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**CONCEPTUAL BASES OF FINANCIAL  
CONTROLLING IN THE UKRAINIAN SYSTEM  
OF CONSUMER COOPERATIVES IN THE  
CONTEXT OF THE INCLUSIVE  
DEVELOPMENT PARADIGM**

**КОНЦЕПТУАЛЬНІ ЗАСАДИ ФІНАНСОВОГО  
КОНТРОЛІНГУ У СИСТЕМІ СПОЖИВЧОЇ  
КООПЕРАЦІЇ УКРАЇНИ В КОНТЕКСТІ  
ПАРАДИГМИ ІНКЛЮЗИВНОЇ ЕКОНОМІКИ**

**Urgency of the research.** Socio-economic changes in Ukraine actualize the introduction of financial controlling into the Ukrainian system of consumer cooperatives with consideration of the cooperative enterprises' potential in building the inclusive economy.

**Target setting.** The special role of consumer cooperatives in the inclusive economy makes it necessary to deepen the concepts of building their financial controlling system in accordance with new challenges and opportunities in ensuring the sustainable development of local communities.

**Actual scientific research and issues analysis.** The problems of financial controlling implementation have been reflected in the works of such scholars as I. Blank, V. Heyets, V. Savchuk, M. Chumachenko, A. Tereshchenko, S. Kozmenko, M. Pushkar, N. Shulga and others.

**Uninvestigated parts of general matters defining.** However, in spite of numerous scientific works, the conceptual bases of financial controlling implementation in the framework of consumer cooperatives with consideration of cooperative identity and peculiarities of functioning in the inclusive economy still remain unexplored.

**The research objective.** The purpose of the article is to develop methodological principles of the financial controlling implementation in Ukrainian system of consumer cooperatives on inclusive base.

**The statement of basic materials.** The article outlines the essence of the inclusive economy paradigm and its key characteristics in application to the cooperative business model, on the basis of which the conceptual basics of financial controlling implementation in Ukrainian system of consumer cooperatives are grounded in view of its dualistic nature.

**Conclusions.** The implementation of financial controlling into the Ukrainian system of consumer cooperatives should be made on inclusive base with consideration of cooperative values and the main priority of management philosophy in keeping together social and economic objectives of inclusive locally oriented development.

**Keywords:** financial controlling; consumer cooperatives; inclusive economy; inclusive development.

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**Актуальність теми дослідження.** Соціально-економічні зміни в Україні актуалізують впровадження фінансового контролінгу в систему споживчої кооперації України з урахуванням потенціалу кооперативних підприємств у формуванні інклюзивної економіки.

**Постановка проблеми.** Особлива роль споживчої кооперації в інклюзивній економіці обумовлює необхідність поглиблення концептуальних засад побудови системи фінансового контролінгу відповідно до нових викликів та можливостей у забезпеченні сталого розвитку місцевих громад.

**Аналіз останніх досліджень і публікацій.** Проблеми впровадження фінансового контролінгу знайшли своє відображення у працях таких вчених, як І. Бланк, В. Геєць, В. Савчук, М. Чумаченко, О. Терещенко, С. Козьменко, М. Пушкар, Н. Шульга та інших.

**Виділення недосліджених частин загальної проблеми.** Однак, незважаючи на численні наукові праці, недослідженими залишаються концептуальні засади використання фінансового контролінгу в рамках споживчої кооперації з урахуванням кооперативної ідентичності та особливостей функціонування в інклюзивній економіці.

**Постановка завдання.** Метою статті є розробка методологічних принципів впровадження фінансового контролінгу в системі споживчої кооперації України на інклюзивних засадах.

**Виклад основного матеріалу.** У статті висвітлено сутність парадигми інклюзивної економіки та її ключових характеристик стосовно кооперативної моделі бізнесу, на основі якої обґрунтовано концептуальні засади впровадження фінансового контролінгу у системі споживчої кооперації України з урахуванням його дуалістичної природи.

**Висновки.** Впровадження фінансового контролінгу в системі споживчої кооперації України необхідно здійснювати на інклюзивних засадах з урахуванням кооперативних цінностей та покладеного в основу філософії управління пріоритету щодо збалансування економічних та соціальних цілей інклюзивного розвитку, орієнтованого на місцеві громади.

**Ключові слова:** фінансовий контролінг; споживча кооперація; інклюзивна економіка; інклюзивний розвиток.

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**Urgency of the research.** The strengthening of integration processes in the national economy and the need to ensure the effective functioning of Ukrainian system of consumer cooperatives in sustainable locally oriented development actualize the usage of financial controlling on inclusive base. That is the vital need of the new reality the main factors of which are determined by radical changes in technological bases and increasing inequality in incomes and living levels of economical agents in the global world.

**Target setting.** The effective usage of cooperative business model for reinforcing partnerships between diverse economical units in inclusive economy strongly depends on properly organized system of financial controlling in accordance with new challenges and opportunities. Thus, it is of great importance to intensify the scientific research in the sphere of building financial control system of consumer cooperatives adequate to their new role in providing inclusive development of local communities.

**Actual scientific researches and issues analysis.** The essence of financial controlling is highlighted in the wide range of scholars studies by M. Blaug, I. Blank, M. Calvert, S. Finkelstein, H. Folmut, V. Heyets, E. Mayer, M. Meescon, V. Savchuk, O. Tereshchenko, N. Shulga and many others. However, in spite of numerous scientific works in controlling and financial controlling there is an essential gap concerning discovering the possibilities of its implementation in the frames of cooperative forms of business with their unique cooperative identity and peculiarities of functioning as people-centered business focused on sustainable locally oriented inclusive development. Furthermore, there is a need in further conceptualization of the new dimensions of financial controlling in the inclusive economy and deepening the theoretical approaches to its implementation in Ukrainian system of consumer cooperatives.

**The research objective.** Thus, the purpose of the article is to identify the potential of consumer cooperatives in the inclusive economic development and work out the main methodological principles of financial controlling implementation in the Ukrainian system of consumer cooperatives which should provide more active inclusiveness of cooperative enterprises in the sustainable development of local communities in the context of the inclusive economy paradigm.

**The statement of basic materials.** The new technological revolution brings not only opportunities and new possibilities but also increases inequality between different groups of people, enhances unemployment rate and enlarges gap between returns to capital and returns to labor. In this dimension the scientific paradigm of inclusive economy based on the concept of inclusive growth becomes extremely urgent in the condition of Ukraine. Its main focus is made on understanding that the indicators of economic growth don't provide the equal possibilities for all members of the society. On the contrary, inclusive growth means economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society [4].

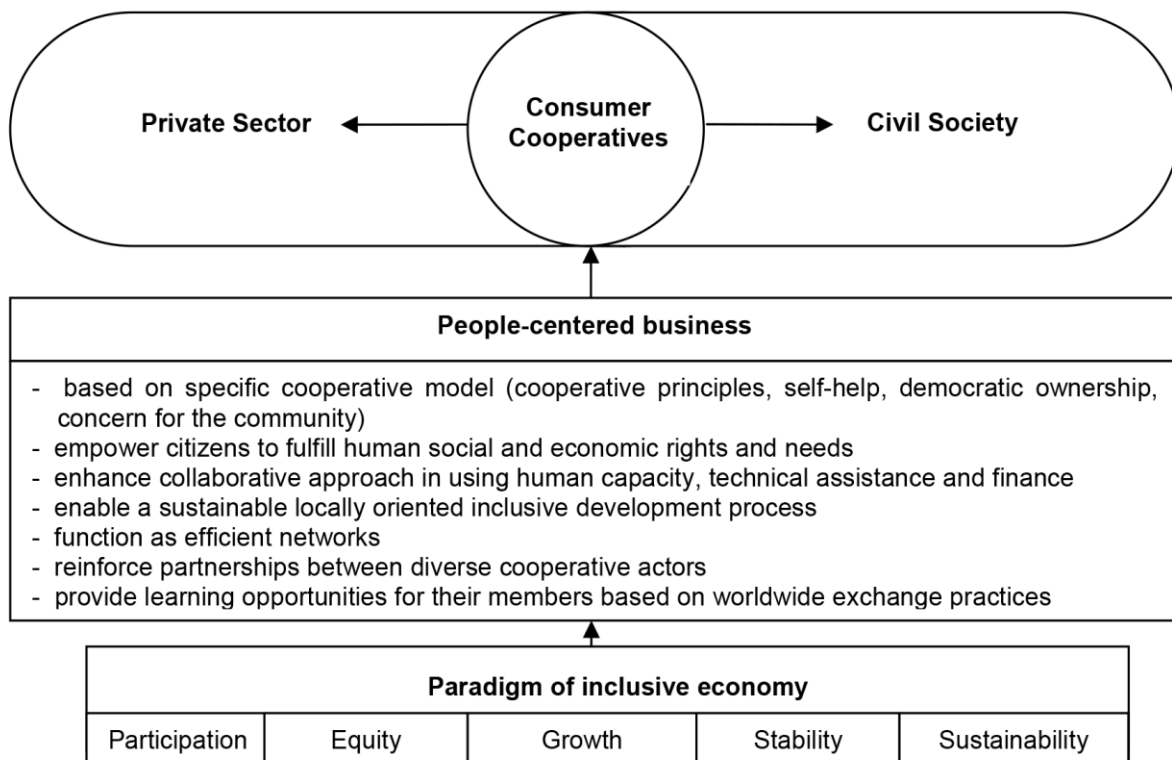
Thus, inclusive economy can be determined as an economy that advances equitable opportunities for economic participants during economic growth with benefits incurred by every sector of the society including equity of health, human capital, environmental quality, social protection, and food security [7]. Furthermore, the concept of inclusive growth has to be investigated within trinity of ecological, social and economic aspects. Among its possible dualities some authors highlight [1] inclusive growth (which combines growth with social aspects) and inclusive development (which focuses on social and ecological aspects).

In the context of the inclusive economy concept consumer cooperatives can be regarded as key units interested in human, social and economic development on sustainable base and creating equal possibilities for their members. Nowadays Consumer Cooperatives Worldwide (CCW) unites 26 national member organizations, which serve and represent over 75 million consumer-members around the world through their extensive national networks of sales points. Besides consumer co-operatives are major units on the retail market. Put together, the global annual turnover of CCW members exceeds 500 billion euros [10]. Stemming from cooperative values of self-help, democratic ownership

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and concern of the community, any activities of consumer co-operatives are naturally based on the principle of social responsibility. While emphasis is placed on satisfying the needs and expectations of the members, consumer co-operatives favor a sustainable approach towards the activities of production and distribution taking into account the sustainable development of local communities, environmental concerns, and the health and safety of consumers. As is in the case with co-operatives in general, regardless of the sector, the aim of the business model of consumer co-operative is not to maximize profits, but to serve their members and defend their interests [8].

That means that the system of financial controlling in consumer cooperatives should be build with consideration of specific cooperative model as people-centered business which is illustrated on Fig. 1. Basing on the main characteristics of inclusive economy determined by The Rockefeller Foundation [9] we summarized in Table 1 their main essence with application to specific nature of cooperative business model.



**Fig. 1. Peculiarities of consumer cooperatives as people-centered business**

Source: developed by the authors

The latest results of the World Co-operative Monitor (2016) based on the survey of the world's largest 300 cooperative and mutual businesses [10] represent the stable consistent growth of the co-operative model of enterprise within the global economy, their adaptability and flexibility to solve social issues. According to Petar Stefanov, President of CCW, the challenges for consumer cooperatives are even greater, especially nowadays, often due to the unpredictable dynamics of emerging technologies, global crises, open countries, overtrading and over consumption [5].

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Table 1

**Application of main characteristics of inclusive economy to cooperative model of business**

The main characteristics	Application to cooperative model of business
Participation	People are able to participate fully in economic life as workers, consumers and co-owners using cooperative model of business
Equity	Due to cooperative model of business more opportunities are available for more people, especially for poor or socially disadvantaged groups. That means that more people will have equal access to adequate public goods, services and infrastructure
Growth	Inclusive growth in cooperative business means economic growth that creates opportunities for broader segments of the population and distributes the achieved returns fairly among cooperative members
Stability	A cooperative businesses model can provide to its members and local communities a sufficient degree of confidence in their future, increase ability to predict the outcome of their economic decisions and resist to shocks and stresses
Sustainability	Cooperative model of business has a great potential in sustaining economic and social wealth over time, preserving ecosystem, developing human capital. From that point financial decision-making are made with consideration of the long-term costs and benefits, and not merely the short-term gains as in private business entities without cooperative mission

All that peculiarities of cooperative business model should be taken into account while building the mechanism of financial controlling in the Ukrainian system of consumer cooperatives on inclusive base.

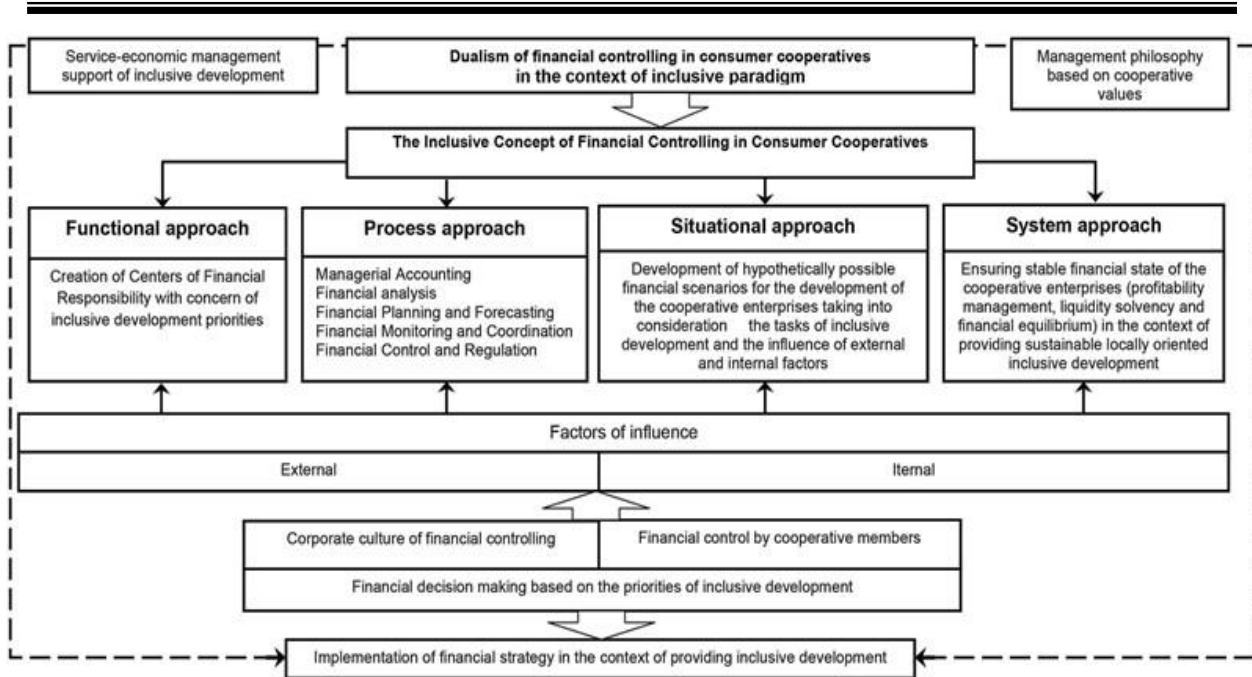
The theoretical concept of financial controlling in consumer cooperatives on inclusive base is illustrated in Fig. 2. Taking into consideration the phenomenon of financial controlling' dualism the organic combination of management philosophy and its service and economic support in the system of financial controlling should be based on several approaches:

- 1) functional approach, which is realized through creation of centers of financial responsibility with concern of inclusive development priorities;
- 2) process approach, which provides setting interrelations between the key management processes of the cooperative entity (management accounting, financial analysis, financial planning and forecasting, monitoring and coordination, financial control and regulation);
- 3) situational approach, which provides possible financial scenarios of the cooperative enterprises' development taking into consideration the influence of external and internal factors;
- 4) system approach, which determines the role of financial controlling in ensuring stable financial state of the cooperative enterprises (profitability management, liquidity, solvency and financial equilibrium) in the context of sustainable locally oriented inclusive development.

To provide the effective functioning of financial controlling system in enterprises with cooperative business model it should be aimed at stable and long-term functioning of the cooperative entity and maximization of its value for its members. At the same time such distinct feature of cooperatives as self-consumption of products and services by their members guarantees cooperative enterprises more stable sales of their goods and services and helps them in adopting their activities to changing market environment and their members' needs.

Thus the loyalty of cooperative members is the fundamental base of their stable financial state (profitability, solvency and liquidity). In that context it's important to stress that, unlike other business models, profit maximization is not the priority of cooperatives as their main task is to minimize costs and provide goods and services to their members at better prices and conditions. But still profit is crucial for cooperative entities as it can be regarded as an important financial source of further development for the benefit of all members and local community (creation of new jobs, poverty eradication, development of new services, education of members etc.).

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**Fig. 2. Theoretical concept of financial controlling in consumer cooperatives on inclusive base**  
 Source: developed by the authors with the use of [2; 3; 6]

Speaking about the Ukrainian system of consumer cooperatives the implementation of financial controlling should be done on the principle of keeping together social and economic objectives as a main priority of management philosophy based on cooperative values. The practical usage of financial controlling for the purpose of effective locally oriented inclusive development has to be organized with acceptance of the following principles:

- understanding the need in using financial controlling on the inclusive base both by high management and other cooperatives' personal;
- professional leadership of the process of change in the direction of more active implementation of financial controlling focusing on fulfillment of inclusive economy's tasks;
- setting goals and identification of possible problems with focus on constant keeping together social and economic objectives while implementing financial controlling in consumer cooperatives;
- determination of the necessary amount of resources (material, financial, labor) for effective functioning of financial controlling in consumer cooperatives;
- financial control of achieved results by cooperative members as co-workers and co-owners involved in inclusive development.

**Conclusions.** Effective implementation and broad practical usage of financial controlling in the Ukrainian system of consumer cooperatives needs its adaptation to the specifics of consumer cooperatives and their unique role in locally oriented inclusive development.

The system of financial controlling in consumer cooperatives should be build with consideration of specific cooperative model as people-centred business on the principle of keeping together social and economic objectives as a main priority of management philosophy based on cooperative values. From that point financial decision-making and further financial control over their implementation should be made by cooperative members as co-workers and co-owners on inclusive base with consideration of the long-term costs and benefits for local communities, and not merely the short-term gains as in private business entities without cooperative mission.

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