Analysis and Perception of the Costs of Corporate Governance Practices: A Case Study

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Abstract

A credit union provide services more favorable to banking operations for its members. Corporate governance is the way that it monitors and exerts control in organizations. In order to improve the efficiency and transparency of credit unions, the Central Bank of Brazil has diagnosed the characteristics of governance of credit unions and set a series of best practices. Thus, this study aims to analyze the costs of compliance and disclosure practices in corporate governance and the perception of these costs by members of a small credit union. We conducted a case study of a small credit union that shows the costs of these corporate governance practices. The finding is that these costs represent 0.955% of the total assets of the organization. These costs can be considered high, they are higher than the profitability of the cooperative and represent 24.72% of administrative expenses. Regarding the questionnaire administered to members, we conclude that despite the costs of compliance and disclosure practices of governance be considered high, the members may not be aware of these costs. But much of the cooperative members can realize the efficiency of the management bodies and also that they can realize that corporate governance is an investment for the organization and support the use of scraps for investment strategy.

Keywords: Credit unions, cost of corporate governance practices; perception.

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1. . INTRODUCTION

According to the International Cooperative Alliance - IAC (2012), cooperatives are organizations owned and operated by and for its members. In Brazil, cooperatives have a great economic importance. According to the Organization of Brazilian Cooperatives - OCB (2011), the number of cooperative members is approximately 9 million and they directly generate 298 182 000 jobs.

The credit union is one of the branches of the cooperative. The credit union search, by mutual aid, better management of financial resources. Its goal is to provide services related to banking with better conditions to its members, providing urban and rural credit.

In Brazil, the laws and regulations that address the segment of credit union require compliance with the same fundamentals and principles applicable to other institutions that make up the National Financial System - SFN.

Currently the credit union Brazilian has 4,673,174 subscribers, and that number is significant growth (COOPERATIVE ORGANIZATION OF BRAZILIAN, 2012). That number was 2,462,875 in 2006, according to the Central Bank of Brazil (2011).

Due to the need to meet the conditions of the market and the efficiency of credit cooperatives, increase the requirements of the Central Bank, which is your regulator, to ensure the proper functioning of these organizations. Because of this the requirements to increase corporate governance specifically for credit unions.

The corporate governance according to the Brazilian Institute of Corporate Governance-IBGC-(2009) is the system by which organizations are directed, monitored and encouraged, involving the relationship between owners.

Therefore, in order to disseminate and encourage best practices in corporate governance for the credit cooperative system, the Central Bank published in 2009 a corporate governance project (VENTURA et. Al, 2009).

But, for the implementation of corporate governance in accordance with the rules of the Central Bank of Brazil, organizations incur costs of governance structure. Segreti et al. (2005) argue that the adherence and implementation of corporate governance practices have led to an increasing costs of organizations.

This increase in costs is due to the demands of governance best practices in order to increase the transparency of the activities of the organization. Thus, there is a cost pressure caused by greater demand for the normative governance practices (Segreti et al., 2005).

For small credit unions these costs of governance practices may be more relevant when compared to a large cooperative. This is because in cooperative small these costs can represent a significant portion of its assets.

Given the importance of credit unions and the need for adherence to corporate governance standards of the Central Bank, to generate greater transparency to their members, this paper aims to contribute to the answer of the following question:

What is the cost impact of corporate governance practices indicated, compliance and disclosure, active in small credit unions? What is the perception by the associated of the corporate governance practices costs?

For this, the paper aims to analyze the costs of compliance and disclosure practices of corporate governance and its perception in a cooperative small. Therefore, this work describes the theory of property rights, agency and transaction costs in cooperatives. So, we made a case study to identify the direct costs appropriated governance practices against the assets and revenues of the cooperative. After this step, a questionnaire was applied to identify the perception of the costs of governance practices by cooperative assets.

This research seeks to contribute to the understanding of the importance and awareness of the costs of compliance and disclosure practices of corporate governance in credit unions. The motivation of this work is the interest for the understanding of corporate governance structures that generate costs in Brazilian credit cooperatives.

This research is justified because, according to Rodriguez (2005), knowledge of the costs of activities of corporate governance are weak, and 80% of the companies surveyed indicated that they have no knowledge about it. And besides, these companies can not identify what are the costs of corporate governance.

Thus, this work may contribute to the increase of knowledge and identification by credit unions on the costs of compliance and disclosure practices of corporate governance and to understand the perception of these costs.

2. THEORETICAL

2.1 Definitions and concepts of corporate governance

According Sheifer and Vishny (1997), corporate governance is the system in which organizations are directed and controlled by rules and principles, with the concern associated with the growth and diversification of business, which requires professionalism, specialization and complexity management.

The corporate governance rules mandatory, as required by the Stock Exchange, laws and supervisors Brazilian, are necessary for two reasons: First, to overcome the problem and collective scattering shareholders, and second to ensure that the interests of all are represented (BECHT et al. 2005).

Practices of corporate governance in financial institutions derived in large part on the standards set by bodies such as the Accounting Plan of National Financial System Institutions (COSIF) determinations contained in the manuals of the Central Bank establishing the determinations ranging from regulatory and accounting standard setters to facilitate monitoring by the qualification of its executives and management to administration.

Corporate governance comes in response to records of expropriation of wealth by managers, thus impairing shareholders. Thus, the predominant focus of this issue, the economic literature is the Agency Theory. The concept of agency cost that arises with agency problems mentioned also apply to cooperatives. This is because, for determination of the Law 5.764/71, a member may not hold more than a third of the capital. In other words the member who holds greater interest in the capital has no superior benefit over the other (Pinto et al., 2009).

This fact does not allow concentration of capital is crucial for there to be spraying the shareholding and environment for development of agency conflicts. For this reason there is a large number of members, making necessary the separation of ownership and control for the development of the administrative activities of the organization (Pinto et al., 2009).

In cooperative these relations agency conflicts are specific to this type of organization, because all are cooperative owners. In fact this cooperative law associates are owners and users is called the dual quality. Only with the use of the services and the participation of the cooperative that the cooperative will become stronger and able to offer better services.

Thus, the perception of these multiple key on the costs of corporate governance becomes relevant because the members have decision-making power of change in the management of the cooperative case what is being done will not meet the interests of the majority.

For this corporate governance structure work, there are costs to perform such activities. Corporate governance and the adoption of good practices have costs that increase the operating values of the credit union. Given this regulatory change for credit unions, governance structures to be followed had to adapt to the new reality, generating costs for implementation of governance structures.

These costs of corporate governance practices tend to increase with the number of members, and as the size of the geographic area of the cooperative, as the organization and incentives for participation in these meetings become associated higher. Namely, these are variable costs that increase as the demand increases the cooperative.

According to the work of Pinto et al. (2009), the results suggest that the patterns and structures of governance adopted by cooperatives influence the performance of these institutions. For the authors, the best models of corporate governance, the greater the results presented by the organizations, thus contributing to its strength and durability.

Because of this, the regulations prepared by the Central Bank have the intention to organize and guide the cooperatives. One function is to indicate the administrative form, structure and governance practices of a cooperative so that it meets the cooperative principles.

However, for the structuring of corporate governance, especially when regulated by laws, no occurrence of corporate governance costs. Next, we present the concepts of costs, especially the costs of corporate governance that are the focus of this research.

2.2 COSTS OF PRACTICES COMPLIANCE AND DISCLOSURE OF CORPORATE GOVERNANCE

Cost accounting has two important functions. An aid in the control and the other helps in making decisions. Compared to control, the most important issue is to provide data to establish standards, budgets and other forecasts. (Martins, 1996).

According to Martins (1996), the cost is an expense related to goods or services used in the production of other goods or services. This is a sacrifice financial expense to the organization chest to obtain either a product or service.

In a cooperative, could discuss costs by department, dividing into Assembly, Board, Board of Directors, Supervisory Board and Audit. When using costs by department, it is possible to gain greater control over these costs. In other words, it is possible to identify those responsible more clearly related to each cost.

Some costs can be directly appropriated to the products, or activity, these are direct costs. Indirect costs are those that do not provide an objective measure of condition and can not be directly appropriated to each class of asset or cost function at the time of its occurrence (Martins, 1996). This reveals the difficulty of indirect identification with the product or department, in terms of effective measurement.

The cost also has an opportunity cost approach represents a possible future benefit against a current sacrifice. The concept of opportunity cost provides the best basis for good economic decisions when the organization has to choose between competing alternatives (Besanko et al., 2006). It represents how much the company sacrificed in pay for having applied its resources into an alternative rather than another (Martins, 1996).

That is, the manager is able to analyze why the cooperative makes decisions and what distinguishes decisions that can be best compared to other options that might not bring many results, given the opportunities and constraints faced by the organization. Thus, decisions to deploy corporate governance in the cooperative are to seek a better performance with better results.

There is a perception of the opportunity costs of the implementation of corporate governance in the management of the cooperative. This is due to the result that is expected with this deployment. According Ventura et al. (2009), the benefits of corporate governance are for all organizations to adopt. In other words unions large and small invest in governance structures to achieve returns with this adoption.

And corporate governance, according to Ventura et al. (2009), represents a possible development of the credit union. These benefits are offered to all organizations regardless of their economic size.

To keep the corporate governance structures necessary and required by the Central Bank and the Federal Government, and supported by the Brazilian Institute of Corporate Governance, there are maintenance costs of these activities. According to Rodriguez (2005), organizations must maintain a specific structure to meet the needs of providing legal information and statutory requirements.

The term refers to the costs of corporate governance used in this study are the agency costs which are the costs: monitoring costs promoted by the agent to show the principal that their actions will not harm (bonding costs) and residual losses. Due to the difficulty of measuring these last two, will be measured in this work only monitoring costs related to corporate governance.

Thus, the cost of governance is also the cost of compliance with laws and regulations (compliance costs). Compliance is a set of disciplines. It is a rule of transparency, as there are legal requirements and because of this is housed in corporate governance. The need for compliance with the laws exist because there is segregation of duties within the firm. In credit unions, the Central Bank is responsible for the entire financial system. In addition to these normative cooperatives also follow the Law 5764 of 1971 defines the national policy of the cooperative in Brazil.

In addition to the compliance costs of compliance with the standard, there are the costs of disclosure. In other words, the cost of being transparent with stakeholders that goes beyond the laws and regulations. That is, according to IBGC (2009) are attitudes that increase transparency to stakeholders ensuring the information of interest. Most of what is available to inform interested parties information that is of interest and not just those imposed by the laws. Among these costs have, for example, newspapers and websites available to cooperative members with information of the cooperative.

An organization that focuses on regulatory compliance ahead of its market position will value managerial and bureaucratic attitudes. It may not have the ability to sustain a competitive advantage over its rivals less overworked. Thus it will decrease its value and increase market volatility. This is not the result that more stringent legislation of corporate governance are looking for but may be the consequence of such measures if they become mandatory for all corporate decision makers (DURDEN, PECH, 2006).

According to Millar and Bowen (2011), small businesses argue that the cost of compliance with laws and regulations and in particular the Sarbanes-Oxley is too heavy. This law regulates corporate governance for U.S. companies traded. Also states that a weight is higher than for large companies, and this cost can become a problem because it is argued that these costs exceed the benefits generated.

These authors also argue that the approach for both companies, large and small, is not appropriate. Once revisions are required to draft a new law that adequately addresses the requirements of small and large. As an argument they offer empirical evidence that small businesses suffer a higher rate of increase in expenses related to the audit, after the imposition of the Sarbanes-Oxley Act, in relation to larger companies, which could adversely affect the competitiveness of smaller firms.

In the same sense, Pech and Durden (2006) argue that, in some organizations, there is a risk that an approach increasingly prescriptive, legal and regulatory framework for corporate governance can stifle management. This argument is reinforced by the literature, highlighting the potential costs associated with excessive levels of regulation, it will create obstacles decision speed reducers, diverting and diluting management efforts.

According to Clark (2005), the accessions to the new governance standards imposed considerable costs for companies. Some of the costs occur only once in nature and others are occasionally. There are the costs of recruiting new independent directors, the additional costs of holding regular executive sections, audits and hiring committees. Peleias et al. (2010) argue that in fact no need for investments to meet the requirements of the law.

Thus, it is possible to note that many organizations do not have business or financial management structure enough to take the requirements that impose corporate governance practices (RODRIGUES, 2005).

Small organizations argue that the cost of law enforcement is heavy and that load is higher than for large firms. There is an increase in spending to come into compliance with the laws and regulations, and for small businesses that incur higher increases in their cost, can be a problem.

Therefore, these costs are more visible and relevant to a small organization than for a large one. Thus, small businesses suffer a higher rate of increase in costs than larger companies, which could significantly harm its competitiveness (MILLAR, BOWEN, 2011).

2.3 The costs of compliance and disclosure practices of corporate governance in credit unions

Adherence and implementation of compliance and disclosure practices of corporate governance have led to an increasing costs of organizations, because they have demanded better governance practices, in order to increase the transparency of the activities of the organization. There is a cost pressure caused by greater regulatory requirement for them to adopt governance practices (Segreti et al., 2005).

Greater regulation on governance provides protection for stakeholders and not just shareholders. The governance approach is increasingly dictated by governments and their agencies control, sanctioning regulations and laws. What prompted this change is the perceived need for more rigorous protection stakeholders (DURDEN, PECH, 2006).

Thus, legal and regulatory mechanisms impose so external organizations rules for internal controls that are increasingly the focus of these organs. These attitudes come as responses to corporate scandals that have occurred in recent years (DURDEN, PECH, 2006).

But the growing number of regulations increases the number of board members that generates a greater number of independent board members. All these changes imposed will increase operating costs and generate increased spending on resources.

According Chhaochharia and Laeven (2007), there is a need for change in the statutes of the organizations, changing its board structure and management. Thus, the adoption of these new rules and procedures, even signaling to investors that the organization is well governed, there is no cost to companies.

All costs of administration of an organization is in essence a cost of governance, because governance refers to the administrative system in which organizations are directed and monitored. Based on the assumption that in a cooperative property right is constant, the cost of law-making is also. Thus, the cost of corporate governance is treated as an administrative cost, since there is no change in the structure.

Considering that corporate governance has a number of aspects relating to the ownership and management and inter-relationship between various stakeholders, it can be said that there are costs that are explicit and implicit in his activity.

The research of Rodriguez (2005) states that knowledge of the costs of activities of corporate governance are weak, because 80% of the companies surveyed indicated that they have no knowledge and can not identify what are the costs of compliance and disclosure of corporate governance. In other words, only 20% of responding companies said they have good knowledge of these costs. These data suggest the need for organizations to identify, more appropriately, the costs of the activities of corporate governance.

The corporate governance practices can be indicated or required. The practices listed are those that have no membership required or standardized by an authoritative body, such as best practices manual IBGC (2009) indicated for various organizations. And another example would be the best governance practices of the Bank for Credit Unions.

To maintain cooperative governance structures necessary and required by the Central Bank and the Federal Government, and supported by the Brazilian Institute of Corporate Governance, there are maintenance costs of these activities. According to Rodriguez (2005), organizations must maintain a specific structure to meet the needs of providing legal information and statutory requirements.

The administrative cost is the cost that is independent of management, in other words, is related to the activities of firms regardless of their form of management. Thus, the organization whether or not the corporate governance practices exist administrative costs.

Administrative costs are independent of the form of management, no matter the inventory control of the organization, financial activity, the control and other activities of the organization. Forms of decision as transparency, equity, accountability (accountability) and corporate responsibility, which are the principles of corporate governance, independent of administrative composition used.

Administrative costs exist in all organizations, so organizations can only submit some or all of these costs. This is because these costs are included in any form of decision making. So they will not be counted in the model used.

3. METHODOLOGY AND RESULTS

A study can be classified as exploratory when the goal is to analyze a topic or research problem understudied. Descriptive studies are used when you want to describe the properties and characteristics of a phenomenon (SAMPIERI et al., 2006).

The case study for a practical application of the cost of corporate governance practices and application of a questionnaire to identify the perception of cooperative assets as these costs.

In this sense it is necessary to understand the direct costs and appropriable of corporate governance practices, and how they represent the cooperative. For this reason, it is necessary and will be used in the case study research.

The case study is defined as "an empirical inquiry that investigates a contemporary phenomenon in depth and in its real life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2010, p.39).

In developing the case study, we identify the values of the costs of corporate governance practices in a small credit union and its impact to the asset. This was accomplished through interviews, document analysis and observation of routine activities to guide the triangulation (Yin, 2010). The cooperative may be considered small because its current total assets is considered small compared with other existing cooperatives, according to the Central Bank in relation to other existing cooperatives.

The realization of this cost analysis practices and compliance of corporate governance disclosure was made by a case study in small cooperative based in the southern region of Minas Gerais, Brazil. This cooperative is active in the region since 1991 and currently has 12,000 members and total assets of around $ 75 million. The choice of this sample is given by accessibility (or convenience), since this cooperative is adhering to good corporate governance practices of the Central Bank and presents deadline of 2014 for this.

In this case study, interviews were conducted with a manager in the financial organization and an official who had access to the accounting data of the cooperative. This was done to identify the proportion of each cost of corporate governance practices.

Furthermore, we analyzed the cooperative accounting reports to complement the analysis, as well as the observation of routine to perform the triangulation of the case study.

The costs described here are the direct costs of corporate governance practices that may be appropriate. We used the method of gathering primary data from credit unions to obtain these data. Questions concerning this case study were raised, based on the regulations of Central Bank of Law 5764 of 1971, the good practices set by the Central Bank on the book by Ventura et al. (2009) and suggestions IBGC good practice.

During the research, preliminary interviews were conducted with managers to better understanding of the specific reality of the cooperative. This was identified that prior to that cooperative small, the cost of governance practices are relevant due to the number of transactions.

Thus, knowing the importance of the costs of corporate governance practices, this research was based on Law 5764 of 16 December 1971 establishing the legal framework for cooperative societies. Besides this, we used the Complementary Law No. 130 of April 17, 2009 which provides for the National Cooperative Credit.

To settle the costs of corporate governance that come from adherence to standards, we analyzed the following resolutions of the Central Bank governing the financial system, including credit unions: Resolution No. 2608 of May 27, 1999; Resolution No. 3198 of 27 May 2004 and Annex; revoked with Article 9; Resolution No. 3442 of February 28, 2007; Circular No. 3400 of August 1, 2008; Resolution No. 3606 of September 11, 2008; Resolution No. 3859 of May 27, 2010;

It was also used Code of Best Corporate Governance Practices of the Brazilian Institute of Corporate Governance (2009) and the book of good practices proposed by the Central Bank in its Guidelines for good corporate governance practices in credit unions (Ventura et al., 2009). And both are optional adoption.

Also in this case study was a questionnaire to understand the perception of the costs of corporate governance practices. For this purpose, a questionnaire was applied to active members of the cooperative.

The purpose of this questionnaire is to identify and analyze the perception of the costs of corporate governance practices in accordance with the cooperative assets. We studied the cooperative because the cooperative is an organization with multiple principals. Thus, the members have decision-making power over the activities done in the cooperative for the common good and this is done during the general meeting by voting.

The questionnaires for the associated were placed in boxes of the cooperative and delivered to them by the officials of the cooperative.

3.1 Costs of corporate governance practices

The cooperative study appeared in 1991 in the southern region of Minas Gerais, after the close of financial agents who claimed that there was not a good banking center, as there was adequate infrastructure such as access roads, means of transportation, technology and others. Today the cooperative has approximately 12 000 members, 71 employees and seven branches in the State of Minas Gerais. Total assets at the end of 2011 amounted to R $ 75,657,871.11.

From the evidence obtained by interview and access to accounting data of the cooperative, identified the direct costs appropriable values of corporate governance practices and how they represent the asset. With the aid of Table 1 which contains these costs, you can check the following results for the cooperative study.

The costs of corporate governance practices can be divided into: a) costs of corporate governance practices required to be deployed due to laws and regulations, b) costs of corporate governance practices has indicated that voluntary membership organization, and c) costs that are neither practical nor mandatory corporate governance practices indicated, in other words, the organization that decides to deploy it by choice to improve the assembly and hence corporate governance, these are administrative costs that the cooperativa adopts.

Table 1 presents the following organization:

Table 1 - Relative value of the costs of compliance and disclosure practices of corporate governance as the assets of the credit union studied.

Proportional expenditure on corporate governance for credit union	Relative value across the asset	classification
Asset Value	**100%**	
Ordinary Assemblies		
Call of meeting	0,00185%	POGC - Cost of compliance - law 5.764
Bonuses to directors and board members for attending	0	
Notices posted to convene meeting	0	
Newspaper publication on the notice convening the meeting	0,00110%	POGC-Cost of *compliance* - law 5.764
Circulars to convene meeting for members	0	
Transportation for the associated	N.O.	
Food for the associated	0,00066%	PAdm
Rental space for meetings	0,00132%	PAdm
Other costs to the organization of the meeting	0	
Pre-Assemblies		

Performs pre-meetings?	N.O.	
Makes assembly of delegates?	N.O.	
Spending to send delegates to the central assembly?	0,00073%	POGC- Cost of *compliance*-law 5.764
Encouragement of participation of members		
Events to encourage the participation of members in activities?	0,07455%	PIGC
Spending on cooperative education for employees?	0,01983%	PIGC
Extraordinary Assemblies		
Extraordinary Meetings occur? How often?	N.O.	
Board of Directors		
Specific structure for meetings	Yes	
Fees across the board per year?	0,30598%	PA
Advice to professionals?	0,00476%	PIGC
Improvement of the skills of counselors?	N.O.	
Disclosure of the accounts of the council web site and manuals	0,00185%	PIGC-Cost of *disclosure*
Supervisory Board		
Specific structure for holding board meetings?	Yes	
Queries outside professionals?	N.O.	
Directors' fees annually?	0,01917%	PA
Disclosure of directors' opinions	Considered in newspaper publication	
Directorship		
There hiring managers technical or trade?	N.O.	
Directors' fees?	0,30929%	PA
Implementation of corporate governance policies	0,07666%	PIGC
Disclosures and reporting required?	Considered in newspaper publication	
Full time job?	Yes	
Fees are compatible with the market	Yes	
Training directors	0,04626%	PIGC-Cost of *disclosure*
Auditing		
Hiring independent audit	0,03569%	POGC- law n.3442 –Cost of *disclosure and compliance*

Cost of disclosure of financial statements for the year?	Considered in newspaper publication	
Internal audit is outsourced?	Não	
Fees for the staff who work with internal audit	Considered implementation of corporate governance policies	
Expenditures to maintain an internal audit function?	0,05551%	POGC- law n.3859-Cost of disclosure and *compliance*
Committees		
Investments in the cooperative committees	N.O.	
Fees for the staff committee	N.O.	
Audit Committee		
Has the Audit Committee?	N.O.	
Honorary members of the committee?	N.O.	
Hiring expert?	N.O.	

No: Does not occur
PADM: Administrative practice cooperative study that improve AGO
PIGC: Corporate Governance Practices set by the Bank
POGC: Mandatory practices of corporate governance
Source: Survey data

When conducting the case study, these costs related to corporate governance practices were considered by the organization itself as administrative costs. Some administrative costs are also costs of corporate governance practices. These costs of corporate governance practices consist of: costs of corporate governance practices required costs, corporate governance practices and indicated that there are costs associated with the mandatory practices or practices set governance and cooperative performs by choice, and are more related to the administration of the cooperative, but can assist in the activities of some corporate governance practices.

Of these costs, approximately 0.09488% is related to specific costs for credit unions, in other words, which are standardized by the law 5764 and regulations specific to the Bank for credit unions. These costs are convening the meeting, newspaper publication on the convening of the meeting, sending delegates to the assembly of the central structure of internal audit in the cooperative and hiring of independent auditors. Thus, some of these costs are also considered administrative costs. These costs of mandatory corporate governance practices represent 0.0072% of revenues of the cooperative in 2011 and around 2.46% of the total administrative costs of the same year.

Regarding costs of corporate governance practices indicated, 0.2238% of the total assets of the organization are for the following practices indicated: encouraging participation in cooperative activities, investments in cooperative education, spending on consulting professionals, disclosure of accounts web site and manual deployment of corporate governance policies and training for directors. These costs of corporate governance practices indicated represent 0.0175% of revenues of the cooperative and around 1.9423% of administrative expenses of the year 2011 the cooperative study.

In addition to these costs, governance practices required and the cost of corporate governance practices indicated, has studied the cooperative administrative costs that management decided to adopt a strategy option. Are costs that can not be directly corporate governance, but may improve the environment of the assembly and consequently make the practice more efficient governance. Thus, the assembly as corporate governance practice could be better with these investments. These costs are: provide power during the assembly for the cooperative and rental space for the assembly. The value of these costs represents 0.00198% of the total assets of the cooperative. Regarding revenues, these administrative costs that could improve the assembly and the cooperative adopts by choice representing 0.00015% of revenue and 0.0512% of the total administrative costs of the year 2011 the cooperative study.

The costs relating to the payment of fees for directors and board members can be considered administrative practices common to other organizations such as banks, because of independent governance practices indicated they are also costs for the management of the organization. Thus can not be considered costs of corporate governance as it is a common cost to other organizations such as bank and credit unions that do not adhere to good governance practices indicated.

Thus, the costs of corporate governance practices has a total of 0.3205% of the total assets of the organization.

Thus, considering the costs of compliance and disclosure practices of corporate governance that are composed of: cost indicated governance practices, the cost of the mandatory practices of governance and administrative practices that can improve the assembly and the cooperative conducts its option (PIGC, POGC and PAdm), has found that the total amount of 0.3205% of the total assets of the cooperative.

This value represents 0.3205% administrative costs of the organization that would be common to a publicly traded organization, plus the cost of following the specific rules for being a credit union (law 5764 and regulations of the Central Bank), plus the costs of corporate governance practices set (cost of compliance and disclosure practices of corporate governance) and administrative costs to support corporate governance practices adopted by the cooperative spontaneity.

Thus, managers of the cooperative studied consider this value of 0.3205% of total assets, high. The management of the cooperative said that changes to adherence to standards of governance were not too big to the culture of the cooperative, but accounted for a high investment. The managers consider these costs of governance practices as an investment, since that will bring benefits to the organization.

Costs of compliance and disclosure practices of corporate governance, to represent 0.3205% of the total assets are costs associated with corporate governance practices. This can be considered a high value, in this case, in relation to the profitability of the cooperative which is 0.38% of the total asset value.

In other words, this indicates that the costs of compliance and disclosure practices of corporate governance are close to the value of the return on assets, such as profitability of the cooperative calculated indicates a measure of potential generation remains the organization, representing the organization's ability in generating surpluses and thus able to capitalize, being a measure of comparative performance.

Furthermore, the costs of compliance and disclosure practices of corporate governance are also high in relation to administrative expenses, representing 8.6% of the total amount spent in 2011 and showing the importance that these costs have in the organization. Regarding the revenues of the cooperative, these costs of compliance and disclosure practices of corporate governance represent approximately 0.025% of the total for that year.

By having knowledge of the costs of corporate governance practices, the cooperative believes that these values are high spending. Even accounting for an investment that will return to the organization, and an opportunity cost, expenses are high against the size of the cooperative in number of members and its assets. The management of the cooperative study found no major difficulties in adapting to adhere to governance practices of the Central Bank. This occurred because the cooperative had already previously attitudes transparency, communication and support cooperated. For management, simply a willingness and interest to adhere to the normative

Also in this case study was a questionnaire to members. This questionnaire aims to identify and analyze the perceptions of the costs associated with the corporate governance practices indicated. This questionnaire will be further discussed in the next section.

3.2 Perception of the costs of compliance and disclosure of corporate governance in the cooperative study

This research refers to cooperative active at some point attended the cooperative and not at all cooperative members and those who are not active.

According Corrar et al. (2009), is used to evaluate the quality of a questionnaire the Cronbach's alpha test. So Cronbach's alpha of the questionnaire resulted in 0.869. The number of respondents was random of 81 members. Since questionnaires are valid, it is possible to make an analysis of the responses obtained. To facilitate analysis and understanding, the questions were divided into themes for analysis.

These issues deal with the perception of the cooperative on the costs of corporate governance practices, addresses the efficiency of management and investments in cooperative education. It also questions the use of the surplus in investment strategy. Finally, one wonders whether corporate governance is an investment. These issues were addressed by time membership in the cooperative, cooperated age, education level and frequency of participation at the AGM.

We considered the fact that the number of questions for each group of respondents be less than 30. Carried out, then the application of the chi-square tests for checking the difference between the means of the groups. Respondent groups are divided between sections-time association between less than 1 year and more than 20, between 18 and 30 years and with more than 40 years, education level between incomplete high school to graduate and frequency of participation assembly.

As noted by Triola (2012), two independent samples are the values of a sample population and are not related in some way, and combined with paired sample values selected from a population.

Thus, we proceeded to the chi-square test in order to check if two variables are dependent. The tests were done with the questions of the questionnaire classified into sections separated by long association, age, education level and frequency of participation in the meeting. Conducted a test of independence of means for all questions.

The results were as follows:

Table 2 - Results of the research means and chi-square test of independence in relation to the average time cooperated, age, level of education and level of attendance at the meeting and the efficiency of management

Question	Time cooperated			Age			level of education			level of attendance at the meeting		
	0 to 5 years	6 to 11 years	More than 12 years	18 to 30 years	30 to 40 years	More than 40 years	2nd. Incomplete degree	2nd. complete degree	Graduated	Never	sometimes	always
1-Do you think the Board of Directors and the Supervisory Board are good and efficient in their duties?	68%	75,9% (0,830)	66,7%	65,5%	70,8% (0,816)	75%	75%	72,7% (0,613)	60%	71,1%	75,1% (0,363)	54,5%
2-Do you think the Executive Board performs its tasks well?	64%	82,8% (0,502)	77,8%	69%	75% (0,369)	82,1%	71,4%	84,8% (0,464)	65%	73,7%	81,6% (0,432)	63,6%

Source: Survey data

We analyzed the issues on the table 2 efficiency of the organs of management as the Board of Directors, Supervisory Board and Executive Board. Regarding the questions that address the efficiency of the Board of Directors, Supervisory Board and Executive Board (questions 1 and 2), although no statistically significant difference between averages for these two questions, you can see that most of the respondents consider that governing bodies are efficient.

These results were found both in relation to the time of the cooperative association between 0-5 years old, 6-11 years and more than 12 years between the age of cooperated 18-30 years old, 30-40 years and over 40 years between the education level between 2 º. high school, 2nd. degree complete or incomplete, and often between the Annual General Meeting with participation often, sometimes or never. This shows that there is a consensus on the efficiency of the management bodies of the cooperative, possibly indicating that the cooperative realize this efficiency the Board of Directors, Supervisory Board and Executive Board.

Following the analysis, it became a test of averages for the costs of corporate governance practices, as governing bodies.

Table 3 - Results of the research means and chi-square test of independence in relation to the average time cooperated, age, level of education and level of attendance at the Meeting and costs of corporate governance practices

Question	Time cooperated				Age	level of education				level of attendance at the meeting		
	0 to 5 years	6 to 11 years	More than 12 years	18 to 30 years		0 to 5 years	6 to 11 years	More than 12 years	18 to 30 years		0 to 5 years	6 to 11 years
1-Do you consider the operation of the Board of Management and Supervisory Board very costly for cooperative or not?	44%	65,5% (0,435)	48,1%	55,2%	41,7% (0,317)	60,7%	60,7%	51,5% (0,714)	45%	42,1%	65,6% (0,112)	54,5%
2-Do you consider an executive boardroom professionalized very costly for cooperative or not?	52%	62,1% (0,791)	55,6%	58,6%	50% (0,167)	60,7%	64,3%	60,6% (0,470)	40,6%	50%	65,6% (0,216)	54,5%
3-Do you consider the audit very costly for cooperative or not?	60%	62,1% (0,499)	40,7%	51,7%	50% (0,761)	60,7%	60,7%	54,5% (0,789)	45%	47,4%	59,4% (0,269)	63,6%
4-Do you consider the assembly very costly for cooperative or not?	60%	65,5% (0,387)	51,9%	58,6%	54,2% (0,343)	64,3%	75%	57,6% (0,188)	40%	50%	71,9% (0,196)	54,5%

Source: Survey data

Analyzing issues relating to the costs of corporate governance practices indicated, we have that does not have a statistically significant difference between the means. You can see that around half of the cooperative realizes the Board of Directors, Supervisory Board, Executive Board, Audit and Annual General Meeting as onerous, and approximately half remaining realizes otherwise, it is not costly. There are two explanations for this: approximately half of the cooperative realizes the costs of corporate governance practices set out and about the other half do not realize these costs, not only presenting an opinion on the subject. This may also mean that the cooperative are not having perception on the subject questioned. This situation was repeated in relation to the time of association, age, education level and frequency at the AGM.

Considering the test conducted by the significant level of 10% reliability, question 4 of Table 3, which covers about meeting be costly or not, is not significant. But when we relax this value to 20%, with the cooperative 2nd. incomplete grade may have different opinions about the meeting or not expensive compared to other levels of education. Once these cooperative with lower level of education perceive more benefits than the AGM costs.

Likewise, this same question 4, regarding the frequency at the Annual General Meeting, the participating cooperative members sometimes feel that the assembly meeting brings more benefits than costs, this being a different result compared to other frequency levels in assembly also being significant at 20% confidence.

Continuing, followed by analyzing the questions about use of leftovers in investment strategy and corporate governance is an investment for the organization that adopts it. These questions are important because the cooperating to realize that corporate governance is an investment for the organization, even considering the onerous may be aware that it brings benefits to the organization may generate more leftovers future.

Thus, these last two questions in Table 4 below, would be complementary, cooperative members who support the use of the surplus in investment strategy could consider corporate governance investment for the organization in the strategic area, knowing that in the future there could be return amount invested.

Table 4 - Results of the research means and chi-square test of independence in relation to the average time cooperated, age, level of education and level of attendance at the AGM and use the leftovers in the cooperative investment

Question	Time cooperated				Age			level of education			level of attendance at the meeting	
	0 to 5 years	6 to 11 years	More than 12 years	18 to 30 years		0 to 5 years	6 to 11 years	More than 12 years	18 to 30 years		0 to 5 years	6 to 11 years
1-Do you think that the cooperative must use the leftovers to make investments in strategy?	72,7%	80% (0,684)	68,8%	70,6%	78,6% (0,525)	75%	87,5%	77,8% (0,148)	53,8%	50%	84,4% (0,115)	54,5%
2-Do you think that corporate governance is an investment for the cooperative?	54,2%	75,9% (0,332)	73,1%	64,3%	66,7% (0,587)	74,1%	66,7%	75% (0,444)	60%	61,1%	75% (0,369)	72,7%

Source: Survey data

According to the results in Table 4, Question 1 does not show a statistically significant difference between the means. Thus, there is no statistically significant difference in mean responses among the members that have different times of association, age, level of education and level of attendance at the meeting. But it was noticeable that in all cases, more than half of respondents supports cooperative use of leftovers in investment strategy.

Therefore, one can ascertain that more than half of the cooperative possibly tends to support the use of the surplus in investment strategy regardless of time of association, age, education level and frequency at the Annual General Meeting.

Likewise, the issue 2 of Table 4 also shows no statistically significant difference between the means. Thus not observed statistically significant difference between the means of respondents among members that have different times of association, age, level of education and level of attendance at the meeting. But it was noticeable that in all cases a large part of cooperative respondents believe that corporate governance is an investment for the organization.

Therefore, one can ascertain that most cooperative possibly tend to consider that corporate governance is an investment for the organization regardless of the time of association, age, education level and frequency of the assembly. Thus, it is possible to infer that the cooperative may not be aware of how the cooperative spends with the adoption of corporate governance practices indicated.

But much of cooperative respondents may perceive the efficiency of the management bodies according to questions 1 and 2 of Table 3. And also the most cooperative may realize that corporate governance is an investment for the organization and support the use of scraps for investment strategy according to questions 1 and 2 of Table 4.

You can see in this case study performed at a credit union that small practices and compliance of corporate governance disclosure representing approximately 0.3205% of total assets, 8.6% of the total administrative costs and revenues of 0.025% organization in 2011. Considering only the corporate governance practices set 0.2238% of the total assets of the cooperative are intended for those costs. The total costs of compliance and disclosure practices of corporate governance represent 0.3205% of the asset endowment of the cooperative study.

Despite these costs, corporate governance practices are high for the cooperative, as noted by the results of the interview the managers of the cooperative study, it was observed that the cooperative may not be aware of the costs of compliance and disclosure practices of corporate governance.

Thus, the policies of corporate governance practices of the Central Bank may impact the profitability of credit unions, which may reduce the efficiency and hamper the activities of some cooperatives especially small because these costs indicated corporate governance practices can be significantly elevated for some organizations.

Finally, although all these expenses and the impact they have on the assets of the organization, the cooperative may not realize how much it costs for the cooperative to the adoption of corporate governance practices, which can realize only the efficiency of the management bodies like the Board, the Audit Committee and executive board and also that corporate governance is an investment for the organization and support the use of leftovers strategies..

4. CONCLUSIONS

Initially, we conducted a case study in a small cooperative to analyze the costs of compliance and disclosure practices in corporate governance and the perception of these costs by the assets of a cooperative credit union small.

The finding is that the direct costs appropriated practices and compliance of corporate governance disclosure represent 0.3205% of the assets of the organization. By having knowledge of these costs is that it can be considered that these values are correspondingly high.

Costs of compliance and disclosure practices of corporate governance can be considered high because, in representing 0.3205% of the total assets of the cooperative study, are close to the values of the profitability of the cooperative which is 0.38% of total assets. This indicates that the costs of corporate governance practices are higher than the return on assets. Besides representing 8.6% of total administrative costs in relation to revenue of the cooperative, these costs of governance practices represent 0.025% of total revenue for the year 2011.

Thus, the policies of corporate governance practices required by the Central Bank may impact on the profitability and efficiency of credit unions.

So, after this analysis, we conclude that the practices of compliance and corporate governance disclosure may impact the total assets of the cooperative study. However, despite the costs of compliance and disclosure practices of corporate governance can be considered high for the management of the cooperative, the cooperative may not realize these costs.

Much of the respondents consider that the Board of Directors, Supervisory Board and Executive Board are effective. These results were found both in relation to time cooperated age, education level and frequency at the meeting. This shows that there is a consensus on the efficiency of the management bodies of the cooperative, possibly indicating that the cooperative realize this efficiency, there is no difference of opinion between the time of association, age, education level and frequency at the meeting.

It is also observed that about half of the cooperative members perceive the Board of Directors, Supervisory Board, Executive Board, Audit and Annual General Meeting as onerous, and approximately half remaining realizes otherwise, as not costly. Thus, we conclude that the cooperative may not be aware of how the cooperative spends with the adoption of corporate governance practices indicated as the results.

There are two explanations for this: approximately half of the cooperative members realize the cost of corporate governance practices and about the other half do not realize these costs, not only presenting an opinion on the subject. This may also mean that the cooperative are not having perception on the subject questioned. This situation was repeated in relation to the time of association cooperated age, education level and frequency of the assembly.

Thus, we conclude that despite the costs of compliance and disclosure practices of corporate governance can be considered high in this case study, the cooperative may not realize how much the cooperative spends with the adoption of corporate governance practices indicated.

One can also conclude that more than half of the cooperative possibly tends to support the use of leftovers investment strategy regardless of time of association, age, education level and frequency at the meeting. And most consider cooperative corporate governance for an investment organization that adopts it.

Finally, the data found in the case study of the small credit union can not be generalized, because they apply only to that organization. For the generalization of the data, further studies would be needed.

As a suggestion for future research would be an analysis considering more cooperative and a larger number of respondents. Furthermore, it is suggested to carry out a comparative research on the perception of the cooperative in relation to the costs of corporate governance in cooperatives with different sizes.

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