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Co-operative or Company? A Maltese Comparative Analysis

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The co-operative and the limited liability company (LLC) are two corporate models which have existed side by side in several economies, including that of the European island-state of Malta. Yet, as elsewhere, misconceptions in Malta remain rife, acting as a hindrance to Maltese business promoters in their selection of the appropriate

model for their business activity. This is clearly evidenced by the far higher number of LLCs than co-operatives active within the Maltese economy, and calls for a clarification of the relative advantages of both business models.

For this purpose, a University of Malta study was carried out in 2013 among Maltese co-operative representatives and related corporate experts. It assessed such advantages from four different perspectives: the regulatory, corporate governance, social vs. commercial balancing and cultural perspectives.

Results, summarised in the "tree" diagram above, indicate that the LLC model is perceived by corporate start-up promoters as more advantageous from the regulatory, corporate governance and cultural perspectives, and is therefore probably more appealing, particularly to the individualistic attitude of stakeholders. Despite having its own limited strong points, the co-operative model still strives for a position within an environment that is somewhat inept for its potential.

Nonetheless, the co-operative model is considered better for the purpose of balancing social and economic values. Therefore, the ultimate justification of Maltese entities opting for the co-operative is that of bringing social values into the business equation, such as prioritising the human element over capital and inculcating the co-operative principles. In general, despite being acknowledged as highly regarded within the social realm, it is not perceived as being "in fashion": the different aims, functions and approaches between the models too often limit the ultimate selection to a preference for the regulatory, corporate governance and cultural conveniences.

Among its recommendations, the study proposes reform to the more restrictive co-operative regulatory framework. For more information on the study, contact Daniela Burlo at burlodan@gmail.com.