Cooperative Competitiveness and Capital Structure in the Greek Dairy Industry

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Abstract

There has been an increasing interest in cooperative capital structure and its association with the cooperative competitiveness, but the relevant hypotheses have not been tested by using a comprehensive analysis. This paper examines the effects of financial ratios on net profit margins using panel data for the period 1990-98 and explains differences between the cooperative and the investor owned firms (IOFs) operating in the Greek dairy industry. The relevant descriptive statistics show that IOFs are more profitable, while fixed effect results suggest that profitability differences between the two groups can be mainly attributed to the greater effectiveness of IOF capital structure determinants. These results provide a clear message to the cooperative management that if cooperatives' aim is to improve their competitiveness against IOFs, then Greek dairy cooperatives should increase the contribution of retained profits to capital along with a better exploitation of capital intensity and economies of scale. The paper, however, suggests that a study of non-economic aspects is also required for a complete evaluation of the Greek dairy cooperative performance.