the MST (Landless Workers' Movement), trade unions and credit unions considered the OCB illegitimate and a "spurious" product of the Military Government. |
| **1972-1979** | Several resolutions are approved in the National Cooperative Council, regarding legislation on association rules, operation, participation of cooperatives in other activities, elective positions in the boards of directors, corporate governance, rules for the national fund, rules for interest payments, etc. |
| **1976** | PRONACOOP, Programa Nacional de Cooperativismo, created to stimulate the creation of cooperatives, to rationalise cooperatives, especially in agriculture during the Ernesto Geisel Government. The program financed scientific and technological research projects, sponsored cooperative scholarships, fostered intellectual production on the doctrine and practice of Cooperativism and subsidized the development of cooperative agro-industrial projects. |
| **1980** | COCECRER-RS, Central Cooperative of Rural Credit of Rio Grande do Sul, was created by 9 Raiffeisen credit cooperatives, survivors of the 1964 banking reform. |
| **1982** | Law 6,981 of 30 March 1981 introduced relevant changes in the 1964 Banking Reform Law. |
| **1983** | Cooperative parliamentarians, gathered in Brasilia, defended the occupation of political space by the Cooperative Movement to achieve its institutional improvement and overcome the serious problems of the national economic situation. |

Source: Adapted from Pinho (2004), Barth et al. (2014), Fundação Sicredi (2014)

|  |  |
| --- | --- |
| **Period 5** | **End of State control and democratic governance in cooperatives** |
| **1986** | CONFEBRAS, the Brazilian Confederation of Credit Unions, is created in Vitória (Espírito Santo). It was the first 3rd degree cooperative in the country that brought together several state federations and 2nd degree credit cooperatives. |
| **1988** | In the political area, a Cooperative Parliamentary Front was formed - for the discussion of major national problems such as the Social Agreement, Privatization, Deregulation, Education and others. |
| **1988** | The Constitution introduced several innovations on the cooperative sector: no state interference (art. 5-, XVIII), guarantee for associations and cooperative societies; special tax legislation (art. 146, III, c); support and stimulus for cooperatives and other forms of associationism (art. 174, paragraph 2a ); it included cooperatives among the productive sectors participating in the planning and implementation of agricultural policy. |
| **1990-1992** | The cooperatives suffered severely from the impact of the President Collor Plans I and II, with their current account deposits retained by order of the Federal Government. The effort to reduce costs and increase the efficiency/effectiveness of the cooperatives was intensified so that they could face the unfavourable economic climate. |
| **1990** | BNCC, created in 1951 by President Getúlio Vargas, was extinguished in the Fernando Collor de Mello government. |
| **1992** | Adoption of the Sicredi brand in all the cooperatives that integrate the system. |
| **1992** | Resolution 1.914, of the National Monetary Council, regulated the functioning of credit cooperatives. It made it possible to overcome the difficulties created by the rigid legislation in force for twenty-eight years, coming from the Military Government, which limited the functioning of the credit cooperatives in 1964. |
| **1995** | Creation of Banco Cooperativo Sicredi S.A. (BANSICRED), the first Brazilian cooperative bank. |
| **1996** | BANSICREDI constituted by the Cooperatives affiliated to the Central do SICREDI, in the State of Rio Grande do Sul, allowed access to banking products and services forbidden to cooperatives by the legislation in force at the time, and released options to manage their financial resources on a larger scale. |
| **1997** | BANCOOB (Banco Cooperativo do Brasil), is built by eleven Central Rural and Urban Credit cooperatives from eight Federal units (Santa Catarina, São Paulo, Minas Gerais, Rio de Janeiro, Espírito Santo, Bahia, Goiás and Distrito Federal), |
| **1999** | BANSICREDI - a pioneering initiative that authorized banks to operate rural credit with fees equalized by the National Treasury. |
| **2000** | Multiple Banks: The National Monetary Council approved Resolution No. 2788 allowing cooperative banks to become multiple banks. |
| **2003** | Resolution No 3,106 approved the free admission of members |
| **2008** | Approved SICREDI's organisational and governance project. Sicredi Participações S.A. was created. (SicrediPar) |
| **2010** | SICREDI Group signs partnership with the Dutch bank Rabobank |
| **2011** | Sicredi Group signs partnership with IFC (International Finance Coorporation), part of the World Bank group that invests in the private sector of developing countries. |

Source: Adapted from Pinho (2004), Barth et al. (2014), Fundação Sicredi (2014)

1. Annual report form *Anuário Coop* 2021 available at: https://anuario.coop.br/ramos/credito. [↑](#footnote-ref-1)
2. Idem. [↑](#footnote-ref-2)
3. https://www.uni-wuerzburg.de/for2757/losam/ [↑](#footnote-ref-3)
4. Cooperative as an adjective: involving doing something together or working together with others towards a shared aim (Oxford Learner's Dictionaries). [↑](#footnote-ref-4)
5. "Cooperation." International Encyclopedia of the Social Sciences. Encyclopedia.com. 11 Aug. 2020 <https://www.encyclopedia.com>. [↑](#footnote-ref-5)
6. We stress that cooperation is not an archaic phenomenon in human existence and organisations but rather a complex social action that links individuals, families, tribes, clans and groups. [↑](#footnote-ref-6)
7. “Cooperative Identity, Values & Principles | ICA.” [https://www.ica.coop/en/cooperatives/cooperative-identity.](https://www.ica.coop/en/cooperatives/cooperative-identity#:~:text=Back%20to%20top-,Definition%20of%20a%20Cooperative,owned%20and%20democratically%2Dcontrolled%20enterprise.) (October 1, 2020). [↑](#footnote-ref-7)
8. Promotion of Cooperatives. Recommendation 193. International Labour Organisation (2002). [↑](#footnote-ref-8)
9. Cooperative Identity. Consumer Cooperatives Worldwide (2020). [↑](#footnote-ref-9)
10. Resolution adopted by the General Assembly on 27 July 2012. United Nations (2012). [↑](#footnote-ref-10)
11. Cooperatives. Internal market, industry, entrepreneurship and SMEs. European Union (2020). [↑](#footnote-ref-11)
12. The most common practices are based on Rochdale's experiences: free membership, democratic management, low interest on capital, proportional return on operations, political, religious and ethnic neutrality, and promotion of education, see Table 1. [↑](#footnote-ref-12)
13. The oldest consumer cooperative documented was that of the Fenwick Weavers Society in 1769. The second oldest was another Scottish cooperative, the Govan Victualling Society, of 1777. The oldest cooperative in England was Oldham Cooperative Supply Company, 1795. [↑](#footnote-ref-13)
14. History of the ICA - Cooperatives of the Americas (2020) Url: <https://www.aciamericas.coop/History-of-the-ICA> [↑](#footnote-ref-14)
15. (idem). [↑](#footnote-ref-15)
16. Cooperatives: Characteristics, Activities, Status, Challenges. European Parliament (2019). [↑](#footnote-ref-16)
17. I - Voluntary membership, with an unlimited number of associates, except for technical impossibility of service provision; II - Variability of the share capital represented by share quotas; III - Limitation of the number of share quotas for each associate, allowing, however, the establishment of proportionality criteria if it is more appropriate for the fulfillment of social objectives; IV - Inalienability of share quotas to third parties, outsiders to the cooperative; V - Singular voting right, with central cooperatives, federations, and confederations of cooperatives, except those engaged in credit activities, having the option of adopting the proportionality criterion; VI - Quorum for the functioning and deliberation of the General Assembly based on the number of associates and not on capital; VII - Distribution of net surplus for the year, proportionally to the operations carried out by the associate, except as otherwise determined by the General Assembly; VIII - Indivisibility of the Reserve and Technical, Educational, and Social Assistance Funds;

    IX - Political neutrality and non-discrimination based on religion, race, and social status; X - Provision of assistance to associates, and when provided for in the bylaws, to the cooperative's employees; XI - Limitation of the area for admission of associates to the possibilities of gathering, control, operations, and service provision. (BRASIL, 1971 Art. 4). [↑](#footnote-ref-17)
18. This implies that the formation of social capital is a historical process, the result of social and political conditions established over time; see also Fukuyama (1989). [↑](#footnote-ref-18)
19. Okem [(2016)](https://www.zotero.org/google-docs/?broken=2PeIOY) has pointed out several examples of African credit unions creating a base for a sustained economic development process to fight poverty alleviation. [↑](#footnote-ref-19)
20. The term governance was often confused with government. However, the government suggests actions steamed by a formal authority, and governance relates to activities based on common goals, which may or may not derive from legal and formal responsibilities. [↑](#footnote-ref-20)
21. See, for example, the case of the Viacredi cooperative in Blumenau (Brazil). In 2017, the Viacredi held an ordinary general assembly with 5.5 thousand members and a pre-assembly process involving 87 thousand people. The cooperative registered 400,000 members in the same year, more significant than the city's population. Source: Com mais de 5 mil pessoas na Assembleia Geral, Viacredi registra 87 mil participações no processo assemblear. 2017. Portal do Cooperativismo Financeiro. [↑](#footnote-ref-21)
22. This option has been allowed in Brazil since 1971 by law 5.764, which allowed members to choose delegates to represent them in decision-making bodies. [↑](#footnote-ref-22)
23. The delegate representation model is similar to the U.S. presidential voting model, where members contribute indirectly by electing delegates to represent their votes at general meetings. [↑](#footnote-ref-23)
24. Regarding the members' voting process, Brazilian federal law 5.764 (1971), article 38, establishes an understanding according to the ICA principles as rules to be respected by the cooperatives. It is important to note that although the Federal Law 5.764 of 1971 was created during the military dictatorship, it has proved very important in the organisation of Brazilian cooperatives over the years. This subject is addressed in more detail in Chapter 7, specifically with the organisation of Santa Cruz do Sul's cooperative during the military regime. [↑](#footnote-ref-24)
25. In Brazil, this discussion has emerged since the end of the Sarney government (1985-1990) and has dominated the political agenda in recent years with a series of proposals for government reforms. [↑](#footnote-ref-25)
26. This perspective is not adopted in this research, but rather a bottom-up approach, which verifies the main stakeholders and the community's actions in the organisation's development. [↑](#footnote-ref-26)
27. Hall and Taylor (1996) introduced the concept of neoinstitutionalism, encompassing three distinct analytical frameworks applicable to the study of public policies and organizational theories. These frameworks are identified as historical institutionalism, rational choice institutionalism, and sociological institutionalism. Hall and Taylor's highlight that historical institutionalism emerged as a response to the prevailing interest-based approach to political dynamics and as a contrasting perspective to the dominance of structural-functionalism in political science during the 1960s and 1970s. This framework shifts the focus from viewing the State as a neutral mediator of competing interests to understanding it as a complex interplay of both formal and informal institutions, influencing the nature and outcomes of conflicts among different groups. [↑](#footnote-ref-27)
28. This perspective recognizes that social change is complex, often nonlinear, and influenced by a multitude of factors beyond rational calculations of cost and benefit (Sydow, Schreyögg, and Koch 2009). By studying the historical evolution of institutions and their impact on society and organizations, historical institutionalism provides one understanding of the mechanisms that drive change and the intricate interplay between continuity and transformation. [↑](#footnote-ref-28)
29. Case studies work with a strategy of inquiry in which the researcher explores in depth a program, event, activity, process or one or more individuals (Creswell 2003). [↑](#footnote-ref-29)
30. This study differs from the cross-sectional analysis itself. Cross-sectional analysis, is widely used in international comparative analysis, serves as a technique for distinct research units observed at certain periods, however it tends to lead to a generalization of conclusions beyond the time of the study. According to Lauth and Winkler, longitudinal analysis should be chosen in particular when studying long-term processes and for comparable instruments to better detect path dependency of a development. The data gathering and analysis over longer periods of time (trend and longitudinal) can identify changes along the institution's path and forecast trends or turnovers. More information about the characteristics of each period and the links with the credit union history appear in the topic 3.2 Periodization. [↑](#footnote-ref-30)
31. It is important to note that the workshop was attended by Sicredi coordinators who invited the researcher to visit the cooperative's installations. The invitation was accepted, and it was the first step to start empirical interaction in the institution. Already in the following days, the researcher was inside the cooperative following it activities. [↑](#footnote-ref-31)
32. Some documentation from the cooperative during 1924-1930 and 1930-1945 was missing. Consequently, alternative sources like the national legislation were used to gather information and gain insights into the cooperative's activities during those specific timeframes. [↑](#footnote-ref-32)
33. The Kolonie newspaper was one of the main German-speaking newspapers in the interior of Brazil. Its official publications began in 1891. By 1917 and 1919 the newspaper had its printing suspended (the period when Brazil entered on the First World War). The newspaper was published in Santa Cruz do Sul until 1945. During field research, the researcher worked with the Kolonie newspapers between 1919 and 1945 and with the Diário de Santa Cruz do Sul from 1945 on, and also with photographs and information about the first cooperatives in the region. Among the information were reports and advertisement of the first rural banks in the Vale do Rio Pardo region, such as Caixa União Popular de Santa Cruz do Sul (1919 - Current Sicredi) and Caixa Rural de Venâncio Aires (1913), Banco Brasileiro Alemão, Caixa Cooperativa Santacruzense (1904), Cooperativa de Agrícola de Rio Pardinho (1913), Cooperativa Mista Boa Vista (1915) etc. Besides the data on banks and cooperatives the researcher found valuable information, such as reports of the first German immigrants, conjuncture and historical analyses, habits, chronicles and facts of Santacruzense society. The newspaper reports also the first industries of the region, such as minutes of foundation of the Compania de Fumos de Santa Cruz do Sul, Polar Brewery, local enterprises, annual reports of the city and elections (quantity of votes, parties, candidates and coalitions of the time). The researcher expresses his gratitude for the research opportunity at the Documentation Centre (CEDOC) of the University of Santa Cruz do Sul (UNISC). [↑](#footnote-ref-33)
34. m&r - Meetings and reports: [↑](#footnote-ref-34)
35. At Book 1 - manuscripts from 1923-1926, it's possible to find only information about the entrance of new members and cooperative operations. It is not available in this book the minutes of general meetings and statue reforms. As pointed out in Freitas (1990), there was an statute reform on 1923 and the documentation was not available on the cooperative archive. There is, however, one publication on St. Paulus Blatt (1923) with the summary of the statute reform of this year. [↑](#footnote-ref-35)
36. The main interest in using participant observation is to study social meanings, feelings and interactions from the perspective of the native members of these situations and environments. [↑](#footnote-ref-36)
37. These were the areas where the researcher had most contact during his field research. [↑](#footnote-ref-37)
38. Other sub-codes (third subsection - which does not appear in figure 1) can be seen in the attached Code Book. The codes are: Relations with locality, relations with employees, relations with other cooperatives, relations with other banks, relations with market, relations with gender, other relations. [↑](#footnote-ref-38)
39. Zotero 5.0.85 [↑](#footnote-ref-39)
40. Jerky or *cheque* is a salted, sun-dried meat for more prolonged consumption. [↑](#footnote-ref-40)
41. The capitalist accumulation process in Santa Cruz do Sul begins with merchants who assume the surplus share of agricultural products (especially from tobacco) in exchanges between agricultural and manufactured products and through the fees charged for transportation (Godinho et al. 1980). [↑](#footnote-ref-41)
42. Krause (1991), after researching several sources, sets up a sample with 66 enterprises representing the commerce and industries established in the city of Santa Cruz do Sul before 1930. From this sample, Krause (1991 p.101) points out that most of the "industries" of the time were established by the children, grandchildren or great-grandchildren of immigrants working in agriculture. The author also draws attention to the fact that many founders of enterprises learned the techniques from their relatives, who were both traders and farmers or craftsmen and farmers. In some cases, when technical knowledge was needed, it was acquired from relatives or through learning in workshops or even in Germany when the family could finance the studies (ibid., p. 102). Krause (1991) notes that most industries in Santa Cruz do Sul started from the capital accumulated by local traders, especially in tobacco production. [↑](#footnote-ref-42)
43. It is important to note that managers and directors of Caixa Cooperativa de Crédito Santa-Cruzense came mainly from outside Santa Cruz do Sul. Most of the administrative staff was from Porto Alegre, the state capital (Noronha 2020, 47). In addition, this cooperative bank was sold to the *Banco Mercantil* and then merged with *Unibanco — União de Bancos Brasileiros* — "Union of Brazilian Banks" (Lagemann 1985), which in 2008 joined Itaú to become the largest private financial complex in the country. The Volksverein *União Popular de Santa Cruz do Sul*, which will later become *Sicredi Vale do Rio Pardo*, on the other hand, had its administrative staff made up of people from the locality, mainly German immigrants. [↑](#footnote-ref-43)
44. Sicredi Vale do Rio Pardo. Statute of the year 1919. [↑](#footnote-ref-44)
45. Sicredi Vale do Rio Pardo. Statute of the year 1919. [↑](#footnote-ref-45)
46. Sicredi Vale do Rio Pardo. Statute of the year 1919. [↑](#footnote-ref-46)
47. Sicredi Vale do Rio Pardo. Extraordinary meeting of the year 1920. [↑](#footnote-ref-47)
48. There is no information in the cooperative's archives about the remuneration of its directory. It is likely that the organisation did not reward these actors because its members were influenced by Raiffeisen's principles, which recommend not remuneration leaders. In the 1966 Statute amendment, they began to accept salaries for directors. [↑](#footnote-ref-48)
49. According to paragraph § 2º of decree no. 1.637, of January 5, 1907, professional syndicates (and cooperatives) may be freely established without government authorisation and must submit three copies of their statutes, installation act, and list of board of directors, council, and other managerial bodies to the local registry office in order to receive legal benefits to operate. The list must include the members' nationality, age, residence, profession, and status. [↑](#footnote-ref-49)
50. Sicredi Vale do Rio Pardo. Statute of the year 1919. [↑](#footnote-ref-50)
51. Sicredi Vale do Rio Pardo. Extraordinary meeting of the year 1920. [↑](#footnote-ref-51)
52. Sicredi Vale do Rio Pardo. Statute of the year 1919. [↑](#footnote-ref-52)
53. Art. 15 of decree no. 1.637, of January 5, 1907 [↑](#footnote-ref-53)
54. The Spar- und Darlehenskasse Santa-Cruzense was the first financial institution in Santa Cruz (1904); its directors managed to expand the market and achieve significant economic success. The organisation established branches in various cities in the State; its members accepted the transfer of its headquarters to Porto Alegre in 1938 and the agreement that led to the foundation of Banco Agrícola e Mercantil S/A, which today is part of one of the largest private national financial groups. See Noronha (2012) and Lageman (1985). [↑](#footnote-ref-54)
55. Sicredi Vale do Rio Pardo. Statute of the year 1919. [↑](#footnote-ref-55)
56. Sicredi Vale do Rio Pardo. Statute of the year 1919. [↑](#footnote-ref-56)
57. Sicredi Vale do Rio Pardo. Statute of the year 1919. [↑](#footnote-ref-57)
58. Sicredi Vale do Rio Pardo, Minutes of the board and fiscal council meetings, Year 1922. [↑](#footnote-ref-58)
59. It is unclear if João Werlang was only the organisation's treasurer or held other positions or responsibilities. [↑](#footnote-ref-59)
60. 1 - Volksverein-Saving Banks. In the Assembly of the Delegates Representatives of the Volksverein in Santa Cruz on April 26 of this year, it was suggested to promote an Assembly of Delegates Representatives of all the Savings Banks of the Uniao Popular Cooperatives in September of this year in Santa Maria to establish a Central Office that should serve for the intermediation of money, for the advising and clarifications (consulting). The undersigned ask the honourable Presidencies of the Uniao Popular to send him, as soon as possible and in writing, their requests and proposals so that he can set the agenda and provide the material for the Assembly. At the request of: Anton Wenzel, Serro Azul, Santo Ângelo das Missões. In this State. (Wilhelm and Schneider 2013, 35 Autor translation). [↑](#footnote-ref-60)
61. Sicredi Vale do Rio Pardo, Minutes of the board and fiscal council meetings, year 1950. p. 142. [↑](#footnote-ref-61)
62. Sicredi Vale do Rio Pardo, Minutes of the board and fiscal council meetings, year 1947. p. 72. [↑](#footnote-ref-62)
63. Sicredi Vale do Rio Pardo, Minutes of the board and fiscal council meetings, Year 1951. p. 234. [↑](#footnote-ref-63)
64. Sicredi Vale do Rio Pardo, Minutes of the board and fiscal council meetings, Year 1952. p. 305. [↑](#footnote-ref-64)
65. Sicredi Vale do Rio Pardo, Minutes of the board and fiscal council meetings, Year 1952. p. 287. [↑](#footnote-ref-65)
66. This information was obtained from the Almanak Laemmert newspaper. Almanak Laemmert, 1910. Administrativo, Mercantil e Industrial Rio Grande do Sul p. 130. [↑](#footnote-ref-66)
67. Sicredi Vale do Rio Pardo. Minutes of the statute of the year 1919. [↑](#footnote-ref-67)
68. Sicredi Vale do Rio Pardo. Minutes of the statute of the year 1919. [↑](#footnote-ref-68)
69. Sicredi Vale do Rio Pardo. Extraordinary Meeting of the Year 1922. [↑](#footnote-ref-69)
70. Sicredi Vale do Rio Pardo, former legislative advisor in the year 1897. [↑](#footnote-ref-70)
71. Sicredi Vale do Rio Pardo. Extraordinary Meeting of the Year 1922. [↑](#footnote-ref-71)
72. Sicredi Vale do Rio Pardo. Extraordinary Meeting of the Year 1922. [↑](#footnote-ref-72)
73. Minutes of the Board of Directors and Fiscal Council Meeting. December 31, 1922. [↑](#footnote-ref-73)
74. Minutes of the Board of Directors and Fiscal Council Meeting. January 12, 1921. [↑](#footnote-ref-74)
75. Minutes of the Board of Directors and fiscal council meeting. September 5, 1921. [↑](#footnote-ref-75)
76. Minutes of the Board of Directors and fiscal council meeting. September 11, 1922 [↑](#footnote-ref-76)
77. Minutes of the Board of Directors and fiscal council meeting. October 6, 1922. [↑](#footnote-ref-77)
78. Minutes of the Board of Directors and fiscal council meeting. October 26, 1922. [↑](#footnote-ref-78)
79. Minutes of the Board of Directors and fiscal council meeting. October 14, 1922. [↑](#footnote-ref-79)
80. Minutes of the Board of Directors and fiscal council meeting. September 11, 1922. [↑](#footnote-ref-80)
81. Endogenous following Levay (1983, p. 40) "where the state supplies capital it may be appropriate to regard it as an exogenous variable, where generated and maintained by the membership, it clearly must be seen as endogenous". [↑](#footnote-ref-81)
82. From July 1 1867, the district belonged to the North German Confederation and, from January 1 1871 to the German Empire. On November 8 1919, the province of Silesia was dissolved. The new province of Lower Silesia was formed from the administrative districts of Breslau and Glogau. [↑](#footnote-ref-82)
83. AI2 (Institutional Act No. 2) was a decree with constitutional force imposed by the military government to abolish the multiparty system in Brazil. Thirteen legal, political parties in the country were eliminated, and a bipartisan system was established with this measure. [↑](#footnote-ref-83)
84. Arena (political party) was created in 1965 to support the Brazilian military dictatorship that took power in the 1964 coup. [↑](#footnote-ref-84)
85. See Article 22 of the Constitution of the Republic of Brazil of July 16, 1934. [↑](#footnote-ref-85)
86. Of course, each operated differently, and unions were more focused on defending the class interests. For a discussion on this topic, see: CARONE, E. A República velha: instituições de classes sociais. São Paulo: Difusão Européia do Livro, 1970, p. 244. [↑](#footnote-ref-86)
87. Op. cit. art. 16. [↑](#footnote-ref-87)
88. Op. cit. art. 30 § 3º. [↑](#footnote-ref-88)
89. Decree No. 23.611, December 20, 1933 Art. 5. [↑](#footnote-ref-89)
90. For a literature review on the concept of corporatism see: Molina, Oscar, and Martin Rhodes. 2002. “Corporatism: The Past, Present, and Future of a Concept.” *Annual Review of Political Science* 5 (1): 305–31, and Schmitter, Philippe C. 1974. “Still the Century of Corporatism?” *The Review of Politics* 36 (1): 85–131. [↑](#footnote-ref-90)
91. Federal Constitution of 1937, Article 180. [↑](#footnote-ref-91)
92. For information on the federal intervention and the functioning of the administrative departments, see Codato (2008). [↑](#footnote-ref-92)
93. For further details, please refer to CPDOC. n.d. “Novas Interventorias e Departamentos Administrativos.” Accessed October 4, 2021.<https://cpdoc.fgv.br/producao/dossies/AEraVargas1/anos37-45/PoliticaAdministracao/InterventoriasDepartamentos>. [↑](#footnote-ref-93)
94. Op. cit. [↑](#footnote-ref-94)
95. Sicredi Vale do Rio Pardo. Board of Directors Minutes from the year 1958. [↑](#footnote-ref-95)
96. See the minutes of the board of directors' meetings for 1953. [↑](#footnote-ref-96)
97. Decree No. 6,980 of March 19, 1941. Article 5 – Penalties. [↑](#footnote-ref-97)
98. Decree No. 1.202, of April 8, 1939. [↑](#footnote-ref-98)
99. Op cit. Article 32, section XV. [↑](#footnote-ref-99)
100. Op cit. Article 33, section XII. [↑](#footnote-ref-100)
101. Op cit. Articles 3, 13 and 40. [↑](#footnote-ref-101)
102. The term 'decentralized' is used in parentheses because the financial system was solely under the President's control. However, the procedures for management and administration were carried out by the ministries according to the President's orders. Therefore, 'decentralized' only refers to supervisory authority, not management or planning authority. [↑](#footnote-ref-102)
103. Constitution of 1937, article 16, paragraph VI. [↑](#footnote-ref-103)
104. Op cit., article 16, paragraph XIX. [↑](#footnote-ref-104)
105. Op cit., article 60, subparagraph c. [↑](#footnote-ref-105)
106. I use the term *democratic interval* to delineate the historical political period of Brazil from 1945 to 1964, as suggested by historian Jorge Ferreira (2006), who argues that this interval of the country's history is democratic because it has its own characteristics, such as regular elections, a certain degree of ideological party freedom, and the absence of state control over the press. [↑](#footnote-ref-106)
107. During the Estado Novo, the president had significant control over the appointment of government officials at all levels. Mayors were appointed by governors, who were in turn appointed by the president. [↑](#footnote-ref-107)
108. Sicredi Vale do Rio Pardo. Annual reports, 1945. [↑](#footnote-ref-108)
109. The General Price Index (GPI), in yellow, records the rate of price change as a proxy for national inflation. It is composed of the arithmetic average of the wholesale price index (WPI) (60%), the consumer price index (CPI) (30%), and the national construction cost index (NCCI) (10%). For price data purposes, the WPI measures price changes from the first to the last day of the reference month. More information: Metodologia IGP-DI e "Contabilidade Social", Feijó & Ramos, 4ª ed. Revisada e Ampliada. [↑](#footnote-ref-109)
110. Sicredi Vale do Rio Pardo. 1952. 323–332 Estatute. [↑](#footnote-ref-110)
111. Sicredi Vale do Rio Pardo. Board of directors and Fiscal Council report of September 20, 1951. [↑](#footnote-ref-111)
112. The Santa Cruz Hotel (1927) is located at the corner of Tenente Coronel Brito Street and Ramiro Barcelos Street and belonged to the cooperative until 1966. [↑](#footnote-ref-112)
113. Sicredi Vale do Rio Pardo. Report of the board of directors and fiscal council of May 3, 1957. Note: The hotel and the CTA had to be sold due to the 1964 banking reform approved during the military regime. [↑](#footnote-ref-113)
114. Sicredi Vale do Rio Pardo. Annual report, 1953. [↑](#footnote-ref-114)
115. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of August 24, 1948. [↑](#footnote-ref-115)
116. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of October 13, 1948. [↑](#footnote-ref-116)
117. Sicredi Vale do Rio Pardo. Annual report, 1956. [↑](#footnote-ref-117)
118. Sicredi Vale do Rio Pardo. Annual report, 1956. [↑](#footnote-ref-118)
119. Sicredi Vale do Rio Pardo. Annual report, 1949. [↑](#footnote-ref-119)
120. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of April 29, 1958. [↑](#footnote-ref-120)
121. Sicredi Vale do Rio Pardo. Annual report, 1959. [↑](#footnote-ref-121)
122. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of Dec. 12, 1959. [↑](#footnote-ref-122)
123. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report, February 11, 1953. [↑](#footnote-ref-123)
124. Board of Directors and Fiscal Council report, May 23, 1953, where the effects of SUMOC Resolution 04 of March 5, 1953 are presented. [↑](#footnote-ref-124)
125. Sicredi Vale do Rio Pardo. Board of directors and fiscal council report, March 28, 1953. [↑](#footnote-ref-125)
126. Sicredi Vale do Rio Pardo. Board of Directors meeting of October 30, 1957. Note: this meeting members look for alternatives to SUMOC supervision. The Decree 41,872 of 1957 establishes that credit cooperatives as well as those with a "Credit Section" independent of the supervision carried out by the Rural Economy Service (SER) of the Department of Agriculture shall also be under the supervision of the Money and Credit Administration (SUMOC) of the Department of Finance concerning overall regulations of monetary and credit policies issued by the government to carry out their purposes. [↑](#footnote-ref-126)
127. Source: Table 10. [↑](#footnote-ref-127)
128. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of July 02, 1952. [↑](#footnote-ref-128)
129. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of October 03, 1955. [↑](#footnote-ref-129)
130. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of July 02, 1952. [↑](#footnote-ref-130)
131. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council Report of August 24, 1949. [↑](#footnote-ref-131)
132. Sicredi Vale do Rio Pardo. Annual report, 1959. [↑](#footnote-ref-132)
133. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of Mai 22, 1959. [↑](#footnote-ref-133)
134. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of August 08, 1959. [↑](#footnote-ref-134)
135. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of Sept. 26, 1959. [↑](#footnote-ref-135)
136. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council Report of August 24, 1949. [↑](#footnote-ref-136)
137. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of April 1, 1945. [↑](#footnote-ref-137)
138. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of October 21, 1960. [↑](#footnote-ref-138)
139. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of March 28, 1953. [↑](#footnote-ref-139)
140. The annual inflation rate in Brazil for 1953 is 20.5%, according to FGV data, IGP-DI methodology. [↑](#footnote-ref-140)
141. Statute of 1953, article 26, paragraph 1 and 2. [↑](#footnote-ref-141)
142. Article 23 of the Internal Statute of the year 1952. [↑](#footnote-ref-142)
143. Article 25 of the Internal Statute of the year 1952. [↑](#footnote-ref-143)
144. Statute of 1953, article 22, paragraph 1 and 2. [↑](#footnote-ref-144)
145. The number may be even higher, as it is not known which period they started as assistants. [↑](#footnote-ref-145)
146. Leopoldo Morsch, president from 1961-1971, became secretary in 1971 and manager in 1974, right after he left the command of the organisation. Aloysio Rech, president 1968-1974, became secretary from 1974-1976 and manager from 1976-1982. [↑](#footnote-ref-146)
147. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report, November 9, 1951. [↑](#footnote-ref-147)
148. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report, April 1, 1961. [↑](#footnote-ref-148)
149. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of July 31, 1954. [↑](#footnote-ref-149)
150. Sicredi Vale do Rio Pardo. Extraordinary General Assembly on August 15, 1954. [↑](#footnote-ref-150)
151. Sicredi Vale do Rio Pardo. Extraordinary General Assembly of July 31, 1954. [↑](#footnote-ref-151)
152. Sicredi Vale do Rio Pardo. Extraordinary General Assembly on August 15, 1954. [↑](#footnote-ref-152)
153. The amount of deposits in the year 1954 is Cr$ 25,873,947.80 see Chart 12. [↑](#footnote-ref-153)
154. Sicredi Vale do Rio Pardo. Board of Directors report of August 17, 1954 [↑](#footnote-ref-154)
155. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of July 23, 1955. [↑](#footnote-ref-155)
156. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal council report of April 28, 1956. [↑](#footnote-ref-156)
157. The National Campaign for Rural Education (CNER), established on May 9, 1952 by the Ministry of Education and Health, with headquarters in Rio de Janeiro and jurisdiction throughout the country, has the purpose of promoting Basic Education in the Brazilian rural environment. (Decree No. 38.955 of March 27, 1956). CNER Director, Professor João Pedro Santos, visits the CTA and makes a great impression of the project (Meeting of the Board of Directors and Fiscal Council of July 28, 1956). [↑](#footnote-ref-157)
158. The selection of the CTA as a 'rural model school' took place after a meeting of the entities in Porto Alegre in September 1956. See Freitas (1990 p. 203) and Board of Directors and Fiscal Council report of 27 October 1956. [↑](#footnote-ref-158)
159. Sicredi Vale do Rio Pardo. Board of Directors and Fiscal Council report of April 28, 1956. [↑](#footnote-ref-159)
160. Sicredi Vale do Rio Pardo. Board meeting and fiscal council report of April 28, 1956, where ASCAR's affiliation takes place. [↑](#footnote-ref-160)
161. In the 1970s ASCAR joined EMATER-RS (Associação Rio Grandense de Empreendimentos de Assistência Técnica e Extensão Rural) and became part of the national system of Technical Assistance and Rural Extension. Source: Ascar. História da Ascar, 65 anos fortalecendo o meio rural Gaúcho. available at: <https://www.tuaradio.com.br/Aurora/noticias/geral/02-06-2020/historia-ascar-65-anos-fortalecendo-o-meio-rural-gaucho> accessed in : 02.12.21 [↑](#footnote-ref-161)
162. In addition to CTA's participation, APESC's deliberative council includes the following associations: Associação Comercial de SCS, Associação de Pais e Professores da Escola Normal Sagrado Coração de Jesus, Associação de Professores da Escola Normal Rural Murilo Braga de Carvalho, Associação de Professores de SCS, Associação de Ex-Alunos Maristas de SCS, Associação de Alunos e Amigos do Colégio Mauá, Municipal Chamber of SCS, Centro de Desenvolvimento da Comunidade de SCS, Chamber of SCS, Centro de Desenvolvimento Comunitário of SCS, Trade Union of Workers in the Industries of SCS, Branch Office of the Center of Industries of SCS, Escola do Serviço Nacional de Aprendizagem Industrial-SENAI, Municipal Office of ASCAR, União dos Empregadores na Indústria do Fumo de SCS, Sindicato dos Contabilistas de SCS, Sindicato dos Empregados no Comércio de SCS, Associação Rural de SCS, União dos Estudantes Santa-Cruzenses. See Kipper and Neumann (2012 p. 16). [↑](#footnote-ref-162)
163. That is also a statement by Freitas (1990 p. 214). [↑](#footnote-ref-163)
164. Article 35 of law 4595 of 31.12.1964 and 'item' 3 of circular 30 of 29.03.1966, deals specifically with norms for the sale of real estate, which are not for the use of the financial institution. [↑](#footnote-ref-164)
165. Sicredi Vale do Rio Pardo. Extraordinary General Meeting report of October 18, 1966. [↑](#footnote-ref-165)
166. The administrative procedures for the sale of properties are described in the next chapter. [↑](#footnote-ref-166)
167. A provision in this law that required state approval for cooperative constitution and operation was revoked in 1988 by the Federal Constitution. Credit cooperatives were, however, still subordinate to BACEN in every respect. [↑](#footnote-ref-167)
168. Law no. 4.595, of December 31, 1964, art. 1. [↑](#footnote-ref-168)
169. Law no. 4.595, of December 31, 1964. art. 10 and 11. [↑](#footnote-ref-169)
170. Law no. 4.595, of December 31, 1964. Art. 55. [↑](#footnote-ref-170)
171. Law no. 4.595, of December 31, 1964. Art. 55. Compulsory deposits are one of the tools used by central banks to control the amount of money circulating in the domestic economy. This mechanism may affect the credit available as well as the interest rates. It is through compulsory deposits that financial institutions are obliged to deposit a portion of the funds raised from their clients into an specific account. [↑](#footnote-ref-171)
172. Law no. 4.595, of December 31, 1964. Art. 18. [↑](#footnote-ref-172)
173. Central Bank Resolution No. 11, of December 20, 1965. [↑](#footnote-ref-173)
174. Central Bank Resolution No. 15, of January 28, 1966. [↑](#footnote-ref-174)
175. Central Bank Resolution No. 99, of September 19, 1968. [↑](#footnote-ref-175)
176. In 1967, the regionall office União Popular do Rio Grande do Sul is declined to a singular cooperative and becomes Cooperativa de Crédito Sul Rio-Grandense (currently Sicredi Metrópolis RS) see Wilhelm, E. J., & Schneider, J. O. (2013). [↑](#footnote-ref-176)
177. Sicredi Vale do Rio Pardo. Annual Report, 1964. [↑](#footnote-ref-177)
178. Freitas (1990, p. 291) notes that at the March 8, 1950 board meeting, 24.24% of loans were granted to military personnel, and at the November 28, 1950 meeting, 6.12% of loans were granted to this class. [↑](#footnote-ref-178)
179. Bruno Agnes, president of the cooperative between 1946-1961, Francisco Franz, fiscal councilor in several terms between 1948-1968, Leopoldo Morsch, president between 1962-1971 are founders of the Gazeta newspaper, see Noronha (2012), Frantz (2021), Kuhn (2007). [↑](#footnote-ref-179)
180. Official letter to the Central Bank sent by Cooperativa de Crédito Caixa União Popular de Santa Cruz do Sul and Cooperativa de Crédito Santa Cruz Ltda. on May 6, 1970. [↑](#footnote-ref-180)
181. Official letter to the Central Bank sent by Cooperativa de Crédito Caixa União Popular de Santa Cruz do Sul and Cooperativa de Crédito Santa Cruz Ltda. on May 6, 1970. [↑](#footnote-ref-181)
182. Information in drafts that have not been sent to the Central Bank, 1970. [↑](#footnote-ref-182)
183. Information in drafts that have not been sent to the Central Bank, 1970. [↑](#footnote-ref-183)
184. Central Bank. Official Notice DIORG/SURAG 69/746 of December 5, 1969. [↑](#footnote-ref-184)
185. Central Bank. Official Notice DIROG/SETEX 70/485 of March 17, 1970 and DIROG/SETEX 70/1067 of July 14, 1970. [↑](#footnote-ref-185)
186. The request reached the hands of Congressman Silverius Kist (ARENA) and Congressman Victor Faccioni (ARENA). [↑](#footnote-ref-186)
187. The office of Banking Supervision is a department of the Central Bank responsible for overseeing cooperatives and other financial agents. This department communicates directly with the directors of the enterprise and is empowered to intervene in any management decision. [↑](#footnote-ref-187)
188. Central Bank of Brazil. Letter SINCO 66/1809 of December 21, 1966. [↑](#footnote-ref-188)
189. Central Bank of Brazil. Letter SINCO 67/1424 of April 13, 1967. [↑](#footnote-ref-189)
190. Central Bank of Brazil. Letter SINCO 67/3060 of December 29, 1967. [↑](#footnote-ref-190)
191. Central Bank of Brazil. Letter SINCO 67/3060 of December 29, 1967. [↑](#footnote-ref-191)
192. Letter from União Popular de Santa Cruz do Sul dated 26 May 1967 in reply to BC SINCO letter No. 67/1424 of 13 April 1967. [↑](#footnote-ref-192)
193. Letter from União Popular de Santa Cruz do Sul dated February 12, 1968 in reply to BC SINCO letter 67/3060 dated December 29, 1967. [↑](#footnote-ref-193)
194. Central Bank of Brazil. Letter SINCO 68/2513 Rio de Janeiro, September 30, 1968. [↑](#footnote-ref-194)
195. Banco Central. Ofício SINCO 68/2513 Rio de Janeiro, 30 de setembro de 1968. [↑](#footnote-ref-195)
196. Central Bank of Brazil. Letter SINCO 68/2513 Rio de Janeiro, September 30, 1968. [↑](#footnote-ref-196)
197. Letter from União Popular de Santa Cruz do Sul dated November 14, 1968, in reply to BC SINCO 68/2513, September 30, 1968. [↑](#footnote-ref-197)
198. In 1964, the General Register of Taxpayers (CGC) became an obligation for legal entities. Until 1998 when the Brazilian National Registry of Legal Entities (CNPJ) — Cadastro Nacional de Pessoas Jurídicas — was set up . [↑](#footnote-ref-198)
199. Central Bank. Letter SINCO 70/846 Rio de Janeiro, dated June 10, 1970. [↑](#footnote-ref-199)
200. Central Bank. Letter DIAUC/SINCO-73/ 596, Rio de Janeiro dated July 26, 1973. and Central Bank, letter DIAUC/SINCO 73/597 Brasília, 26 July 1973. [↑](#footnote-ref-200)
201. Letter from União Popular de Santa Cruz do Sul dated 27 August 1973 in reply to BC DIAUC/SINCO 73/597. [↑](#footnote-ref-201)
202. Letter from União Popular de Santa Cruz do Sul dated 27 August 1973 in reply to BC DIAUC/SINCO 73/597. [↑](#footnote-ref-202)
203. Central Bank, letter DIAUC/SINCO 73/597 Brasília, 26 July 1973 item b. [↑](#footnote-ref-203)
204. The data are on a logarithmic scale and in brazilian cruzeiros (Cr$) currency. No balance sheet data were found for the years 1977 and 1979. In the period from 1964 to 1988, Brazil had 5 currencies: Cruzeiro (Cr$), from December 1, 1964, to February 12, 1967; Cruzeiro novo (NCr$), from February 13, 1967, to May 14, 1970; Cruzeiro (Cr$), from May 15, 1970, to August 14, 1984; Cruzeiro (Cr$), from August 15, 1984, to February 27, 1986; and Cruzado (Cz$), from February 28, 1986, to January 15, 1989. Conversions were based on the equivalent value of each currency. [↑](#footnote-ref-204)
205. Analysing the variation in deposits and loans from 1964-1988 proved to be an extremely complex task. The data were impacted by various fiscal and monetary policies, and currency changes, requiring substantial attention. Moreover, my lack of formal training in economics was also a limiting factor. Therefore, it is essential to have experts in the field review the data presented to ensure accurate interpretation. [↑](#footnote-ref-205)
206. The deposit levels at União Popular de Santa Cruz do Sul exhibit considerable volatility over time, as Chart 16 member adjusted deposits reveals. The most substantial positive variations occurred during 1966-1967, 1985-1986, and 1976-1978, with growth rates of 177,283.7%, 187.6%, and 170.3%, respectively. In contrast, the most substantial negative variations were recorded during 1984-1985, 1986-1987, and 1965-1966, with decreases of -75.3%, -62.9%, and -61.6%, respectively. These fluctuations reflect a volatile deposit base exposed to both exogenous and endogenous facts, such as changes in member savings behaviour. [↑](#footnote-ref-206)
207. Loans, when adjusted for inflation index, have exhibited considerable volatility over time, as evidenced by Table 15, member-adjusted loan. The most substantial positive variations were during 1966-1967, 1985-1986, and 1965-1966, with growth rates of 41,901.14%, 147.49%, and 99.32%, respectively. Conversely, the most significant negative variations occurred during 1982-1983, 1986-1987, and 1987-1988, with decreases of -66.93%, -31.97%, and -30.82%, respectively. These fluctuations reflect a volatile loan base, influenced by external and internal factors, such as changes in members' saving behaviour and economic conditions. [↑](#footnote-ref-207)
208. Letter from União Popular de Santa Cruz do Sul dated November 14, 1968, in reply to BC SINCO 68/2513, September 30, 1968. [↑](#footnote-ref-208)
209. Sicredi Vale do Rio Pardo. Annual Report, 1982. [↑](#footnote-ref-209)
210. Sicredi Vale do Rio Pardo. Article 38 of the statutory reform of September 29, 1966. [↑](#footnote-ref-210)
211. Sicredi Vale do Rio Pardo. Article 15 § 1 of the statutory reform of September 29, 1966. [↑](#footnote-ref-211)
212. Central Bank. Letter SINCO 70/846 Rio de Janeiro, dated June 10, 1970. [↑](#footnote-ref-212)
213. Letter from União Popular de Santa Cruz do Sul from 1970 in reply to BC SINCO 70/846. [↑](#footnote-ref-213)
214. Sicrevi Vale do Rio Pardo. Board of Directors and Fiscal Council report of September 9, 1966. [↑](#footnote-ref-214)
215. It was not possible to obtain the number of members from 1964 to 1968 due to the lack of information in the annual reports and the board reports. It is estimated that the number of members has also declined during this period. Note: no data was found for the years 1973 and 1979. [↑](#footnote-ref-215)
216. Letter from União Popular de Santa Cruz do Sul from April 29, 1968 in response to SINCO letter 68/353 of March 21, 1968. [↑](#footnote-ref-216)
217. Statement by Elsídio Frantz, vice-president (Barth et. al. 2014 p. 122), author translation. [↑](#footnote-ref-217)
218. Sicredi Vale do Rio Pardo. Annual Report, 1982. [↑](#footnote-ref-218)
219. Sicredi Vale do Rio Pardo. Annual Report, 1981. [↑](#footnote-ref-219)
220. A cleared check (*cheque compensado*) is a document that, when deposited in a bank, is converted into cash value in a checking account. With this manner, members can deposit and issue checks through their own institution. [↑](#footnote-ref-220)
221. Sicredi Vale do Rio Pardo. Annual Report, 1985. [↑](#footnote-ref-221)
222. Statement by Paulo Musskopf, president from 1987-1990 (Barth et. al. 2014 p. 113), author translation. [↑](#footnote-ref-222)
223. Statement by Vanderlei Jaeger, staff member (Barth et. al. 2014 p. 99), our translation. [↑](#footnote-ref-223)
224. Sicredi Vale do Rio Pardo. Annual Report, 1984. [↑](#footnote-ref-224)
225. It is important to note that the remuneration of the members of the Executive Board (directors) is not linked to labor rights. These members are granted control and ownership capacity over management, unlike other employees. [↑](#footnote-ref-225)
226. Sicredi Vale do Rio Pardo. Minutes of the 1971 general assembly. [↑](#footnote-ref-226)
227. Sicredi Vale do Rio Pardo. Statute of the year 1953, article 22, paragraph 1 and 2. [↑](#footnote-ref-227)
228. Statement by Vanderlei Jaeger, manager (Barth, et al., p.99), author translation. [↑](#footnote-ref-228)
229. Statement by Valfredo Mueller, manager (Barth et al. 2014 p 111-112), author translation. [↑](#footnote-ref-229)
230. Statement by Angela Borba, employee (Barth, et al. 2014 p 97), author translation. [↑](#footnote-ref-230)
231. Sicredi Vale do Rio Pardo. Minutes of the board of directors from 1973. [↑](#footnote-ref-231)
232. No data was found for the year 1966. The researcher did not have access to data for 1986, 1987 and 1988. This information may be obtained by writing to the Board of Directors. However, we have chosen not to do so in order to avoid exposing employees who are still part of the organisation. [↑](#footnote-ref-232)
233. The articles of this law were only revised after 1985 with the country's democratization. [↑](#footnote-ref-233)
234. The motto that marked the political opening was put forward by the military during the Geisel government, which intended to carry out the process of restoring democracy in a "slow, gradual and secure" manner (*transição lenta, gradual e segura*, in portuguese). [↑](#footnote-ref-234)
235. With the redemocratization, Institutional Acts such as AI-5 and other authoritarian laws were revoked. [↑](#footnote-ref-235)
236. During most of the military dictatorship, only two political parties participated in the elections in Brazil — Aliança Renovadora Nacional (ARENA) and Movimento Democrático Brasileiro (MDB). [↑](#footnote-ref-236)
237. In 1985, the military rule officially ended after 21 years of an authoritarian regime. Tancredo Neves was indirectly elected president by the Electoral College in 1985, but died before taking office. He was replaced by his Vice President, José Sarney. [↑](#footnote-ref-237)
238. Between 1973 and 1990, Chile had a strong military and an authoritarian regime. In this period, Augusto Pinochet's regime enacted the 1980 Chilean Constitution, designed by Jaime Guzmán. Although the 1988 referendum defeated the Pinochet dictatorship, with the 1990 elections and popular vote, the Chilean constitution neither changed nor abolished the rules established during the Pinochet regime. A popular plebiscite in September 2022 rejected an attempt to change the Chilean constitution when 62% of Chileans voted against changing (rechasso) the constitution that has been in place since the Pinochet administration. [↑](#footnote-ref-238)
239. Brasil (1988), Constitution of the Federative Republic of Brazil, article 5 and subsection 18, author translation. [↑](#footnote-ref-239)
240. Sicredi Vale do Rio Pardo. Annual Report, 1992. [↑](#footnote-ref-240)
241. In 2021, the estimated population of Santa Cruz do Sul is 132,271. Source: IBGE (2022). [↑](#footnote-ref-241)
242. Statement from Angela Maria Borba, manager, Newsletter September 2009 p.2 [↑](#footnote-ref-242)
243. Sicredi Vale do Rio Pardo 2021 bylaws. [↑](#footnote-ref-243)
244. The Central Bank maintains balance sheet data for cooperatives from 1988 to the present. The values for 1988 to 1994 are updated by the IGP-M index (FGV) as of December 31, 1994. The assets were calculated by subtracting the total assets (*total geral dos ativos*) account from the clearing account (*compensação*). [↑](#footnote-ref-244)
245. The capital share (*cota capital*) is the amount that each member pays when they join the cooperative. It is only paid once, at account opening, when R$ 20 is deposited in the capital account. This account is essential to the cooperative's viability and cannot be used as a regular current account. The bylaws specify the conditions of its contribution and withdrawal. The yield of the quota is established based on the member's time and activities within the cooperative. To be eligible for receiving this money, members must either leave the cooperative or meet certain requirements, such as age or time contributed. [↑](#footnote-ref-245)
246. Interview with CEO, Marcio Algayver (2021). [↑](#footnote-ref-246)
247. Values for 1988 to 1994 are updated by the IGP-M index (FGV) as of December 31, 1994. [↑](#footnote-ref-247)
248. The 1986-founded Parliamentary Front for Cooperativism in the Brazilian Congress (*Frencoop*) helped to open up the sector during the democratic era. [↑](#footnote-ref-248)
249. Sicredi Vale do Rio Pardo. Annual Report, 2020. [↑](#footnote-ref-249)
250. Sicredi Vale do Rio Pardo. Annual Report, 2020. [↑](#footnote-ref-250)
251. Sicredi Vale do Rio Pardo. Annual Report, 2020. [↑](#footnote-ref-251)
252. Interview with managers, 2020. [↑](#footnote-ref-252)
253. Interview with managers, 2020. [↑](#footnote-ref-253)
254. The Brazilian Central Bank's IF.data does not provide any information on loan portfolios before 2012. [↑](#footnote-ref-254)
255. Sicredi Vale do Rio Pardo. Minutes of the Extraordinary General Meeting, 2008. [↑](#footnote-ref-255)
256. Sicredi Vale do Rio Pardo. Annual Report, 2021. [↑](#footnote-ref-256)
257. Interview with the president, 2022. [↑](#footnote-ref-257)
258. Interview with President, 2020. [↑](#footnote-ref-258)
259. Statement of Diana Maria da Rocha, manager. Newsletter, July 2007 p.3. Note: Ms. Rocha has worked 22 years at the Caixa Econômica Federal (a state-owned bank) and later joined Sicredi. [↑](#footnote-ref-259)
260. Report from Diana Maria Rocha, Manager, Source: Newsletter 2007, p.3. [↑](#footnote-ref-260)
261. Report from Gerson Seefeld, vice president of the regional office. Newsletter 2007, p. 3. [↑](#footnote-ref-261)
262. In 2002, rival tree groups fought for control of the company. With 296 votes, the Mario Kuntz campaign won the election. The General Assembly, presided over by Theodoro Paulo Musskopf, was attended by Orlando Borges Mueller, the President of the Regional Office. Source: Minutes of the 2002 General Assembly. [↑](#footnote-ref-262)
263. In 2011, two groups competed for the cooperative's office. Heitor Petry's group won after members accused president Kuntz of loan violations to his son and of using the cooperative's vehicles for personal purposes. Source: Minutes of the 2011 General Assembly. [↑](#footnote-ref-263)
264. Focus group with family members and former presidents of the organisation in 2020. [↑](#footnote-ref-264)
265. The 2008 general assembly was held at the Oktober Fest Park. Source: Newsletter April, 2008 p. 6. [↑](#footnote-ref-265)
266. Interview with the President, 2020. [↑](#footnote-ref-266)
267. Due to the lack of adequate physical space, the organisation holds its general meetings outside its headquarters. From 1985 until 1993 the general meetings were held in AFUBRA's event hall, located at Carlos Trein Filho street, 952. From 1994-2002 the meetings were held at the City Council located at Júlio de Castilhos avenue, 567 and until 2012 in different places, like the Salão Clube Avenida, located at Guilherme Lamberts Street, 155 (during 2003 and 2004 meetings), the Oktoberfest Pavilion located at Galvão Costa street, n° 775 (during the meetings of 2005, 2006, 2007 and 2008), the Unisc auditorium, located at Avenida Independência, 2293 (during the meetings of 2009 and 2010) and at the Multi-sports Gymnasium, located at Coronel Oscar Rafael Jost street, 1,432, (during the meetings of 2011 and 2012). All facilities are located in Santa Cruz do Sul, but outside the headquarters. [↑](#footnote-ref-267)
268. *Programa Pertencer* (2012)(in English "belonging program"), internal bylaw, containing rules for the composition of the membership and the voting process. [↑](#footnote-ref-268)
269. *Coordenador de núcleo ou delegado* (in English: Core Coordinator or Delegate): is an elected member who coordinates and represents the interests of a local group at the General Assembly. The Programa Pertencer organizes members into cores, defined by their place of residence. Each core elects a delegate to represent the decisions of its community. [↑](#footnote-ref-269)
270. For more information on the delegate voting model at Sicredi do Vale do Rio Pardo see Zago (2021). [↑](#footnote-ref-270)
271. Sicredi Vale do Rio Pardo. Annual Report, 2014 p.2 [↑](#footnote-ref-271)
272. Interview with the president of the cooperative. [↑](#footnote-ref-272)
273. For more information on the delegate voting model at Sicredi do Vale do Rio Pardo see Zago (2021). [↑](#footnote-ref-273)
274. Sicredi Vale do Rio Pardo. Annual Report, 2017 p.11. [↑](#footnote-ref-274)
275. Ventura 2009. [↑](#footnote-ref-275)
276. Sicredi Vale do Rio Pardo. Newsletter 2007 p. 7. [↑](#footnote-ref-276)
277. President Heitor Petry's 2012 statement to the Rio Vale newspaper. Avaidable on: https://www.riovalejornal.com.br/sicredi-reune-mais-de-6-500-pessoas-em-assembleias/ [↑](#footnote-ref-277)
278. Interview with the manager (2020). [↑](#footnote-ref-278)
279. The training website is available on the internet through the link: <https://sicredi.com.br/crecer> [↑](#footnote-ref-279)
280. This rule is included in the Pertencer program's internal bylaws. In order to be elected as the core representative (delegate), the member must meet certain requirements, such as not having any political or party affiliations, not being a close relative of the leaders, and holding a Crescer Program certificate. [↑](#footnote-ref-280)
281. Sicredi Vale do Rio Pardo. Newsletter, September 2009. [↑](#footnote-ref-281)
282. ICA 2022, avaidable at: <https://www.ica.coop/en/cooperatives/cooperative-identity> [↑](#footnote-ref-282)
283. Sicredi Vale do Rio Pardo. Newsletter, September 2009. [↑](#footnote-ref-283)
284. Interviews with program participants (2020). [↑](#footnote-ref-284)
285. Avaliação do Retorno Social do Investimento do Programa A União Faz a Vida da Fundação Sicredi. IDIS – Instituto para o Desenvolvimento do Investimento Social. [↑](#footnote-ref-285)
286. Avaliação do Retorno Social do Investimento do Programa A União Faz a Vida da Fundação Sicredi. IDIS – Instituto para o Desenvolvimento do Investimento Social. [↑](#footnote-ref-286)
287. Interview with Marco da Rocha, manager of social programs in Sicredi Vale do Rio Pardo (2020). [↑](#footnote-ref-287)
288. Interview with Marco da Rocha, manager of social programs in Sicredi Vale do Rio Pardo (2020). [↑](#footnote-ref-288)
289. Interview with Marco da Rocha, manager of social programs in Sicredi Vale do Rio Pardo (2020). [↑](#footnote-ref-289)
290. Statement of the Secretary of Education of Sinimbu Municipality. Source: Sinimbu city Administration. 2021. <https://sinimbu.rs.gov.br/Pages/189423/sicredi-renova-programa-uniao-faz-a-vida-em-sinimbu-e-apresenta-novidades> [↑](#footnote-ref-290)
291. Concern for community: cooperatives work for the sustainable development of their communities through policies approved by their members. ICA (2022). [↑](#footnote-ref-291)
292. Education, training, and information: cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation. ICA (2022). [↑](#footnote-ref-292)
293. Interview with Marco da Rocha, manager of social programs in Sicredi Vale do Rio Pardo (2020). [↑](#footnote-ref-293)
294. Interview with Marco da Rocha, manager of social programs in Sicredi Vale do Rio Pardo (2020). [↑](#footnote-ref-294)
295. Sicredi Vale do Rio Pardo. Minutes of the 2022 General Assembly. [↑](#footnote-ref-295)
296. Sicredi Vale do Rio Pardo. Annual Report 2015. [↑](#footnote-ref-296)
297. Fabiana Bartolomei, Social Programs Coordinator at Sicredi do Vale do Rio Pardo, was appointed in 2020 to coordinate a nationwide school cooperation program at the Sicredi Foundation. [↑](#footnote-ref-297)
298. Sicredi Vale do Rio Pardo. Annual Report, 2017. [↑](#footnote-ref-298)
299. Interview with Fabiana Bartolomei, former manager of social programs in Sicredi Vale do Rio Pardo (2020). [↑](#footnote-ref-299)
300. *Na ponta do lápiz* (literally, "on the tip of the pencil”) is a Brazilian expression for calculating something, such as an expense, and determining whether there are advantages or disadvantages to acquiring or hiring something/someone. [↑](#footnote-ref-300)
301. National Financial Education Week - ENEF (Semana Nacional de Educação Financeira) - is an initiative of the National Council for Financial Education (CONEF) to promote the National Strategy for Financial Education. During the week, a wide range of free educational activities take place with the aim of spreading financial, retirement and insurance education to the Brazilian population. [↑](#footnote-ref-301)
302. Interview with Marco da Rocha, manager of social programs in Sicredi Vale do Rio Pardo (2020). [↑](#footnote-ref-302)
303. Sicredi Vale do Rio Pardo. 2020 <http://sicredi.com.br/coop/valedoriopardors/noticias/sicredi-lanca-o-programa-nacional-de-educacao-financeiracooperacao-na-ponta-do-lapis-4> [↑](#footnote-ref-303)
304. Sicredi Vale do Rio Pardo. Minutes of the 2022 general meeting. [↑](#footnote-ref-304)
305. Sicredi Vale do Rio Pardo. Newsletter September 2008. p.2. [↑](#footnote-ref-305)
306. Report by Mario Kuntz, president from 2002 to 2011. Newsletter September 2008. p.2. [↑](#footnote-ref-306)
307. Sicredi Vale do Rio Pardo. Newsletter July 2008. p.2. [↑](#footnote-ref-307)
308. Sicredi Vale do Rio Pardo. Social Fund Regulations, May 27, 2019. [↑](#footnote-ref-308)
309. Managers and executives are regularly updating their processes outlined in Circular Letter 3,461 of July 27, 2019, Circular Letter 3,430 of February 11, 2010, and Circular Letter 3,017 of December 7, 2010, all issued by the Central Bank of Brazil. [↑](#footnote-ref-309)
310. Coming from Article 17 of the resolution No. 3859 from the Brazilian National Monetary Council (CMN). [↑](#footnote-ref-310)
311. Sicredi Vale do Rio Pardo. Minutes of the Extraordinary Assembly, 2018. [↑](#footnote-ref-311)
312. Sicredi Vale do Rio Pardo. Minutes of the Extraordinary Assembly, 2018. [↑](#footnote-ref-312)
313. The researcher was invited to attend an annual planning and compliance meeting held by the cooperative's internal audit in 2021. [↑](#footnote-ref-313)
314. Interview with business manager (2020). [↑](#footnote-ref-314)
315. The Sicredi Vale do Rio Pardo internal audit team's annual alignment and planning meeting was attended by an internal auditor from the regional office, and the researcher was welcomed as a guest. [↑](#footnote-ref-315)
316. Sicredi Vale do Rio Pardo. Annual Report 2015 p. 33. [↑](#footnote-ref-316)
317. Interview with the executive director (2022). [↑](#footnote-ref-317)
318. Sicredi Vale do Rio Pardo, general meeting Minutes of April 23, 2014. [↑](#footnote-ref-318)
319. Obscoop/USP. 2017. “Fundo e Reservas Em Cooperativas de Crédito Brasileiras.”<http://www.obscoop.fearp.usp.br/dp7/blog/fundo-e-reservas-em-cooperativas-de-cr%C3%A9dito-brasileiras> (October 14, 2022). [↑](#footnote-ref-319)
320. The Social Fund is a supplementary fund that contributes at least 2% of profits to community-base projects. [↑](#footnote-ref-320)
321. Sicredi Vale do Rio Pardo. Annual Report, 2020. [↑](#footnote-ref-321)
322. Sicredi Vale do Rio Pardo. 2020. “Inscrições Para o Fundo Social Encerram Nesta Sexta-Feira.”<https://www.sicredi.com.br/coop/valedoriopardors/noticias/inscricoes-para-o-fundo-social-encerram-nesta-sexta-feira/> (October 14, 2022). [↑](#footnote-ref-322)
323. Jornal Gazeta. 2020. “Fundo Social Vai Beneficiar a Saúde Regional.”<https://www.gaz.com.br/fundo-social-da-sicredi-vale-do-rio-pardo-vai-beneficiar-a-saude-regional/> (October 14, 2022). [↑](#footnote-ref-323)
324. Sicredi Vale do Rio Pardo. Annual Report, 2020. [↑](#footnote-ref-324)
325. Sicredi Vale do Rio Pardo. 2022. “Mais de 35 Mil Pessoas São Impactadas Pelos Projetos Do Fundo Social 2020.”<https://www.sicredi.com.br/coop/valedoriopardors/noticias/mais-de-35-mil-pessoas-sao-impactadas-pelos-projetos-do-fundo-social-2020/> (October 14, 2022). [↑](#footnote-ref-325)
326. https://expansao.co/sicredi-vale-do-rio-pardo-e-referencia-no-fomento-a-geracao-de-energia-solar-fotovoltaica-na-regiao/ [↑](#footnote-ref-326)
327. https://www.absolar.org.br/noticia/evento-debate-o-futuro-do-mercado-fotovoltaico-em-santa-cruz-e-no-estado/ [↑](#footnote-ref-327)
328. LoSAM. “Teilprojekt H: Sinologie/Wirtschaftswissenschaft - FOR 2757.”<https://www.uni-wuerzburg.de/for2757/teilprojekte/teilprojekt-h-sinologie-wirtschaftswissenschaft/> (Accessed September 30, 2022). [↑](#footnote-ref-328)
329. Net metering is a legal mechanism that allows excess energy generated by photovoltaic systems to be compensated in the form of credits with the power grid, from the energy distributor. During the day, the consumer with photovoltaic panels can generate energy (and allocate the surplus to the grid as credit), and at night, can consume energy from the concessionaire's grid. [↑](#footnote-ref-329)
330. https://www.sicredi.com.br/coop/valedoriopardors/energia-solar/ [↑](#footnote-ref-330)
331. https://www.sicredi.com.br/coop/valedoriopardors/noticias/sicredi-vale-do-rio-pardo-e-referencia-no-fomento-geracao-de-energia-solar-fotovoltaica-na-regiao/ [↑](#footnote-ref-331)
332. Interview with the president, 2020. [↑](#footnote-ref-332)
333. Sicredi Vale do Rio Pardo inaugura usina fotovoltaica própria. Available at: <https://www.sicredi.com.br/coop/valedoriopardors/noticias/sicredi-vale-do-rio-pardo-inaugura-usina-fotovoltaica-propria/> [↑](#footnote-ref-333)
334. To achieve this, it has installed photovoltaic panels in Vale Verde (PAC), which is connected to the grid and Certaja Energia. Meanwhile, the other 15 service points are connected to RGE and rely on a separate photovoltaic plant located in Rio Pardo (RS). Thanks to these measures, Sicredi Vale do Rio Pardo now runs entirely on clean energy. [↑](#footnote-ref-334)
335. The cooperative held an auction with 26 local companies to build its own power plant. The wining company was chosen using a multi-criteria process coordinated by a commission of members specifically formed to conduct the process in an open and transparent manner. [↑](#footnote-ref-335)
336. Interview with business manager, 2020. [↑](#footnote-ref-336)
337. IF Data. Banco Central do Brasil. [↑](#footnote-ref-337)
338. Sicredi Vale do Rio Pardo, Annual report, 2007. [↑](#footnote-ref-338)
339. The organisation is always present at events such as Exposim (Sinimbu), Expoagro (Rio Pardo), Festa da Colheita (Venancio Aires), and Oktoberfest (Santa Cruz do Sul), showing its financing lines. [↑](#footnote-ref-339)
340. Página Rural. “RS: Sicredi Vale do Rio Pardo entrega tratores para associados durante a Exposin.” Página Rural.<https://www.paginarural.com.br/noticia/222747/sicredi-vale-do-rio-pardo-entrega-tratores-para-associados-durante-a-exposin> (Accessed September 28, 2022). [↑](#footnote-ref-340)
341. Four, Comunicação. 2014. “Tratores financiados pela Sicredi VRP são entregues durante a Expoagro Afubra.” Four Comunicação.<http://www.fourcomunicacao.com.br/capa/noticias.html?post=151> (Accessed September 27, 2022). [↑](#footnote-ref-341)
342. GAZ. 2021. “Reunião em Rio Pardo discute efeitos da estiagem na região.” GAZ - Notícias de Santa Cruz do Sul e Região.<https://www.gaz.com.br/reuniao-em-rio-pardo-discute-efeitos-da-estiagem-na-regiao/> (Accessed September 28, 2022). [↑](#footnote-ref-342)
343. Sicredi Vale do Rio Pardo. Annual report, 2007. [↑](#footnote-ref-343)
344. Interview with HR sector with Cláudia Rosa (2020) [↑](#footnote-ref-344)
345. Great working institute and Revista Época. [↑](#footnote-ref-345)
346. Sicredi Vale do Rio Pardo. Newsletter. September 2008, p. 4 [↑](#footnote-ref-346)
347. Sicredi Vale do Rio Pardo. Annual report, 2018 [↑](#footnote-ref-347)
348. Sicredi Vale do Rio Pardo. Annual report, 2017. [↑](#footnote-ref-348)
349. Interview with HR manager (2020). [↑](#footnote-ref-349)
350. Sicredi Vale do Rio Pardo. Newsletter, 2007 p. 2. [↑](#footnote-ref-350)
351. Lei n° 869/2009, prefeitura de Vale do Sol. and Costa, João Paulo Reis. 2012. “Escola Família Agrícola de Santa Cruz do sul - EFASC: uma contribuição ao desenvolvimento da região do vale do rio pardo a partir da pedagogia da alternância santa cruz.” Master Thesis. Universidade de Santa Cruz do Sul. [↑](#footnote-ref-351)
352. Gazeta do Sul. 2021. “Heitor Álvaro Petry Salienta a Visão Cooperativa.”<https://www.gaz.com.br/uploads/2021/05/Amvarp.pdf>. [↑](#footnote-ref-352)
353. https://lume.ufrgs.br/bitstream/handle/10183/168965/001047787.pdf?sequence=1 [↑](#footnote-ref-353)
354. Here one note is necessary. The “Old Republic” or “First Republic” was a political regime in Brazil between 1889 and 1930, characterized by limited democracy, restricted suffrage, and power concentrated on the central state. Despite the presence of a constitutional and electoral process, elections did not meet the standards of fully democratic regimes, and participation and contestation were reduced. Therefore, caution is necessary when classifying the Old Republic period as fully democratic. However, windows of opportunities in the old republic allowed the cooperative to be created and to advance its objectives. One should note that, the first clear democratic experience in Brazil began in 1945 after the fall of Vargas and New State, and was interrupted by a military coup in 1964. [↑](#footnote-ref-354)
355. Barth, Marina, Guilherme Spindler, and Bernardo Kist. 2014. *Da Caixa Rural à Sicredi: Rumo Ao Centenário Do Cooperativismo de Crédito No Vale Do Rio Pardo.* 1. ed. Santa Cruz do Sul: Ed. Gazeta Santa Cruz. [↑](#footnote-ref-355)
356. Schmidt, João Pedro. 2002. “As Eleições Em Santa Cruz Do Sul, Passo a Passo.” (Unisc): 22. [↑](#footnote-ref-356)
357. Câmara Municipal de Santa Cruz do Sul, Legislative draft no. 25/L/1998, <https://www.camarasantacruz.rs.gov.br/documento/projeto-25-l-1998-22745>), accessed on: 22.12.2021 [↑](#footnote-ref-357)
358. Barth, Marina, Guilherme Spindler, and Bernardo Kist. 2014. *Da Caixa Rural à Sicredi: Rumo Ao Centenário Do Cooperativismo de Crédito No Vale Do Rio Pardo.* 1. ed. Santa Cruz do Sul: Ed. Gazeta Santa Cruz. [↑](#footnote-ref-358)
359. Noronha, Andrius Estevam. 2012. “Beneméritos Empresários: História Social de Uma Elite de Origem Imigrante Do Sul Do Brasil (Santa Cruz Do Sul, 1905-1966).” Thesis. Universidade Católica do Rio Grande do Sul.<https://repositorio.pucrs.br/dspace/handle/10923/3856>. [↑](#footnote-ref-359)
360. Jornal Empresarial. “Ex-presidentes: os líderes dos 90 anos de história da ACI.” ACI Santa Cruz do Sul.<https://www.yumpu.com/pt/document/read/2680220/jornal-empresarial-jornal-empresarial> (August 22, 2022). [↑](#footnote-ref-360)
361. Schmidt, João Pedro. 2002. “As Eleições Em Santa Cruz Do Sul, Passo a Passo.” (Unisc): 22. [↑](#footnote-ref-361)
362. Pas, Iran da Costa. 2009. “A ação coletiva dos trabalhadores em tempo de crise : o movimento sindical urbano de Santa Cruz do Sul (1980-2000).” Master Thesis. Universidade de Santa Cruz do Sul.<http://repositorio.unisc.br:8080/jspui/handle/11624/741> (August 22, 2022). [↑](#footnote-ref-362)
363. Historische Aufzeichnungen und Stammbäume bezogen auf Arno Goettems <https://www.myheritage.de/names/arno_goettems> accessed at 22.12.2021 [↑](#footnote-ref-363)
364. Câmara Municipal de Santa Cruz do Sul, Legislative draft no. 34/L/93, <https://www.camarasantacruz.rs.gov.br/documento/projeto-34-l-1993-22832> accessed at 22.12.2021 [↑](#footnote-ref-364)
365. Arnoldo Zimmer, in the years 1961 and 1965 does not serve on the Fiscal Council in compliance with the internal statute, which requests the renewal of 1/3 at each election, but he is reelected in the following years. His fast passage as secretary is linked to the death of the manager José Mergener, who is replaced by Leopoldo Morsch, leaving the secretariat vacancy open. [↑](#footnote-ref-365)
366. The Autonomous Workers' Union of Santa Cruz do Sul - Sindicato dos Trabalhadores Autônomos de Santa Cruz is composed of small farmers and was created in 1962. In 1965 it was merged with the Sindicato dos Trabalhadores Rurais da Lavoura e da Pecuária, forming the Sindicato dos Trabalhadores Rurais - Rural Workers' Union. See Sindicalismo no meio rural: a representatividade da FETAG e da FARSUL na região de Santa Cruz do Sul/RS (David, 2021) [↑](#footnote-ref-366)
367. Câmara Municipal de Santa Cruz do Sul, Legislative draft no 44/l/2000, <https://www.camarasantacruz.rs.gov.br/documento/projeto-44-l-2000-22920> accessed on: 22.12.2021 [↑](#footnote-ref-367)
368. Câmara Municipal de Santa Cruz do Sul, Legislative draft no. 28/L/99. <https://www.camarasantacruz.rs.gov.br/documento/projeto-28-l-1999-22777> Accessed on 11.12.2021 [↑](#footnote-ref-368)
369. Avierco - Agrem Viajantes e Representantes Comerciais de Santa Cruz Do Sul. The main activity of this entity is to provide activities for associations that defend social and working rights. [↑](#footnote-ref-369)
370. Sicredi Vale do Rio Pardo (1968) - Information from Attachment 2, 2A 2B in response to BCRB 68-2155, dated 8 June 1968. The table lists 156 civil society organisations, out of which 47 were compelled to shut down their cooperative accounts during the authoritarian rule in Brazil in 1964 (refer to Appendix 3). The information presented in the table sheds light on how the regime suppressed civil society. Religious organisations, predominantly Catholic, constituted a substantial proportion of the affected groups, hinting at the regime's intention to subjugate their social influence. Notably, only a few commercial or business organisations were impacted, indicating that the regime's focus was primarily on curbing opposition within civil society, rather than targeting the business sector. This list is an invaluable resource for researchers seeking to understand the impact of the authoritarian regime in Brazil, using local reports. [↑](#footnote-ref-370)
371. This list is attached to the letter sent to the Central Bank on November 14, 1968 in response to the SINCO letter 68/ 2513 of September 30, 1968. [↑](#footnote-ref-371)