

## **BIBLIOGRAPHY**

ALIDA, GRACE N. APRIL 2009. Growth and Performance of Progressive Citizen Multipurpose Cooperative: A Trend Analysis. Benguet State University, La Trinidad, Benguet.

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## **ABSTRACT**

This study was conducted to evaluate and assess the growth and performance as well as document the operation of the Progressive Citizen Multipurpose Cooperative in Buguias, Benguet in terms of its membership, total assets, paid-up share capital, and net saving; to identify some problems of the cooperative and come up with solutions.

The manager and some members of the board of directors served as the sources of primary information while secondary information was obtained from records and reports filed at the cooperative office. These information and data obtained were analyzed in order to evaluate the performance of PCMPC using standard scales to come up with relevant conclusions. This study was conducted from January 2009 to February 2009.

The results of the trend analysis show a general decrease in membership, paid-up share capital, and net savings but an increasing trend for assets. The time of fluctuation in the actual data for each is inconsistent.

The result of the rating (69.6%) indicate an unsatisfactory performance and is need of immediate remedial action.

The manager stated the problems encountered by the cooperative and the recommended solution to help in solving the problem.

## TABLE OF CONTENTS

	Page
Bibliography.....	i
Abstract.....	i
Table of Contents.....	ii
<b>INTRODUCTION.....</b>	<b>1</b>
Rationale of the Study.....	1
Statement of the Problem.....	2
Objectives of the Study.....	2
Importance of the Study.....	3
Scope and Limitation of the Study.....	4
<b>REVIEW OF LITERATURE.....</b>	<b>5</b>
Cooperative Growth.....	5
Legal Foundation for Cooperative Development in the Philippines.....	5
Capital Resources of Cooperatives.....	6
Performance Standard for Credit Cooperatives.....	6
<b>METHODOLOGY.....</b>	<b>10</b>
Locale and Time of the Study.....	10
Respondents of the Study.....	10
Data Collection.....	10
Data Gathered.....	10
Data Analysis.....	10

RESULT AND DISCUSSION.....	11
Membership.....	13
Paid-up Share Capital.....	15
Total Assets.....	17
Net Savings.....	19
Administrative Compliance and Management Structure.....	21
Compliance with Administrative and Legal Requirements.....	21
Organizational Structure.....	23
Operation and Management.....	25
Plans/Programs and Performance.....	26
Financial Performance.....	28
Portfolio Quality.....	28
Efficiency.....	28
Stability.....	31
Operations.....	32
Structure of Assets.....	33
Problems of the Cooperative and the Recommended Solution.....	38
SUMMARY, CONCLUSION AND RECOMMENDATION.....	40
Summary.....	40
Conclusion.....	41
Recommendation.....	42

LITERATURE CITED.....	43
APPENDIX.....	44
Supplementary Table.....	44



## **INTRODUCTION**

### Rationale of the Study

A cooperative is a voluntary association of person with a common bond of interest (RA 6938). It begins with the people who wish to provide themselves with goods and services they need. Although capital is the beginning of a cooperative, it is considered as the blood of its successful operations. A cooperative must have adequate funds, must be managed well for the success of the cooperative but it depends on how financial resources are used and allocated (Marquez, 2004).

Presently, our country is facing economic crisis, people continue to secure any stable source of income for better living, and they continue to discover how to uplift their lives. Cooperatives have a big role in the society especially in the area of livelihood of families. Credit is the one of the services rendered by the cooperative and this could help the people meet their financial problems.

The Progressive Citizen Multipurpose Cooperative (PCMPC), just like all other cooperatives, aims to help their members uplift their social and economic status. The PCMPC is located at Abatan, Buguias, Benguet. It was established in 1969, the original name was Philippine Lutheran Medical Mission Employees Cooperative Credit Union, Inc. The starting capital was contributed by the employees of Lutheran Hospital through payroll deduction. It was established with fifteen (15) incorporators in Abatan, Buguias, Benguet. The PCMPC was registered on October 25, 1991 with the Cooperative Development Authority (CDA). On September 17, 1997 it was registered as a Multipurpose Cooperative. And the common bond of membership is community.



The types of service provided by the cooperative are credit-which is that of providing loans to its members; and consumer-the primary purpose of which is to procure and distribute commodities to members and nonmembers.

### Statement of the Problem

As the cooperative has been operating for a relatively long period, it is of interest to know how the cooperative is performing or has been performing for the past ten years. It is hence important to determine the growth of the cooperative through the years as well as its financial performance.

The study intended to evaluate the performance and document the operation of the Progressive Citizen Multipurpose Cooperative in Abatan, Buguias, Benguet. Specifically, it aimed to answer the following:

1. What was the trend of growth in the cooperative in terms of?
  - a. number of members
  - b. total assets
  - c. paid-up share capital
  - d. net savings
2. What is the financial performance of the cooperative for 2007?
3. What were the problems met by the cooperative?
4. What are the possible solutions to solve these problems?

### Objective of the Study

The study aimed to accomplish the following:

1. Determine the growth trend of the cooperative in terms of:



- a. number of members
  - b. total assets
  - c. paid-up share capital
  - d. net savings
2. Determine financial performance of the cooperative as to:
    - a. Portfolio quality
    - b. Efficiency
    - c. Stability
    - d. Operations
    - e. Structure of assets
  3. Identify current problems met by the cooperative.
  4. Determine the solutions implemented by the cooperative to ease problems met.

#### Importance of the Study

The completion of the study would provide relevant information on the status of PCMPC as to growth trends and financial performance. As it would show how the cooperative grew through the years, and relate factors that contributed to such performance, this study could help pinpoint good or bad practices and hence provide a basis for developing policies and programs to sustain and improve operations of the cooperative.

In addition, the research would serve as a reference material to other researchers in the conduct of similar studies



### Scope and Limitation of the Study

The study made use of the annual Financial Statement of the cooperative as a basis of analysis and covering the years 1997-2007. Analysis used the COOP PESOS model. When trends in the growth and performance would have been determined, officers and members were asked of circumstances related to these trends.





## **REVIEW OF LITERATURE**

### Cooperative Growth

“Growth does not always lead a business to build on success. All too often it converts a highly successful business into a mediocre large business.” (Branson, 1950)

Growth is the process of expanding or developing, especially rapidly. (Microsoft Encarta 2006)

Onagan et. al (1973) also added that cooperation, through the operation of its principles and doctrine is actively dynamic. One of its inherent characteristics is growth. It develops and expands to all directions until the whole world is merged to the system. As a unit, a cooperative increases in size to a point where all people in its trading area are absorbed. The cooperative system has its own remedies to accomplish this goal. Its service grows both quantity and in quality commensurate the needs of members. By the operation of patronage refund and by the watchful guidance and encouragement given by the cooperative to improve their economic status members, find themselves actually and actively accumulating wealth as the years go by. This dynamic accumulation of wealth is characteristics of and inherent to, cooperatives.

### Legal Foundation for Cooperative Development in the Philippines

Cooperative Development Authority, 1992 as cited by Tagarino 2005, Article XII, section 15 of the Philippines Constitution provide for the promotion on the growth and viability of cooperatives as an instrument of social justice and economic development. To operate this constitutional provision, Republic Act 6938, known as the Cooperative Code of the Philippines, was enacted declaring a policy to foster the creation and growth of



cooperatives as practical vehicles for the promotion of self-reliance, and to harness people empowerment towards the attainment of economic development and social justice.

Republic Act 6938 underscores the government's goal of establishing an egalitarian society where the poor people will have access not only to ownership of resources and wealth of the country but also to the protection of the law through political and social power. (Tagarino, 2005)

### Capital Resources of Cooperatives

The financial status of cooperatives determines their ability to provide services to the members and can be used as a basis to continue business or not. The success of cooperatives lies on the financial capability to support them. (Tagarino, 2005)

### Performance Standard for Cooperatives with Credit Services

As cited by Somayao (2008), the technical and Working Group from DOF, NCC, CPIP, CDA, BSP, PDIC, LBP, NATCCO, CUP, NAMUESCO, FPSDC, CVES-Phil's., and NCM cited two (2) components of performance standards for Philippine Credit Cooperatives and other types of cooperative with credit services.

Indicators on compliance with administrative and legal requirement. These indicators comprise a set of question, which would give information on the cooperatives' Compliance with the necessary administrative requirements. The questions also provide information on the governance, management, and organizational structure of cooperative. These indicators also look at whether the credit cooperative has adequate systems, policies, and procedures to ensure efficient operations and effective service to members.



The indicators under this component are grouped into the following and are given the acronym COOP.

a. Compliance with the administrative and legal requirements. This includes a set of questions, which looks at whether the credit cooperative complies with the various legal requirements imposed by various institutions like Cooperative Development Authority, Bureau of Internal Revenue, Local Government Unit and Department of Labor and Employment.

b. Organizational Structure and Linkages. This includes a set of questions on the cooperative's governance and membership structure. It may also include questions on affiliation and linkages with cooperative federations and other organizations involved in the promotion and development of cooperatives.

c. Operation and Management. This includes indicators that determine presence or absence of the necessary system, policies and procedures for efficient and effective management of the credit cooperative. Questions related to the Board of Directors and cooperatives management is included in this portion.

d. Plans and Programs. This includes parameters to determine whether the credit cooperative has a development plan and approved annual plan and budget. This also looks whether the credit cooperative reviews its performance vis-à-vis the projections in the business plan of the credit cooperative.

Indicators on financial performance. This component is comprised of indicators that look at the financial performance of the credit cooperative. It has the following major categories (PESOS).



a. Portfolio quality. The first group of ratios/ indicators provides the managers and Board of Directors of Credit Cooperatives appropriate tools in monitoring the quality of the portfolio of the cooperatives. This should be monitored closely in as much as the loan portfolio accounts constitute the bulk of the credit cooperative's asset. In view of this, it is also important that its assets be adequately protected. Protection is measured by comparing the adequacy of the provisions for loan losses against the amount of delinquent loans. The status of the health of the portfolio of the cooperative will either propel the cooperative to grow more or imperil the whole sustainability program of the cooperative. Two indicators are included in this group. These are: portfolio at risk, and allowances for probable losses.

b. Efficiency. The stability of the credit cooperative is important to ensure that the operation and administrative efficiency of the delivery of financial services, i.e. loans and savings product to its members. Indicators under this category determine the ability of the credit cooperative to generate sufficient income to cover expenses on operations. This affects the loan profitability of the credit cooperative's portfolio and the return on members' share. Six (6) ratios/indicators are included in this group: Asset yield, operational self-efficiency, rate of return on members' share, loan portfolio profitability, cost per peso loan, and administrative efficiency.

c. Stability. The stability of the credit cooperative is important to ensure that the financial services are delivered to its members in a sustainable manner. One way to do this is to increase the institutional capital of the cooperative instead of purely relying on the share capital of members. It is also important for the credit cooperative to maintain sufficient liquidity to meet the financial needs of its members. Stability is important since



as the cooperative leadership commit itself to ascertain the sustainability in the cooperative structure, the membership of the cooperative will also be serious in strongly supporting their cooperatives. There are three (3) ratios under this category: solvency, liquidity, and net surplus.

d. Operations. Under this group, two (2) indicators are included. These indicators and standards in this group calls for the implementation of a new thrust in the operations of the credit cooperative, including decreasing dependence on external borrowings and greater emphasis on mobilizing voluntary savings from its members. Strong emphasis is given on mobilizing voluntary savings from members since it is considered more accessible for members and therefore is more beneficial. In addition, emphasis on savings mobilization will result in the credit cooperative is less dependence on external borrowings and lower financial costs. The indicators are performance of membership growth and trend in external borrowings.

e. Structure of assets. Under this group, five (5) ratios help ascertain the quality and the structure of the assets of the cooperative. The indicator and the standards set this group determine the extent of the share of the cooperative's various assets to its total assets and assess the effective use of these assets to operate venues. There are four (4) indicators under this category: non-earning assets/total assets, total deposits/total asset, net loans receivables/total assets, and the total members' share capital/total asset.



## **METHODOLOGY**

### Locale and Time of the Study

The study was conducted at Progressive Citizen Multipurpose Cooperative in Abatan, Buguias, Benguet. This was conducted from January to February 2009.

### Respondent of the Study

As data for the most part of the study was based on financial records of the cooperative, respondent of the study were the manager, officers and other members, as to provision of events in relation to the cooperative's growth.

### Data Collection

Financial statements covering the years 1997 to 2007 was gathered and analyzed. Management and officers were asked of circumstances related to trends detected in the analysis of financial statements

### Data Gathered

Data gathered was from the cooperative Financial Records from 1997-2007 and the Financial Statement for 2007. Management and officers were asked to recount circumstances related to observed trends in the analyzed financial statement.

### Data Analysis

The data to be collected was tabulated and analyzed with the use of the trend analysis.

Cooperative performances were assessed using the formula and scoring system of the COOP PESO. The COOP acronym stands for the Compliance with administrative and



legal requirements, Organizational Structure and linkages, Operation and Management, and Plans/programs and performance. The PESO stands for Portfolio quality, Efficiency, Stability, Operations and Structure of assets.

Each category of the ratings of COOP-PESOS indicators contains two (2) or more ratios. The standard for each ratio has been identified, which the cooperative's result can be compared (see appendix). The result of each equation is allocated a point score and the overall points score is based on the weighing of each category of COOP-PESOS indicators. These individual scores are then totaled with a maximum score of 100 points for each indicator. The overall rating was computed using twenty percent (20%) weight for COOP and eighty percent (80%) for the PESOS. The resulting rating for each is given the appropriate weight to arrive at the overall rating. The following scale is used:

1. 96 to 100 (VERY GOOD)-strong performance that consistently provide safe and sound operations.
2. 90 to 95 (GOOD)-shows satisfactory performance that consistently provide safe and sound operations.
3. 80 to 89 (FAIR)-flawed to some degree and is of supervisory concern.
4. 70 to 79 (POOR)-poor performance and is of serious supervisory concern.
5. Below 70 (VERY POOR)-unsatisfactory performance and is need of immediate remedial attention.

Analysis of the time-series data for number of members, total assets, paid-up share capital and net savings used regression analysis using the formula:





Where:

Forecast (trend) =  $a + bx$

$a$  = intercept

$$a = \bar{y} - b\bar{x}$$

$b$  = slope of the trend line

$$b = \frac{S(x - \bar{x})(y - \bar{y})}{S(x - \bar{x})^2}$$

$x$  = assigned values to represent the year

$y$  = actual data

$\bar{x}$  = average  $x$

$\bar{y}$  = average of  $y$

$\sigma^2$  = standard deviation

$$\sigma^2 = \frac{S(x_t - \text{régression value}_t)^2}{n}$$

The standard deviation was used to determine considerable deviation of actual data from the trend line to identify significant changes through time





## RESULT AND DISCUSSION

### Membership

Prospective members must have to undergo the Pre-membership education seminar (PMES). They also required paying the minimum share capital of (P1000.00) pesos to a certificate of stock.

Table 1 shows the trend in membership from 1997-2007. It was under the provision of the newly approved Cooperative Code of the Philippines (RA 6938) and CDA law (RA 6939). Generally the membership of the cooperative had been increasing annually. This was attributed to the continuous information campaign initiated by officers on the cooperatives privileges, benefits and advantages that could be received by members. With the intensive education campaign, members were assumed to understand the cooperative policies and their roles and responsibilities. Expansion of the area of operation also contributed to the increase in membership of the cooperative.

The slope of the trend line,  $b=-3.591$ , means that through the years, membership has been decreasing an average of 3.59 or 4 members a year.

Of note is the peak in membership in 1999 and the sudden plunge in 2005. These are the years with significant deviation in Table 1.

The trend shows that there was a significant increase in membership in 1999. This is due to conduct of membership campaign to the community.

The trend shows a significant decrease in membership in 2005. This was because at that time, delinquent members withdrew their membership from the cooperative in order to use their share capital to pay their delinquent loans in the cooperative



## Growth Trend in PCMPC

Table 1. Membership

YEAR	NO. OF MEMBERS	VALUE	DEVIATION
1997	151	182.23	-31.23
1998	183	178.64	4.36
1999	191	175.05	15.95
2000	183	171.45	11.55
2001	178	167.86	10.14
2002	175	164.27	10.73
2003	158	160.68	-2.68
2004	159	157.09	1.91
2005	130	153.5	-23.5
2006	152	149.91	2.09
2007	147	146.32	0.68

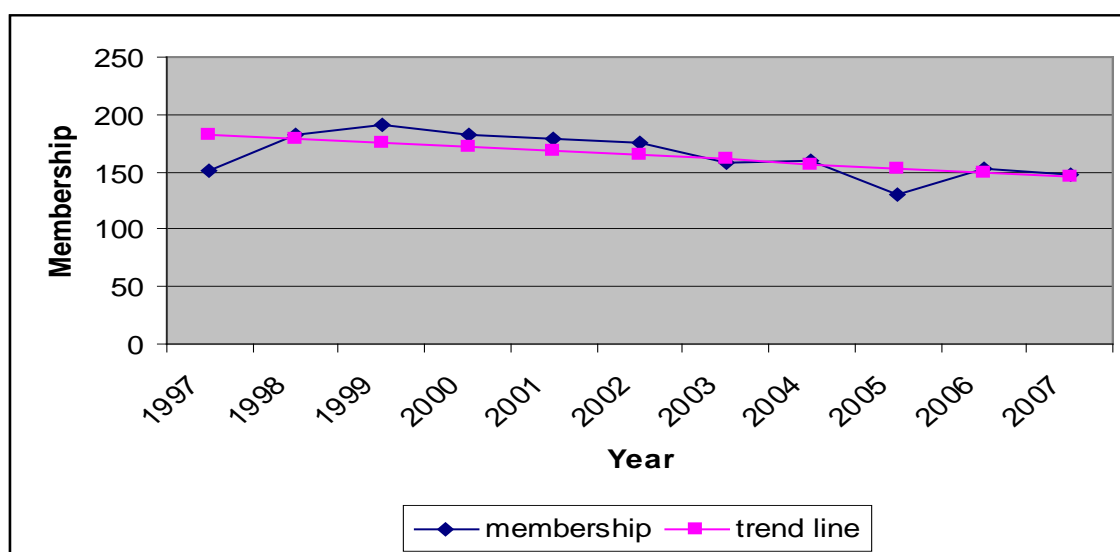


Figure 1. Trend in membership



### Paid-Up Share Capital.

Table 2 and Figure 2 show that the paid-up share capital from 1997 to 2001 had been continuously increasing. The increase in paid up share capital was partly due to the increase in the number of members. The new members brought in additional share capital. The total paid up share capital in 1997 was P2, 019,021.18 and this increased to P3, 478,510.61 in 2001. However, there was a decrease from 2002 to 2007.

The slope of the trend line,  $b=-32,206.2$ , means that there has been a general/average decrease in total paid-up share capital by P32, 206 each year.

The significant increase are noted for 2000 and a peak in total paid-up share capital for 2001. From there, the value started to decrease.

As with the trend for membership, the trend for paid-up share capital is shown to be decreasing indicating that the trend in share capital is directly affected by the number of members.

However, as per actual data, the significant increase in paid-up share capital does not coincide with that of the membership especially for 2000 and 2001.



Table 2. Annual growth in paid-up share capital

YEAR	PAID-UP SHARE CAPITAL	VALUE	DEVIATION
1997	2,019,021.18	2,866,695.38	-847,674.20
1998	2,649,567.58	2,834,489.18	-184,921.60
1999	2,967,311.67	2,802,282.98	165,028.69
2000	3,209,398.62	2,770,076.79	439,321.83
2001	3,478,510.61	2,737,870.59	740,640.02
2002	3,188,138.94	2,705,664.39	482,474.55
2003	2,568,805.50	2,673,458.19	-104,652.69
2004	2,549,178.19	2,641,252.00	-92,073.81
2005	2,531,477.43	2,609,045.80	-77,568.37
2006	2,316,149.74	2,576,839.60	-260,689.86
2007	2,284,748.85	2,544,633.41	-259,884.56

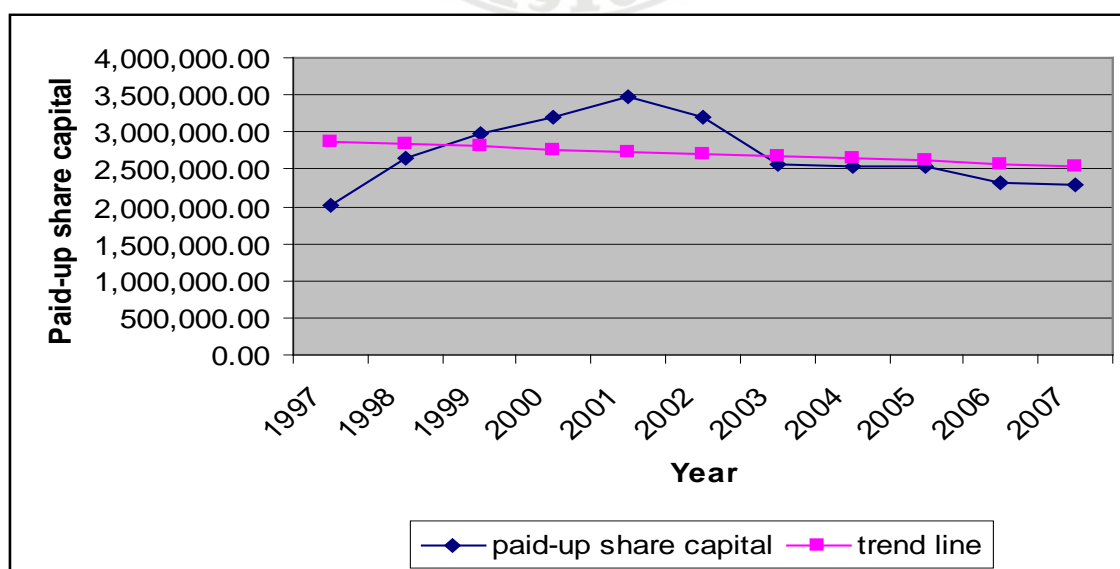


Figure 2 Trend in paid-up share capital



### Total Assets

Table 3 and Figure 3 show the trend in total assets from 1997 to 2007. Like the paid up share capital, total assets had been continuously increasing from 1997 to 2001. The total asset in 1997 was P3, 306,884.49. It increased to P5, 334,994.03 in 2001.

The slope of the trend line,  $b=64,776.42$ , means that there has been a general increase in total assets by P64, 776.42 each year.

Of note in the sudden increase in total assets in the year 2000, which is also the highest value reached. From there, however, there have been decreases in the value of total assets.

The value of total assets was dependent on the increment in paid-up share capital, the liabilities, and reserves. The decrease after the year 2000 was because of the withdrawal or decrease in membership. The decrease in membership in turn caused the decrease in total assets.

However, contrary to the trend decrease in membership and paid-up share capital, the trend for asset is increasing.



Table 3. Total assets from 1997-2007

YEAR	TOTAL ASSETS	VALUE	DEVIATION
1997	3,306,884.49	4,532,131.12	-1,225,246.63
1998	4,380,030.30	4,596,907.54	-216,877.24
1999	4,988,111.61	4,661,683.96	326,427.65
2000	5,761,864.66	4,726,460.39	1,035,404.27
2001	5,334,994.03	4,791,236.81	543,757.22
2002	5,266,982.31	4,856,013.23	410,969.08
2003	4,858,190.39	4,920,789.65	-62,599.26
2004	4,876,423.75	4,985,566.07	-109,142.32
2005	4,963,253.69	5,050,342.50	-87,088.81
2006	4,894,842.36	5,115,118.92	-220,276.56
2007	4,784,567.98	5,179,895.34	-395,327.36

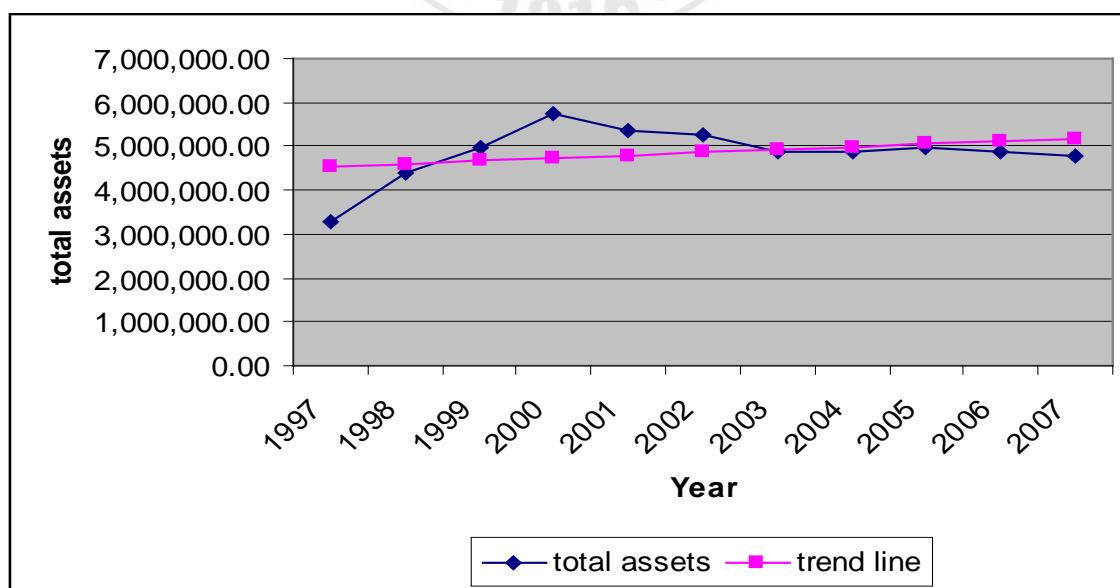


Figure 3. Trend in total assets



### Net Savings

Table 4 and Figure 4 show the trend in net savings from 1997 to 2007. It is observed that the net savings increased from 1997 to 2000, that is, from P240, 654.98 to P488, 188.22. Then decreased in years 2001 and 2002, that is, from P407, 164.92 to P31, 055.73. Then increased to P516, 114.06 in 2003, then a big decline in 2004 to P249, 944.70, and then decreased further in 2005 to P105, 592.38. However, it gained a little in 2006 when it increased to P282, 256.14; decreased again in 2007 to P160, 432.14. Overall, from 1997 to 2007, the net savings declined by P80, 222, 28.

The slope of the trend line,  $b=-13010.6$ , means that net savings has been decreasing by an average P13, 010.60 a year.

Of note are the surges in net saving for 2000 and 2003 and a significant decrease in 2005. However, the surges do not coincide with changes in the value of assets.



Table 4. Net savings from 1997-2007

YEAR	NET SAVINGS	VALUE	DEVIATION
1997	240,654.98	372,997.82	-132,342.84
1998	251,345.79	359,987.24	-108,641.45
1999	367,644.39	346,976.66	20,667.73
2000	488,188.22	333,966.08	154,222.14
2001	407,164.92	320,955.50	86,209.42
2002	318,055.73	307,944.92	10,110.81
2003	516,114.06	294,934.34	221,179.72
2004	249,944.70	281,923.76	-31,979.06
2005	105,592.38	268,913.18	-163,320.80
2006	282,256.14	255,902.60	26,353.54
2007	160,432.70	242,892.02	-82,459.32

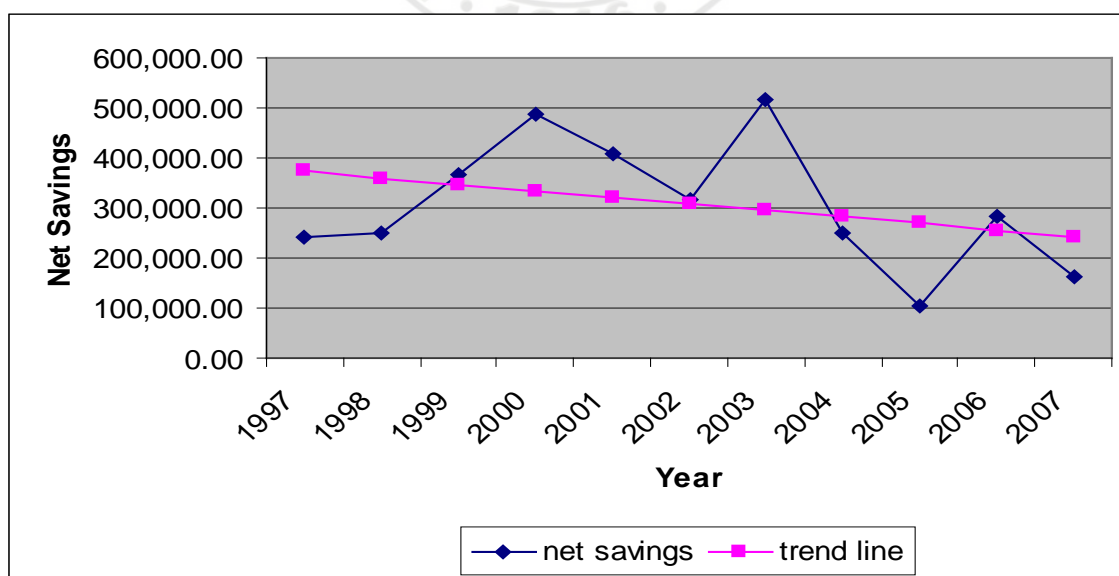


Figure 4 Trends in net savings





### Administrative Compliance and Management Structure (COOP Indicators)

This section presents the cooperative's compliance with administrative requirements, governance, organizational structure, system, policies and procedures. Compliance with these standards is expected to ensure the protection of cooperative and the sustainability of operation of the cooperative as a basic financial institution. The weighing that was assigned is 12% for administrative and legal compliance, 26% for organization, 40% for operation and management and 14% for plans/programs and performance.

### Compliance with Administrative and Legal Requirements

This section presents the cooperatives compliance with the CDA, BIR, LGU and DOLE requirements.

Compliance to CDA requirements. The cooperative complied with the following requirements of CDA: bonding of accountable officers, registration of amendments, and allocation of net surplus, submission of annual reports and audited financial statements and information sheet with prescribed period.

Specifically, the cooperative complies with all the requirements of CDA.

Using the final version of the standard chart of accounts and performance standard for Philippine Credit Cooperatives and other cooperative with credit services, the cooperative earned a score of 9.

Compliance to BIR requirements. The cooperative complied with the registration as non-EVAT, registration of book of accounts every January and filing of accounts information.



Specifically, the cooperative complies with other requirements to BIR except withholding of appropriate taxes and certificate of tax exemption. Therefore the cooperative earned a score of three (3) points out of five (5) maximum score.

Compliance with LGU requirements. The cooperative does not secure business permit from mayor's office because they are tax exempted. Therefore one (1) score is allocated under this requirement.

Compliance with DOLE requirements. The cooperative contributed to its employees' SSS and PHILHEALTH. Hiring rate was based on the standard salary schedule of national government. The cooperative does not comply with HMDF/Pag-ibig and retirement benefits.

For its compliance with the requirements of DOLE, the cooperative earned a score of three (3) points out of five (5) maximum score.

Table 5. PCMPC compliance to administrative requirements

PARTICULAR	STANDARD SCORE	ACTUAL SCORE
Cooperative Development Authority (CDA)	9	9
Bureau of Internal Revenue (BIR)	5	3
Local Government Unit (LGU)	1	1
Department of Labor and Employment (DOLE)	5	3
<b>TOTAL</b>	<b>20</b>	<b>16</b>

Overall, the cooperative garnered a score of sixteen (16) points out of a maximum score of twenty (20). This means that the cooperative complies with other requirement



except withholding of taxes and tax exemption under CDA, and HMDF/Pag-ibig and retirements benefits under DOLE requirements.

#### Organizational Structure and Linkages

This section includes cooperative governance, membership structure and affiliation with other organization of the cooperative. The equivalent score or each was presented in Table 2.

Governance and membership participation. Members were composed of farmers, the youth and employees. The qualification of officers, staff, loan borrowers and depositors is open to all members regardless of sex. However, applicant should comply with the requirements as stated by the cooperative by-laws.

The general assembly is held annually. Based on the attendance on annual general assembly held on February 4, 2007 fifty percent (50%) of the total members were present. This implies the cooperation of the members on general assembly. Membership education is also held every last Wednesday of the month. Although the cooperative can educate members anytime as there as are members' coming in the cooperative. In average time, the attendance during membership education has been satisfactory and most of the members attended this seminar.

The cooperatives general assembly is the highest policy-making body of the cooperative and exercise powers as stated in RA6938. The cooperative has audited financial statements and budget plan that were approved by the general assembly.

The election of Board of Directors is held during regular general assembly meeting. The election is conducted through secret ballot. In terms of selection of candidates, interested applicants can file their candidacy.



The findings show a score of fifteen (15) points which is equivalent to the maximum raw score.

Conduct of regular pre-membership education. The cooperative is conducting Pre-Membership Education Seminar (PMES) before accepting members as a regular member. Aside from PMES, the cooperative also conduct Bookkeeping seminar for non-accountants.

This findings show a score of two (2) points which is equivalent to the maximum points.

Cooperative affiliation/linkages. The cooperative is involved in community service wherein they are involved in tree planting.

The PCMPC is affiliated with various organizations. These are: Buguias Federation of Agricultural Cooperative and Northern Luzon Federation of Cooperative and Development center.

To enhance the capability of the officers in their field of works, the cooperative attended the training of Cooperative Managers and Accountants Seminars Progress Review and Officers seminar.

The cooperatives also pay their accounts as may come due and submitting Audited Financial Statements to the external auditor using Standard Chart of Accounts.

The cooperative thus earned a score of nine (9) points which is equivalent to the maximum score. This implies that the cooperative is actively involved in the programs with other organizations.



Table 6. Organizational structure and linkages

PARTICULAR	STANDARD SCORE	ACTUAL SCORE
Governance and Membership Participation	15	15
Conduct of Regular Pre-membership Education	2	2
Affiliation and Linkages	9	9
<b>TOTAL</b>	<b>26</b>	<b>26</b>

Overall, the cooperative garnered a score of twenty-six (26) points which is equivalent to the maximum score. This implies that the cooperative complies all the standards of one cooperative.

Operation and Management. This section determines the presence of policies and programs of the cooperative.

Manual of operational policies. The cooperative has the following operational policies: membership policy, loaning policy and savings/time deposit.

Board of Directors/committees. The board of Directors composed of seven (7) members. The elected officers serve a term of one (1) year. This complies with the prescribed composition and term of board of directors stated in RA6938. The Board of Directors holds their meeting every 2<sup>nd</sup> Sunday of the month. The credit committee meets twice a month, supervisory report anytime and the election can function during Election Day. Special meeting are held anytime if pressing problem arises and for an immediate action of the board of directors. Review of policies may be done to consider specific matter.



Management. The cooperative has a part time manager. Further the organizational structure of the cooperative was constructed to guide employees with their respective job. The organizational structure is composed of general assembly, board of directors, committees, manager and staffs. All employees have individual files.

The result of the rating of the scoring shows a score of two (2) points out of a maximum score of eight (8). This implies that the cooperative is lacking of mechanisms that will ensure efficient and sustained management of operation.

Table 7. Operation and management

PARTICULAR	STANDARD SCORE	ACTUAL SCORE
Manual of Operational Policies with specific provisions	24	24
Board of Directors/Committees	8	8
Management	8	2
TOTAL	40	34

Overall, the cooperative garnered a score of thirty-four (34) points out of the maximum score of forty (40). This implies that the cooperative complies with the presence of accounting and control management except for the manual of policies and procedure.

#### Plans /Programs and Performance

Presence of vision, mission and goals. The cooperative has written vision, mission, goals and approved annual plan and budget.



Under this category, the cooperative earned a score of one (1) point which is equivalent to the maximum score.

Presence of development plan. The cooperative have a development plan. Therefore the cooperative earns a score of two (2) points which is equivalent to the maximum score.

Presence of code of ethics. The cooperative have a code of ethical standard of employees. As a result, the cooperative is given a two (2) point's equivalent to the maximum score.

Performance review in relation to its targets. The cooperative review its performance in relation to its targets therefore a maximum score of seven (7) points is allocated under this category.

Table 8. Plan/programs and performance

PARTICULAR	STANDARD SCORE	ACTUAL SCORE
Presence of Vision, Mission and Goals	1	1
Presence of Development Plan	2	2
Presence of Approved Annual Plan and Budget	2	2
Presence of Code of Ethics	2	2
Performance vis-à-vis projection	7	7
<b>TOTAL</b>	<b>14</b>	<b>14</b>



Overall, the cooperative garnered a score of fourteen (14) points which is equivalent to the maximum score. This implies that the cooperative complies with all the requirements.

As shown in Table 13 the total points score of the COOP indicators is ninety (90) points out of one hundred (100) standard score. This implies that the cooperative shows satisfactory performance that consistently provides safe and sound operations.

#### Financial Performance (Pesos Indicators)

The financial condition of Progressive Citizen Multipurpose Cooperative was evaluated in terms of portfolio quality, efficiency, stability, operations, and structure of assets. These ratios are calculated from data supplied by the cooperative, the statement of financial condition and statement of financial operation.

Portfolio quality. These indicators provide managers and BOD appropriate tools in monitoring the quality of portfolio of the cooperative. Portfolio quality has two (2) ratios, and amount of twenty-five percent (25%) of the over all rating.

Based on the Performance Standards for Philippine Credit Cooperative (rating sheet), the cooperative does not have an actual score and equivalent points. According to the rating it has no scores on portfolio at risks and allowance for probable losses on loans. This implies that this is not monitored closely in as much as the loan portfolio accounts constitute the bulk of the credit cooperative's asset.

Efficiency. These indicators determine the ability of the cooperative to generate sufficient income to cover expenses on operations. Efficiency accounts for twenty percent (20%) of the overall rating. It has ratios, the asset yield, operational self-sufficiency, rate





of return on members' share, loan portfolio profitability, cost per peso loan and administrative efficiency.

The asset yield measures the ability of the cooperative's assets to generate income. Asset yield of the cooperative is 2.78% higher than the inflation rate. The equivalent point of the ratio is four (4) points which is the maximum score. This means that the cooperative assets have the ability to generate income.

Operational self-sufficiency measures the ability of the cooperative to sustain its operation. The operational self-sufficiency of 120% higher than the standard ratio shows that the cooperative has the ability to sustain its operation. The equivalent score of the ratio is the maximum score which is four (4) points.

Rate of return on members' share measures the earning power of the members. The rate of return on members' share of 3.98% means that the earning power of the member's money placed on the cooperative is much higher than the return they could get if they put their money in the bank. The ratio is equivalent to the standard score which is four (4) points.

Loan portfolio profitability measures how profitable the portfolio is. The loan portfolio profitability of 11.9% indicates low profitable operation. The ratio is equivalent to two (2) points out of the maximum score of four (4).

Cost per peso loan measures efficiency in managing the cooperative's loan portfolio. The cost per peso loan of P0.09 compared to a standard ratio of P0-10 per Php 1.00 loan means that the cooperative can efficiently manage the loan portfolio. The cooperative acquires a score of two (2) points which is equivalent to the maximum score.



Administrative efficiency measures the cost of managing the cooperative assets. Administrative efficiency of 9% equivalent to the maximum score of two points (2) points indicates that the cost of managing the cooperative assets is low.

Table 9. Efficiency

PARTICULAR	STANDARD SCORE	STANDARD POINTS	ACTUAL SCORE	EQUIVALENT POINTS
Asset Yield	At least	4	2.78%	4
	Inflation rate			
Operational self-Efficiency	more than 10%	4	120%	4
Rate of return on members' share	higher than inflation rate	4	3.98%	4
Loan portfolio Profitability	More than 20%	4	11.9%	2
Cost per peso loan	Php 0-10 per Php 1.00 loan	2	0.09%	2
Administrative Efficiency	3-10%	2	9%	2
<b>TOTAL</b>		<b>20</b>		<b>18</b>



Under this component, the efficiency score is eighteen (18) points out of a maximum score of twenty (20) points. This implies that the cooperative can generate sufficient income to cover expenses.

Stability. Stability would ensure that financial services are delivered to its members in a sustainable manner. These ratios accounts for 30% of the over all rating. It comprises three (3) ratios. These are solvency, liquidity and net institutional capital.

Solvency ratio measures the degree of protection that the cooperative has for members' savings and shares in the event of liquidation of the cooperatives assets and liabilities. The solvency ratio of the cooperative is 110% which is equivalent to standard score. The cooperative earned a score of ten (10) points which is equivalent to the maximum score. This implies a higher protection for the members saving and share in the event of liquidation of the asset and liabilities

Liquidity ratio measures the cooperative's ability to service its members' withdrawals and deposit on time. The cooperative have a liquidity ratio of 16%. This implies that the cooperative can service all members on time. The ratio is equivalent to a perfect score of ten (10) points.

Net institutional ratio measures the level of institutional capital. Net institutional ratio of the cooperative is 11%. Therefore a ten (10) point's score out of a standard score of ten (10) points is given the cooperative. This implies a high institutional capital o9f the cooperative



Table 10. Stability

PARTICULAR	STANDARD SCORE	STANDARD POINTS	ACTUAL SCORE	EQUIVALENT POINTS
Solvency	At least 110 %	10	110%	10
Liquidity	Not less than 15%	10	16%	10
Net institutional Capital	Not less than 15%	10	11%	10
<b>TOTAL</b>		<b>30</b>		<b>30</b>

Overall, the cooperative garnered a score of thirty (30) points which is the equivalent maximum score of 30 points. This means that the cooperative financial services are delivered to members in a sustainable manner.

Operations. Operations measure performance of membership growth and trends in external borrowers.

Growth in external borrowings determines the percentage change in membership vis-à-vis target. The membership growth of the cooperative was established therefore a five (5) point's score is allocated under this category.

Trend in external borrowings determines the percentage of change in external borrowings. The cooperative does not have external borrowings. This earns them a maximum score of five (5) points.



Table 11. Operations

PARTICULAR	STANDARD SCORE	STANDARD POINTS	ACTUAL SCORE	EQUIVALENT POINTS
Performance of membership growth	Increasing to meet the target set in the development plan	5	75	5
Trend in external Borrowing	decreasing Toward zero	5	5	5
<b>TOTAL</b>		<b>10</b>		<b>10</b>

Overall, the cooperative earns them a maximum score of ten (10) points. This implies that the performance of membership growth and external borrowings is independence.

Structure of assets. These indicators determine the extents of the share of the cooperative's various assets to its total assets and assess effective use of these assets. This constitute for fifteen percent (15%) overall rating. Structure of assets of the cooperative are indicated in the following ratios.

Asset quality measures the percentage of total assets that are not producing income. Asset quality ratio of the cooperative is 19.2% equivalent to the score of zero (0) point out of a standard score of five (5) points. This means that the cooperative has a high ratio of assets that are not producing income.

The asset structure has three (3) ratios. These are total deposit to total asset, total loans receivable to total assets and total members' share to total asset.



Total deposit to total assets measures the percentage of total assets financed by deposits. The ratio of the cooperative is 48.8% which is below the standard score of 55-65%. This means that 48.8% of the total asset is financed by deposits. The ratio is equivalent to a score of three (3) points out of a standard score of five (5) points.

Total loans receivable to total assets measures the percentage of the total assets invested in the loan portfolio. The ratio of the cooperative is 59% equivalent to the standard score. This means that the reserves of the cooperative would not be enough to meet the needed capital if the cooperative is faced with delinquency problem.

Total members share capital to total assets measures the percentage of total assets financed by the members share capital. The cooperative ratio is 31% equivalent to the standard score of two (2) points. This means that 31% of the cooperative total asset is financed by members share capital.

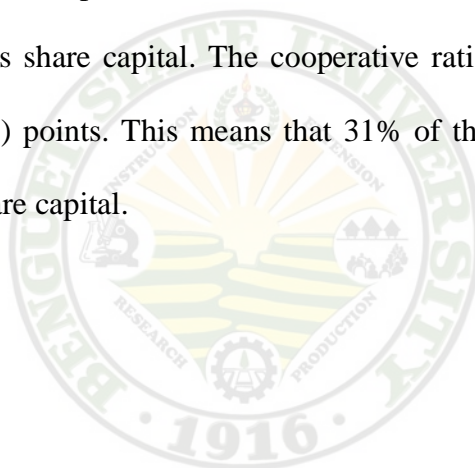


Table 12. Structure of assets

PARTICULAR	STANDARD SCORE	STANDARD POINTS	ACTUAL SCORE	EQUIVALENT POINTS
Asset quality	Not more than 5%	5	19.2%	0
Asset Structure				
Total deposits/ Total assets	55-65%	5	48.8%	3
Total loans Receivable/ Total assets	70-80%	2	59%	1.5
Total member's Share capital/ Total assets	34-45%	3	31%	2
<b>TOTAL</b>		<b>15</b>		<b>6.5</b>

Overall, the cooperative garnered score of 6.5 points out of a standard score of fifteen (15) points. Based on the structure of assets the ratio shows a unsatisfactory performance. However, the assets quality indicates a high level of nonperforming assets which weakens the interest income of the cooperative.

As shown in Table 13 the total point's score of PESOS indicators is 64.5 points out of a maximum score of 100 points. This means that the financial performance of the cooperative is poor.



### Overall Rating

The result of the rating based on the weighing of COOP-PESOS indicators is 69.6% as present in Table 13. The ratio reflected an unsatisfactory performance and is need of immediate remedial action.

The weaknesses are particularly for administrative performance, operation and management, portfolio quality and structure of assets. For the administrative performance the cooperative does not comply with the requirements of Bureau of Internal Revenue (BIR), which is withholding of appropriate taxes and certificate of non-exemption. For the operation and management the cooperative has a part time manager and they don't have policy on succession of manager and other top positions. The portfolio quality according to the rating sheet has no scores on portfolio at risks and allowance for probable losses on loans. And for the structure of assets the quality does not measures the percentage of total asset that are not producing income.





Table 13. Cooperative rating sheet

PARTICULAR	MAXIMUM			RATING
	WEIGHT	RAW SCORE	ACTUAL SCORE	
Administrative compliance and management structure	20%			
(C) Compliance with Administrative Requirements		20	16	
(O) Organizational structure and Linkages		26	26	
(O) Operation and management		40	34	
(P) Plans/programs and performance		14	14	
Total COOP Points		100	90	18%
Financial performance	80%			
(P) Portfolio quality		25	0	
(E) Efficiency		20	18	
(S) Stability		30	30	
(O) Operations		10	10	
(S) Structure of assets		15	6.5	
Total PESOS Points		100	64.5	51.6%
COOP-PESOS Total Raw Score				69.6
OVERALL RATING				5



Problems Encountered by PCMPC  
and the Recommended Solutions

The manager identified the problems of the PCMPC and the corresponding solutions: lack of capital, very few members, loan delinquency, and dishonest employee.

For the problem lack of capital the following solutions are recommended:

- a. a 2% loan retention is applied to those with fixed deposit below P10,000
- b. 10% of the honorarium of officers added to his fixed deposits
- c. Patronage refund and dividends added to fixed deposits in optional basis

For the problem very few members, the following solutions are recommended:

- a. enhanced campaign information for new members
- b. advertisements

For the problem loan delinquency, the following solutions are recommended:

- a. restructuring of the remaining balance on the principal loan provided all accumulated interests and fines are paid
- b. charge off delinquent borrowers who have no other means to pay - their delinquent loans may charge off their fixed deposit to their loan balance
- c. refinancing is allowed when 50% is paid on the principal loan
- d. a series of collection (demand payment) letters are sent to the delinquent borrowers
- e. after 2 years of delinquency, the borrower's fixed deposit is made to settle loan
- f. a loan collector is hired
- g. officers are allowed to collect



For the problem on dishonest employee, the following solutions are recommended:

- a. advise employee concerned to resign
- b. advise said employee to pay back whatever he got from the members
- c. sought legal assistance to solve the problem



## **SUMMARY, CONCLUSION AND RECOMMENDATION**

### Summary

This study was conducted to evaluate and assess the growth of the cooperative in terms of its membership, total assets, paid-up share capital, and net saving; to determine financial performance of the cooperative, and identify some problems of the cooperative and come up with solutions.

The manager and some members of the board of directors served as the sources of primary information while secondary information was taken from records and reports filed at the cooperative office. This study was conducted from January 2009 to February 2009.

The results of the trend analysis show a general decrease in membership, paid-up share capital, and net savings but an increasing trend for assets. The times of fluctuation in the actual data for each are inconsistent.

The weaknesses are particularly for administrative performance, operation and management, portfolio quality and structure of assets. For the administrative performance the cooperative does not comply with the requirements of Bureau of Internal Revenue (BIR), which is withholding of appropriate taxes and certificate of non-exemption. For the operation and management the cooperative has a part time manager and they don't have policy on succession of manager and other top positions. The portfolio quality according to the rating sheet has no scores on portfolio at risks and allowance for probable losses on loans. And for the structure of assets the quality does not measure the percentage of total asset that are not producing income.



## Conclusions

Based on the foregoing results and findings, the following conclusions were arrived at:

1. The trend shows a general decrease in membership, share capital, and net savings due to withdrawal of members. The decrease in membership affects the increase in share capital and net savings. There are however inconsistencies in the manner of fluctuation and assets, share capital and net savings.

2. The strength of the cooperative were they are affiliated with other organizations that were involved in the development of the cooperative, they have operational policies to guide employees with their duties and responsibilities. The weaknesses of the cooperative were they don't comply with the requirements like withholding of appropriate taxes and certificate of non-exemption, have a part-time manager, no policy on succession of manager and other top positions, the cooperative does not provide allowance for probable loan losses, portfolio at risk and delinquency, the structure of assets presents a not so good picture of the cooperative.

3. The problems of the cooperative are lack of capital, loan delinquency, very few members and dishonest employee. The manager stated some recommendations which would help the cooperative to solve the problems encountered like patronizing refund and dividends added to fixed deposits in optional basis, restructuring of the remaining balance on the principal loan provided all accumulated interests and fines are paid, and advised employee concerned to resign.



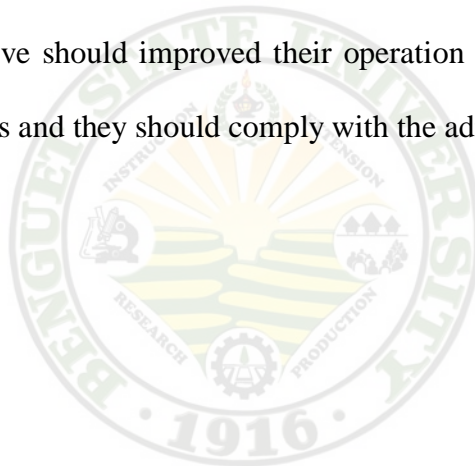
### Recommendations

The researcher recommends the following:

1. The decrease in membership was due to the withdrawal, one big factor so that the number of members will retain in the cooperative is that the information campaign should be done by the officers of the benefits and advantages that could be received by members.

2. Further the study on the causes of inconsistency in the fluctuation for membership, share capital, assets and net savings is needed. This is to explain why actual data for each do not coincide.

3. The cooperative should improved their operation and management, portfolio quality, structure of assets and they should comply with the administrative requirements.



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APPENDIX A

Supplementary Tables

A. Number of Members

SUMMARY OUTPUT

Regression Statistics					
Multiple R					0.6289044
R Square					0.3955207
Adjusted R Square					0.3283563
Standard Error					15.519782
Observations					11
Standard deviation=±14.04					
ANOVA					
	df	SS	MS	F	Significance F
Regression	1	1418.409	1418.409	5.888847	0.038189
Residual	9	2167.773	240.8636		
Total	10	3586.182			
Standard					
	Coefficients	Error	t Stat	P-value	
Intercept	185.81818	10.03617	18.51484	1.79E-08	
X Variable 1	-3.590909	1.479753	-2.42669	0.038189	





## B. Share Capital

Regression Statistics	
Multiple R	0.2371136
R Square	0.0562229
Adjusted R Square	-0.048641
Standard Error	461309.83
Observations	11

Standard deviation=±417,270.44

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	1.14E+11	1.14E+11	0.53615	0.482664
Residual	9	1.92E+12	2.13E+11		
Total	10	2.03E+12			

	Coefficients	Standard Error	t Stat	P-value
Intercept	2898901.6	298315.1	9.717581	4.54E-06
X Variable 1	-32206.2	43984.17	-0.73222	0.482664



## C .Total Assets

Regression Statistics	
Multiple R	0.3448488
R Square	0.1189207
Adjusted R Square	0.021023
Standard Error	616411.68
Observations	11

Standard deviation=557,565.34

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	4.62E+11	4.62E+11	1.214744	0.298994
Residual	9	3.42E+12	3.8E+11		
Total	10	3.88E+12			

Standard				
	Coefficients	Error	t Stat	P-value
Intercept	4467354.7	398614.8	11.2072	1.38E-06
X Variable 1	64776.422	58772.55	1.102154	0.298994



## D.Net Savings

Regression Statistics	
Multiple R	0.3371655
R Square	0.1136806
Adjusted R Square	0.0152007
Standard Error	127005.85
Observations	11

Standard deviation=±557, 565.34

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	1.86E+10	1.86E+10	1.154353	0.310599
Residual	9	1.45E+11	1.61E+10		
Total	10	1.64E+11			

	Coefficients	Standard Error	t Stat	P-value
Intercept	386008.4	82130.85	4.69992	0.00112
X Variable 1	-13010.58	12109.53	-1.07441	0.310599

