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COOPERATIVE BUSINESS FAILURES IN BATANGAS PROVINCE, PHILIPPINES: A POST-MORTEM ANALYSIS

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INTRODUCTION

- Agricultural cooperatives play an important role in the economic development of the country. It helps small-scale farmers tap support services and access international markets.
- In 2003, the cooperative sector was able to contribute about PhP 517 billion or 12.5% of the Philippines' Gross Domestic Product (GDP).
- However, the GDP contribution of cooperatives fell from 12.5% (2003) to 3.12% (2011).
- Cooperative development has been relatively slow and trends show a general failure of cooperatives to grow and prosper (Castillo, 1994).

OBJECTIVES

- Review the literature on factors affecting cooperative business sustainability and failures
- Present and analyze two cases of failed multipurpose cooperatives
- Offer recommendations to operating cooperatives for their continued sustainability

METHODOLOGY

Nature and Source of Data

- Primary Data
  - Gathered through key informant interviews and questionnaires

    i.e. Relevant information about the selected cooperatives and farmer-members

- Secondary Data
  - Information from different institutions (e.g. CDA)
  - Published and unpublished materials concerning the cooperative sector

METHODOLOGY

Selection of Cases

- From 406 agricultural cooperatives in Batangas, two (2) non-operating and/or dissolved cooperatives were selected

- The cases were purposively selected based on:
    1. Status and performance
    2. Availability of records and years of operation
    3. Asset size
    4. Commodities involved in cooperative operations

METHODOLOGY

Data Analysis

Qualitative and quantitative measures were used.

- *Qualitative approach*
  - A **multi-case study**
  - Analytical tools (e.g. financial ratios)

- *Quantitative approach*
  - **Probit Regression method**
  - Descriptive statistical tools (e.g. frequency count, range and mean)

METHODOLOGY

Probit Regression

- Cooperatives:

Prob(OPER) = F(AGRI, PRODUCTION, LENDING, ASSET, MEMBER, INPUTS)

- Agricultural Cooperatives:

Prob(OPER) = F(LENDING, LIVESTOCK, CROPS, ASSET, MEMBER, PRODUCTION, INPUTS)

METHODOLOGY

Probit Regression

- where;

OPER	**dummy (1 if the cooperative is operating, 0 otherwise)**
AGRI	dummy (1 if the cooperative is agri-based, 0 otherwise)
PRODUCTION	dummy (1 if the cooperative is into production, 0 otherwise)
LENDING	dummy (1 if the cooperative is into lending/credit, 0 otherwise)
LIVESTOCK	dummy (1 if the cooperative's main commodity is poultry and/or livestock, 0 otherwise)
CROPS	dummy (1 if the cooperative's main commodity are crops, 0 otherwise)
ASSET	asset size of the cooperative (in Php)
MEMBER	number of cooperative members
INPUTS	dummy (1 if the cooperative's commodity are farm inputs, 0 otherwise)

RESULTS AND DISCUSSION

Factors Contributing to Failures of Agri Cooperatives

- Lack of funds needed for CDA requirements
- Member's delinquency and Lack of member's participation
- Lack and/or Mismanagement of Resources
- Lack of Financial Consultant
- Lack of Effective Marketing System

RESULTS AND DISCUSSION

Table 1. Determinants of Sustainability among Agricultural Cooperatives in Batangas

```
Probit regression                                     Number of obs   =        120
                                                      LR chi2(8)      =      25.21
                                                      Prob > chi2     =     0.0014
Log likelihood = -44.566097                           Pseudo R2       =     0.2205
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operating	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
trading	-.3689468	.4578661	-0.81	0.420	-1.266348	.5284542
lending	-.2734266	.3141177	-0.87	0.384	-.8890859	.3422328
livestock	-.1861477	.3744967	-0.50	0.619	-.9201479	.5478524
crops	-.6483159	.377262	-1.72	0.086	-1.387736	.091104
asset	1.65e-07	9.00e-08	1.83	0.067	-1.16e-08	3.41e-07
member	.0008594	.0017691	0.49	0.627	-.002608	.0043268
production	.0142642	.3487203	0.04	0.967	-.6692151	.6977435
inputs	-.5212918	.3500335	-1.49	0.136	-1.207345	.1647611
_cons	1.20694	.5308339	2.27	0.023	.1665249	2.247356

RESULTS AND DISCUSSION

Table 2. Determinants of Sustainability in Cooperatives in Batangas

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Probit regression                                     Number of obs   =        335
                                                      LR chi2(6)      =      27.66
                                                      Prob > chi2     =     0.0001
Log likelihood = -120.18804                           Pseudo R2       =     0.1032
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operating	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
agri	-.2116589	.2126511	-1.00	0.320	-.6284474	.2051296
trading	-.4856272	.2129399	-2.28	0.023	-.9029818	-.0682726
lending	.0033247	.1899686	0.02	0.986	-.3690068	.3756563
asset	2.76e-08	2.77e-08	1.00	0.319	-2.67e-08	8.20e-08
member	.0023118	.0010616	2.18	0.029	.0002311	.0043926
production	-.0004584	.2554994	-0.00	0.999	-.501228	.5003112
_cons	1.121622	.2483924	4.52	0.000	.6347821	1.608462

CONCLUSIONS

- Lack of funds and internal problems contributed to the dissolution of cooperatives A and B.
- Members' delinquency in Cooperative A has significantly affected its profitability
- The cooperative lacks harmonious relationship between management and members
- Sustainability of the cooperatives was affected by the absence of an effective marketing system

RECOMMENDATIONS

For the cooperatives

- Improve sense of responsibility of members through various activities that will boost their self-confidence and will raise their cooperative participation.
- Employ experienced and well trusted officers who know the nature of the business and the agricultural cooperative.
- Exercise collective decision making in the cooperative.
- Develop a strategic planning and management control system.

RECOMMENDATIONS

For government and non-government institutions

- Cooperatives should be aided in gaining access to low-cost technology.
- Cooperatives should be provided with strong regulatory framework that will improve their operations.
- Cooperative education should be strengthened.
- Cooperatives should be assisted in conducting regular cooperative-related trainings and seminars for free.

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THANK YOU!!!