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THE MULTIPURPOSE COOPERATIVES IN THE PROVINCE OF MARINDUQUE, PHILIPPINES AS ENGINES OF ECONOMIC DEVELOPMENT

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INTRODUCTION

- ✓ Cooperatives play very significant roles as alternative models for local businesses that will be both **responsive to community needs** as well as stimulate **local economic growth**

- ✓ In the Philippines, several success stories of cooperatives were also written

- ✓ though history revealed that despite various laws passed and government interventions implemented, early cooperatives were generally a failure.

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INTRODUCTION

- ✓ The case of the cooperatives in the province of Marinduque, Philippines is never an exception.

- ✓ **more than half of registered cooperatives** reported by the Cooperative Development Office of the province being non operational and dissolved as of December 31, 2012

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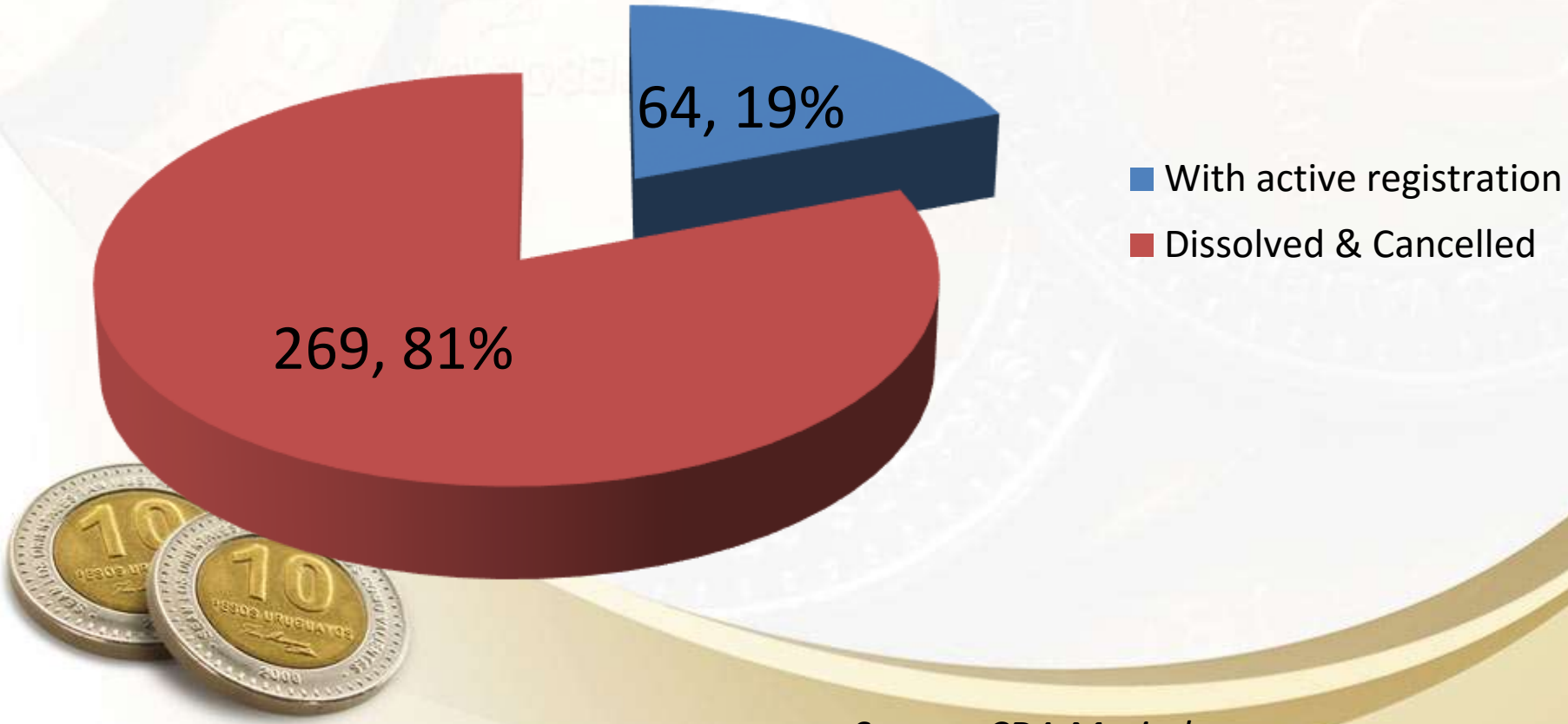
Status of Cooperatives in the Province of Marinduque (1999 - 2012)



Source: CDA Marinduque

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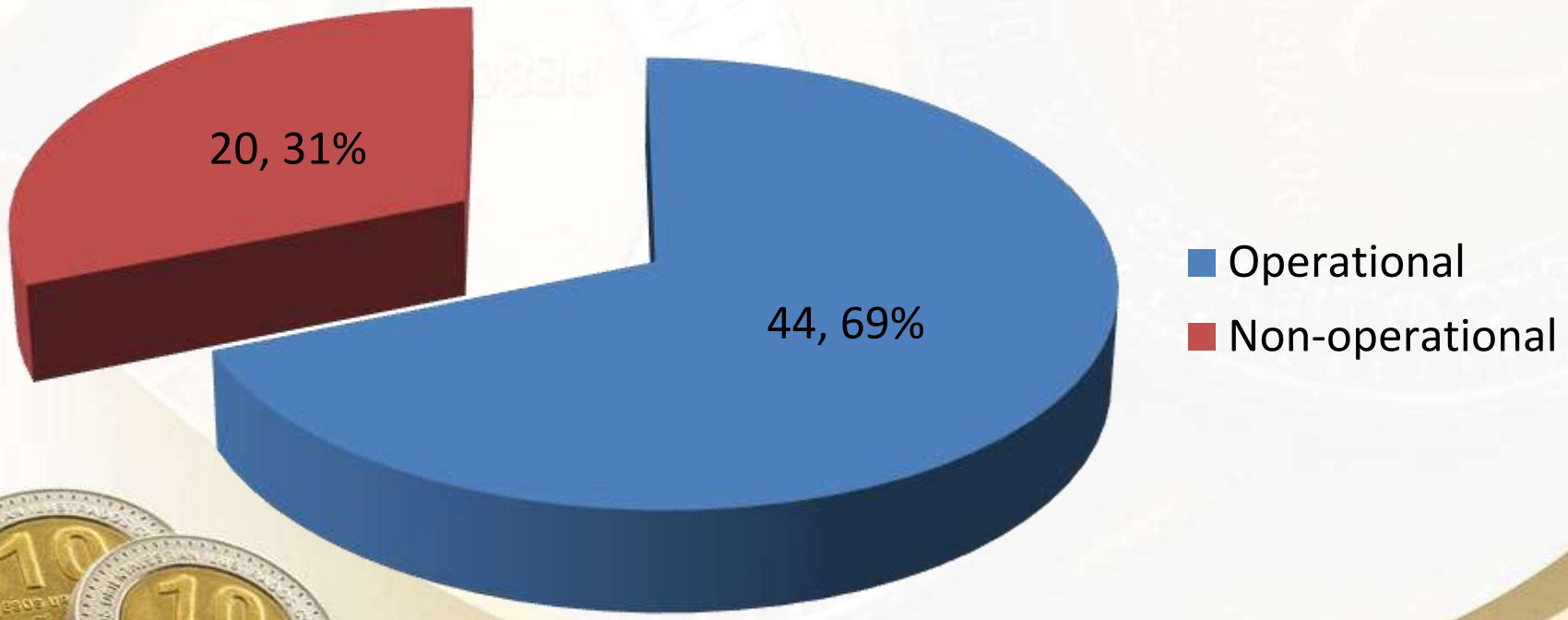
Status of Registered Cooperatives in the Province of Marinduque as of December 31, 2012



Source: CDA Marinduque

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OBJETIVES OF THE STUDY

- **assess the performance** of the multipurpose cooperatives (MPCs) in the province of Marinduque **as economic entities**,

- assess the **level of contributions** of the MPCs to the **economic welfare** of their local communities

- evaluate as well the **level of entrepreneurial competencies** of the MPCs' **key players**.

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SIGNIFICANCE OF THE STUDY

- Results of the analysis served bases for the researcher **to formulate specific strategies the cooperatives may adopt to improve and sustain their business performance in the future**.

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MATERIALS and METHODS

Cooperative Profile

1. **Entity**
   - Capitalization
   - Nature of Business
   - Years in Operation
   - Financial Condition
   - Scope of Operations
   - Number of Members
2. **Key Players**
   - Educational Attainment
   - Work Experience
   - Trainings Attended
   - Tenure of Membership

→

Cooperative Performance

1. **Economic Contributions**
   - Employment Generation
   - Capital Formation
   - Revenue Generation
   - Community Involvement
2. **Entrepreneurial Management Competencies**
   - Strategic Awareness
   - Leadership
   - Communicating
   - Task Orientation
   - Member's Focus

↓

Problems

↓

Strategies

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MATERIALS and METHODS

- ✓ total of **19 multipurpose cooperatives** from the six municipalities of the province participated in the study

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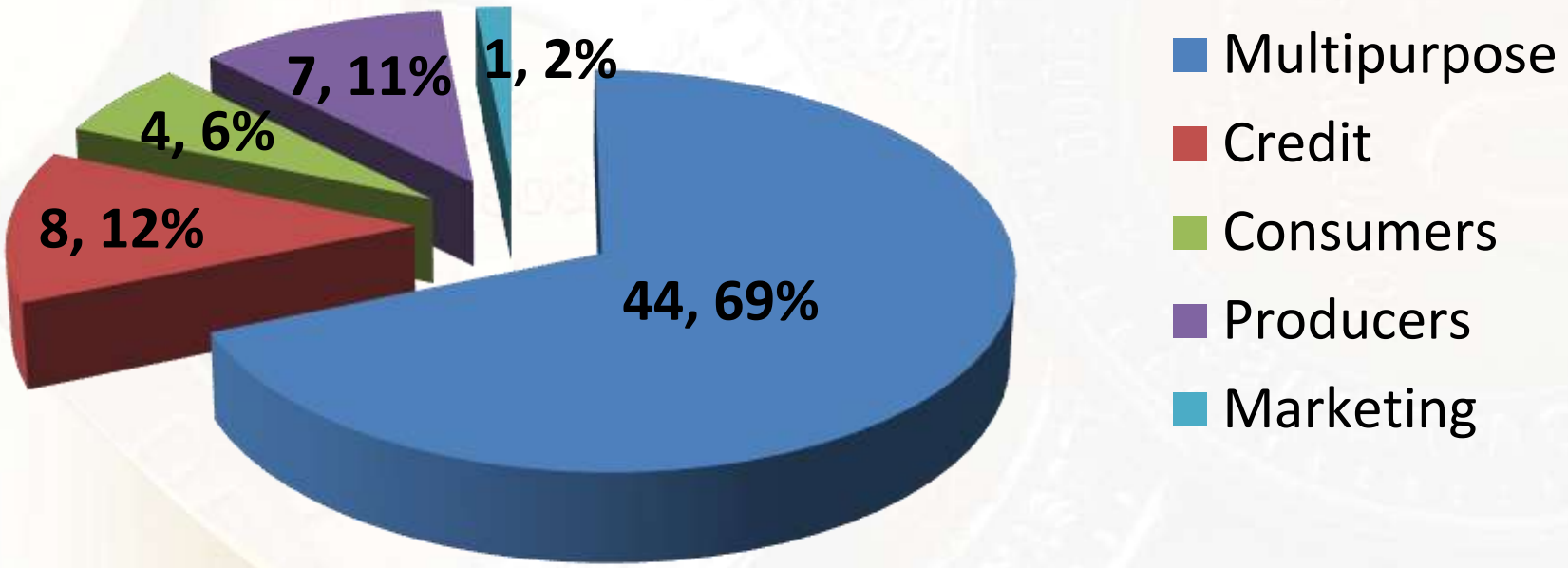
Distribution of Cooperatives as to Type



- 19 – operational 17 – non-operational

Source: CDA Marinduque

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MATERIALS and METHODS

- ✓ total of **19 multipurpose cooperatives** from the six municipalities of the province participated in the study

- ✓ **Purposive type** of non probability sampling test was used in the selection of respondent MPCs

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MATERIALS and METHODS

- ✓ **Criteria**:

  a. MPCs with active registration, with active business operations, and existing for at least five years,

  b. Basically engaged in credit or lending services as the main business activity,

  c. Membership is at least 50 persons as of December 31, 2012, and

  d. Their customer base is composed solely of the members.

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MATERIALS and METHODS

- ✓ the **key informants** or individual participants from subject MPCs were represented by the **key players** composed of the executive officers (Board of Directors and manager), and the employees.

- ✓ the **members** were also asked to give their individual assessments on the performance of their respective cooperatives as an entity as well as on the competencies of the key players

- ✓ respondents from the corresponding localities of subject MPCs include the **barangay chairman**

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MATERIALS and METHODS

- ✓ To establish the financial profile of the MPCs, the **CDA PISO Instrument** was utilized.

- ✓ **PISO** refers to the financial ratios and standards that measure the financial performance of the cooperatives, as embodied in Memorandum Circular No. 2013-15

  - ✓ **PISO** stands for **P**rofitability, **I**nstitutional Strength, **S**tructure of Assets, and **O**perational Strength or staying power capacity of the cooperative

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RESULTS and DISCUSSION

The Profile of the MPCs as an Economic Entity

a. As to Capitalization

- ✓ Manifests capacity of the cooperatives to raise additional capital brought by the increase in members' capital contributions and allocations from the generated net surplus aside from the increase in number of membership

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RESULTS and DISCUSSION

The Profile of the MPCs as an Economic Entity

b. *As to Nature of Business*

- ✓ Majority of the MPCs are engaged in lending as their lone business activity.
- ✓ This hampers them to achieve economies of scale as their resources are not maximized to the fullest

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RESULTS and DISCUSSION

The Profile of the MPCs as an Economic Entity

c. *As to Years in Operation*

- ✓ Majority of the MPCs have been in the operation for more than ten years.
- ✓ This implies ability of the MPCs to sustain life for a longer period.

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RESULTS and DISCUSSION

The Profile of the MPCs as an Economic Entity

d. *As to Financial Condition*

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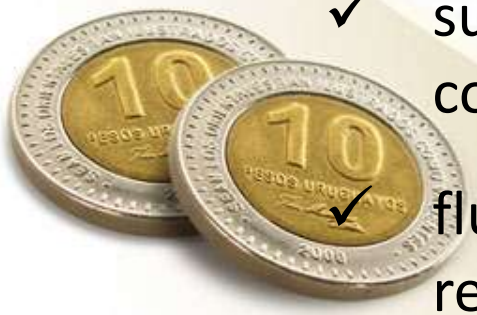
Performance Indicators	Average Performance	Average Standard (per PISO Instrument)
a. PROFITABILITY PERFORMANCE		
Profitability Ratio	-580.55%	≥30%
Earnings Per Share Ratio	P17.17	≥2.50
Profitability Growth Rate	23.46%	≥100%
Asset Efficiency Rate	5.78%	≥20%
Rate of Interest on Share Capital	15.26%	Within Inflation Rate (3.2%*)
b. INSTITUTIONAL STRENGTH		
Net Institutional Capital	-18.22%	≥10%
Adequacy of Provisioning	6.19%	≥100%
c. STRUCTURE OF ASSETS		
Percentage of Non-earning Assets to Total Assets	29.18%	≤10%
Members' Equity to Total Assets	32.08%	40% to 50%
Deposit Liabilities to Total Assets	16.89%	30% to 40%
External Borrowings	24.24%	No external borrowings
Receivables to Total Assets	73.25%	60% to 70%
d. OPERATIONAL STRENGTH (Staying Power)		
Volume of Business to Total Assets	103.18%	≥100%
Solvency	33.81%	≥110%
Liquidity	650.33%	15%-30%
Cost per Volume of Business	0.22	≤25¢
Administrative Efficiency	8.67%	≤10%

RESULTS and DISCUSSION

PROFITABILITY PERFORMANCE

- ✓ implies poor performance of MPCs in terms of their ability both in generating surplus and maintaining minimal level of operating and financing costs.
- ✓ attributed to the inability of the cooperatives to optimize the use of their available resources in the most productive manner.
- ✓ suffered deficit due to the very high financing costs incurred from equally high external loans.
- ✓ fluctuating earning performances consequently resulted to poor profitability growth rates (PGR).



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RESULTS and DISCUSSION

PROFITABILITY PERFORMANCE

- ✓ still able to allocate acceptable returns and provide earnings to the members' capital contributions
- ✓ favorable effect to the MPCs as high earnings for capital contributions may encourage current and potential members alike to retain capital shares or to invest more
  - ✓ also indicates that the MPCs are good at satisfying the ultimate interest of the member-owners (whether their capital shares earn or not), further boosting their confidence.

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RESULTS and DISCUSSION

INSTITUTIONAL STRENGTH

- ✓ average performance (-18.22%) for **net institutional capital** is far below the industry standard of at least 10% (≥10%) which denotes poor stability
- ✓ almost all of subject MPCs are not able to allocate sufficient amount for their reserves, which signifies vulnerability of the MPCs to losses further causing threat to their sustainability, which may eventually cause hard time for them to borrow money from lending institutions

- ✓ do not observe proper ageing of receivables hence, **restraining them to adequately provide allowances for probable losses** due to overdue accounts (6.19% : ≥100%)

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RESULTS and DISCUSSION

- ✓ Majority of the MPCs have ***WEAK STRUCTURE OF ASSETS*** manifested by the following:

1) Higher percentage of the MPCs' total assets not producing income indicating failure to choose wise investments that can contribute to their revenue generating activity.
2) Too much reliance to external borrowings much costly than internal sources of funds like members' share capital and deposits,
3) Low ratio of members' deposit (savings, time), a much cheaper funding source and easily obtainable (near-time source), and
4) High volume of loan portfolio as compared to the standard range exposing the MPCs to danger of high uncollectible accounts.

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RESULTS and DISCUSSION

OPERATIONAL STRENGTH (Staying Power)

- ✓ In terms of staying power capacity, there is a favorable indication of the ability of the subject MPCs to stay in business despite poor performances on the other financial areas.

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RESULTS and DISCUSSION

The Profile of the MPCs as an Economic Entity

e. *As to Scope of Operations*

- ✓ Most of the MPCs cater to members only.
- ✓ This is a manifestation that the cooperatives have not considered yet diversification as a strategy.

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RESULTS and DISCUSSION

The Profile of the MPCs as an Economic Entity

f. *As to Number of Members*

- ✓ About 84.2% of the MPCs are mostly consists of community based and institution based cooperatives.

- ✓ About 15.8% include MPCs which members are coming from the whole province of Marinduque.

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RESULTS and DISCUSSION

- ✓ Many of the members joined cooperatives solely for membership convenience which eventually led to dual membership from one cooperative to another, and resulted to very high records of delinquent accounts.

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RESULTS and DISCUSSION

The Profile of the MPCs ‘ Key Players

a. *As to Educational Attainment*

- ✓ Forty-eight (48.5%) of the key players are college graduates while 14.1% have post graduate degrees which implies that key members have basically attained sufficient level of education.

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RESULTS and DISCUSSION

The Profile of the MPCs ‘ Key Players

b. *As to Work Experience*

- ✓ Only about 11.1% of the key players were businessmen prior to joining their respective cooperatives.

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RESULTS and DISCUSSION

- ✓ Despite sufficient educational attainment, the MPCs are confronted with great challenge in the effective management of their business operations since majority of them are not equipped with related experience in terms of business enterprise management.

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RESULTS and DISCUSSION

The Profile of the MPCs ‘ Key Players

c. *As to Trainings Attended*

- ✓ not everyone among the key players has attended the training requirements to enhance their capabilities

- ✓ smaller MPCs’ Cooperative Education and Training Fund (CETF) not enough to finance the training requirements of the key players and members.

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RESULTS and DISCUSSION

- ✓ This is attributed as one of the reasons why the MPCs exhibited poor performance in financial and business operations management

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RESULTS and DISCUSSION

- ✓ It is worthy to note that the Code requires only the attendance of the cooperative officials in trainings, consequently resulting to a greater number of uneducated members as to the true nature and characteristics of cooperatives as an enterprise with unique personality designed for both social and economic purpose.

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RESULTS and DISCUSSION

Assessment on the Level of Performance of the MPCs

a. *As to Contribution to Economic Development*

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RESULTS and DISCUSSION

- ✓ Both the key players and members believed that their respective cooperatives give **“fair contribution”** to the economic development of their community with respect to **Employment Generation, Revenue Generation and Community Involvement**.

- ✓ However, they all believed that their respective cooperatives give a **“high contribution”** when it comes to **Capital Formation**.

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RESULTS and DISCUSSION

- ✓ MPCs are confronted with certain limitations

(a) poor credit and collection policies

(b) inadequacy of jobs created due to limited business operations

(c) inefficiency in choosing and implementing feasible business ventures that can significantly contribute to their income generating activities, and

(d) meager extent of initiatives and community partnerships with respect to sustainable environmental programs

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RESULTS and DISCUSSION

Assessment of the Level of Performance of the MPCs

a. *As to Entrepreneurial Management Competencies*

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RESULTS and DISCUSSION

- ✓ As to the **Leadership skills, Communicating skills, and Members' Focus**, the **key players** believed that they are **"more competent"** in these areas, but **ordinary members** believed that the key players on the average are **"fairly competent"** only on these skills.

- ✓ For **Strategic Awareness, and Task Orientation**, **both key players and ordinary members** agreed that the key players of the cooperatives are **"fairly competent"**.

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RESULTS and DISCUSSION

- ✓ inefficiency of the key management to utilize the cooperatives' available resources at the most optimal manner,
- ✓ inability to skilfully use accounting information in recognizing and solving management problems as well as in planning and controlling activities,
- ✓ ineffectiveness of the management in formulating key strategies to generate sufficient volume of business like enhancing or improving current products or services, creating new products, and finding new customers, and
- ✓ inefficiency of Audit and Credit Committees in the performance of their functions prescribed in the Philippine Cooperative Code of 2008.

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CONCLUSIONS

1. The poor financial performance of the MPCs resulting from poor financial management exhibited by the key players made the cooperatives become susceptible to losses and risks of possible failure.

2. Market has become limited as a result of the stiff competition among the MPCs with similar nature of business and target market. Likewise, sources of capital have been restricted because of limited number and quality of members.

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CONCLUSIONS

3. The MPCs have the capacity to contribute to the economic development of the local communities in terms of employment and revenue generation, community development, and on a high extent, to capital formation of the members. Yet they are still largely confronted and greatly challenged by several problems which hinder their capacity to grow and give the highest economic contribution.

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CONCLUSIONS

4. The current level of competencies of the key players in entrepreneurial management affirms their potential to improve and develop further given deliberate intensive trainings and viable institutional interventions.

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CONCLUSIONS

5. The MPCs are endowed with great arrays of opportunities to take advantage of that will help them enhance and sustain their business operations, thus, they have the potentials to grow. Their capacity to exist for five years and beyond is a manifestation of their pursuit to stay in the industry amid difficulties that constantly defy the cooperatives' full capacity to grow.

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CONCLUSIONS

6. There is unavailability of a concrete guide and an appropriate approach that will give direction to the cooperatives' management in their daily business undertakings that will subsequently promote both social empowerment and economic goals.

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RECOMMENDATIONS

1. The MPCs in the Province of Marinduque, with intervention from CDA, should strengthen and professionalize their financial and auditing systems.

2. The MPCs with similar nature of business operations should consider merger or consolidation as a strategy to allow pooling of resources and expertise among them thus maximizing their resources subsequently helping them achieve economies of scale.

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RECOMMENDATIONS

3. The CDA should strengthen the capabilities of both cooperative sector and Marinduque Union of Cooperatives through the establishment of an enhanced and continuing non-formal education programs, with interventions from the Marinduque State College and collaborations with concerned government agencies in the province, directed toward improving members' understanding about the true nature and purposes of a cooperative enterprise, and improving the overall entrepreneurial and financial management capabilities of managers, key personnel, and directors of the cooperatives.

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RECOMMENDATIONS

- ✓ The educational programs shall give focus on the following dimensions: a) continuing Entrepreneurial Development Trainings, Seminars and Workshops, participated in by all cooperators, and b) Membership Empowerment underscored on values formation, sense of ownership, and active involvement.
- ✓ The coursework should be aligned with that of a traditional business management or entrepreneurship program; however, the contents are tailored to the cooperative movement. In so doing, members will be provided with a deeper understanding and appreciation of the difference between managing in an investor-owned organization and a cooperative.

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RECOMMENDATIONS

4. The CDA, in collaboration with the Marinduque State College, the Marinduque Union of Cooperatives, and concerned government and non-government agencies, should establish a Center for Research and Cooperative Development steadfast to Cooperatives Promotion in the Province of Marinduque.

- The Center shall also be responsible for training and development of all cooperators (key players and members), and the publication of Guidebooks with topics highlighted on Business Management Designed for Cooperatives. The proposed guidebook shall be intended for consumption of not only the leaders and management team but for the entire membership at all levels as well.

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RECOMMENDATIONS

5. The MPCs should expand the scope of cooperative business through new product and market development and diversification strategies.

- ✓ As such, the MPCs in the province must engage in other business activities aside from lending to maximize the use of resources and capabilities. Since majority of the cooperatives cater only to their members, the cooperatives must also be encouraged to diversify in terms of market coverage. Through these business strategies, the cooperatives can enhance or improve current products or services, create new products, and find new customers, thus providing alternate sources of revenue.

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