



## PRESS RELEASE

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### Study Cooperatives: Financing Bottleneck? Equity Wins

[07.11.2011] Munich – The United Nations declared the year of 2012 the International Year of Cooperatives: Cooperatives and their basic values are currently experiencing a renaissance. Companies of this legal form achieved roughly 7 percent of the gross domestic product. Statistically speaking, they have by far the highest equity ratio and the lowest insolvency rate. Those should be good prerequisites for a positive assessment by creditors. The opposite is the case, however. This is the result of the current study "Genossenschaften aus Finanzierersicht" (cooperatives from the financier's point of view) by Dr. Wieselhuber & Partner, in which 175 decision-makers from the entire banking sector participated. According to it, cooperatives cannot profit from the social value discussion and the positive image of the legal form in their outside capital acquisition.

About half of the respondents – roughly 44 percent of which are working in business customer consultancy, with another 35 percent from the area of restructuring or intensive care – believe that the legal form of the cooperative negatively influences the company's rating. The reasons given are the members holding supplier, purchaser and shareholder positions at the same time (64 percent), as well as the fragmented shareholder structure (56 percent), which may have negative effects specifically in situations of crisis. The bankers also consider the voluntary supervision bodies and the amount of equity in cooperatives to be critical. As a consequence, nearly half of the respondent banks show low willingness to finance cooperatives. This trend is expected to increase in future. Only 22 percent generally show a positive attitude towards financing request from cooperatives and only 10 percent believe that the willingness to finance them will increase in future.

Christian Groschupp, Senior Manager in the area of Restructuring & Finance and initiator of the study, knows that "the financing expectations for cooperatives



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experience a downwards trend. The influence of Basel III plays a decisive role here. Trust in cooperatives' ability to meet the increased credit requirements is very limited." The study results support this statement. Equity requirements are even higher than in other legal and corporate forms.

The respondent bankers believe that cooperatives will have to focus more on internal funding, such as retention of earnings, revenue increase and shareholder funds in future. The classic outside capital acquisition through bank loans, in contrast, will strongly decrease in importance and partially have to be replaced by asset-based financing forms such as leasing or factoring.

"The cooperatives now need to roll up their sleeves and procure equity! Only this permits overcoming the disadvantages of their legal form," Groschupp therefore suggests. An essential lever for this is a robust and future-capable business model that can resist both the strong fluctuations on the markets and the internal changes. More than 90 percent of the respondents agree on this.

More information on the study on request.

**About Dr. Wieselhuber & Partner**

Dr. Wieselhuber & Partner (W&P) is an independent, cross-sector top management consultancy for family-owned businesses, as well as public institutions. This consistent orientation to particular target groups and the expertise resulting from it has led W&P in the past twenty years to become the leading management consultancy firm in Germany for family-owned businesses and the public sector. With offices in Munich, Düsseldorf and Hamburg, Dr. Wieselhuber & Partner affords its clients comprehensive expertise in business sectors and methods and stands out above all due to its competency in the area of conflicting priorities of family, management and business

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