

Performance of Multi-Purpose Cooperatives in the City of Tarlac

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ABSTRACT

The study determined the financial position and performance of multi-purpose cooperatives in the City of Tarlac. It specifically described the profile of the multi-purpose cooperatives in Tarlac City as to year of existence, sources of revenues, and the number of members. It also assessed the financial position and performance of cooperatives as to liquidity, profitability and solvency. Proposed actions and solutions were recommended to enhance the financial position and performance of multi-purpose cooperatives in the City of Tarlac. Majority of the cooperatives considered in the study had been in existence for more or less seven years; engaged in extending loans and credits to members and at the same time generating revenues from trading activities related to farm inputs, vehicle spare parts, diesel engine gas, canteen operations, and many more; with less than one hundred (100) registered members. Based on the analysis and interpretation of the basic financial statements of the multi-purpose cooperatives in the City of Tarlac, majority of them in the years 2015 and 2014 were very liquid. In terms of profitability, majority of the cooperatives had positive returns in the years 2015 and 2014. Only one of the cooperatives had no capability to pay long- term obligations. The board of directors/trustees (BOD / BOT) of the multi-purpose cooperatives were very conservative. They did not challenge themselves to make use of borrowed capital. The accumulated equity of the multi-purpose cooperatives was not utilized at the fullest.

Keywords: Liquidity; Profitability; Solvency; Excess Liquidity.

1. INTRODUCTION

A cooperative is a duly registered association of persons with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable to contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principle.

The declared purpose of the law governing cooperatives (Republic Act 6938, also known as the Cooperative Code of the Philippines) is to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. Almost all cooperatives are now registered as multi- purpose cooperatives in order to simultaneously undertake four functions i.e., credit, marketing, purchasing and joint utilization of resources.

Cooperatives exist to provide members with services such as savings, loans, education and training as well as buying and selling goods at reasonable prices (consumer goods and farm inputs). This enables members to earn income, increase their purchasing power and promote among themselves equitable distributions of the net surplus Masuku (2005).

Cooperative is a Non-Profit (Loss) Organization. It cannot incur profit or loss. This is because cooperative represents an extension of the entrepreneurial activity of the participants. While cooperative receives payment for services from participating (members) units, the payment represents liability to the members. Likewise, although cooperative incur expenses in the delivery of service, the expenses are part of the advances of members that they have to pay to the cooperative. It is a non-profit (loss) organization when it refunds to patrons the net surplus of operation and collects from members the deficits of operation Rubotka (1946).

In the study of Dela Cruz (1995) regarding the economic effects of cooperatives on their members in the municipality of San Jose, Tarlac, she found out that cooperatives played an important role in uplifting the level of condition of the members of cooperatives.

Valenzuela (1991) concluded that the existence of cooperative would rest on the management of its initial sources of financing and its ability to self-finance; on the soundness of its memberships and personnel; on the involvement of the members; on the stability of operations; on the prevalence of peace and order; on the strength of its linkages; and on its adaptability to environment conditions.

In the Philippines, Visayas Coop Development Center (1996) reported that Agri-based cooperatives, particularly those in agrarian reform communities and in plantations were not showing improvement in productivity and some are encountering mismanagement and failures.

Despite high failure rates, cooperatives by virtue of their size, technology requirement, and proximity to and knowledge of the area of production are still better option to service the marketing needs of rural agricultural producers Mallari (2003).

Bass (1952) asserts that productivity and profitability are not sufficiently broad for evaluating the success of an organization. It should also reflect the worth of the organization to its individual members and the worth of both individual members and organization to society. Specifically, an organization should be evaluated in terms of the degree to which it is of value to its members; and the degree to which it and its members are of value to society.

On measurement of organizational performance, Ivancevich (1989) emphasized that survival is an obvious criterion of performance, but he further denotes that the primary measure of performance lies on how successful the organization achieves its mission. He suggested other measures of performance such as competitiveness, efficiency, and flexibility in addition to profit and survival.

2. Objectives of the Study

The study aimed to determine the financial position and performance of multi-purpose cooperatives in the City of Tarlac.

Specifically, it sought to answer the following questions:

1. What is the profile of Multi-Purpose Cooperatives in the City of Tarlac as to:
 - 1.1 Year of Existence;
 - 1.2 Sources or revenues; and
 - 1.3 Number of members?
2. How is the financial position and performance of the cooperatives described as to:
 - 2.1 Liquidity;
 - 2.2 Profitability; and
 - 2.3 Solvency?
3. What can be proposed to enhance the financial position and performance of the cooperatives?

3. Significance of the Study

The outcome of the study will serve as a basis in identifying the factors influencing the financial position and performance of multi-purpose cooperatives.

Eventually the board of directors can identify the constraints being encountered and be determined to minimize or eliminate those constraints the soonest possible.

The findings of the study could be a useful reference in providing information to planners and policy makers of the multi-purpose cooperatives.

The study would also contribute largely to public administrators, bankers, and other government institutions who are servicing cooperatives in identifying solutions to improve the quality of their operation, management and performance in general.

4. Methodology

The descriptive survey method of research was utilized. Interviews, observation and documentary analysis were considered in gathering needed data.

The thirty (30) multi-purpose cooperatives in the City of Tarlac listed in the Cooperative Development Authority (CDA) records as of December 2016 were considered in the study. However, only nine (9) actively participated in the study.

The annual reports and audited financial statements for the years 2015 and 2014 of the cooperatives were analyzed and interpreted to determine the cooperatives' financial position and performance.

5. Results and Discussion

Majority of the cooperatives considered in the study had been in existence for more or less seven years; engaged in extending loans and credits to members and at the same time generating revenues from trading activities related to farm inputs, vehicle spare parts, diesel engine gas, canteen operations, and many more; with less than one hundred (100) registered members.

Based on the analysis and interpretation of the basic financial statements of the multi-purpose cooperatives in the City of Tarlac, majority of them in the years 2015 and 2014 were very liquid. They had excessive idle cash reserved to pay maturing debts and obligations. Only two of the cooperatives had complied with the quick ratio of 1:1, meaning the cooperatives had reserved one peso worth of asset to pay one peso worth of liability.

In terms of profitability, majority of the cooperatives had positive returns in the years 2015 and 2014. Only two (2) of them sustained a loss. They generated an average minimal return on sales of below ten percent (10%) and average return on members' equity of 16%. They did not attain the targeted returns on sales and members' equity. The members would not be satisfied to receive a very minimal share in the net savings of the multi-purpose cooperative at the end of each year.

Only one of the cooperatives had no capability to pay long- term obligations. This is so because the net worth of the cooperative is lower than the total debt or obligation of the cooperative. On the other hand, the other cooperatives had an average of 20-80 debt-equity capital structure.

The board of directors/trustees (BOD / BOT) of the multi-purpose cooperatives were very conservative. They did not challenge themselves to make use of borrowed capital. The accumulated equity of the multi-purpose cooperatives was not utilized at the fullest.

6. Conclusion

The Multi-purpose Cooperatives in Tarlac City had been in existence for more or less seven years; engaged in extending loans and credits to members and at the same time generating revenues from trading activities related to farm inputs, vehicle spare parts, diesel engine gas, canteen operations and many more; with less than one hundred (100) registered members.

Majority of the cooperatives has excess liquidity or with excessive idle cash. Only two of them had complied with the benchmark ratio of 1:1 meaning one peso worth of asset is allotted to pay one peso worth of liability.

In terms of profitability, majority of the cooperatives had positive returns in the years 2015 and 2014. However, they did not attain the targeted returns on sales and members' equity.

The debt-equity capital structure of the cooperatives is 20:80; only one of the respondents is not capable of paying long-term obligations because its total assets is lower than the total liabilities.

7. Recommendations

It is recommended that the management of these multi-purpose cooperatives must continue to explore to look for groups, associations, or institutions whether from the private or government sectors to widen their markets to introduce their products and services. A cooperative cannot stand alone, be it well off or not. It needs contacts and connections. Such strategy will solve the problems related to profitability of the selected multi-purpose cooperatives.

It is also recommended that the members of the multi-purpose cooperatives must actively participate in all cooperative affairs. It is important that cooperative resources be efficiently and carefully managed. Service of a capable and experienced financial manager be sought to help the management in carrying out their planning and decision-making task with regards to the investing and financing activities.

Include also in the cooperatives planning the conduct of SWOC analysis.

The continuous learning program must be put in templates of management. Let the cooperatives' management, staffs and personnel attend trainings, workshops and

seminars to sharpen their ability and gain new knowledge to improve their working performance in the operation of the cooperative.

Policies and procedures should necessarily be established. These will help multi-purpose cooperatives facilitate transactions in a systematic, objective and rational manner.

There must be a constant collaboration and cooperation between and among the members, management, officers and board of directors because, just like other organizations, the success of the cooperatives is a consolidated effort/labor of everyone not of only one.

APPENDICES

Appendix A
Financial Performance of Multi-Purpose Cooperatives

Multi-Purpose Cooperative	Year of Existence	Return on Sales		Return on SHE 2015
		2015	2014	
1	7	6.73	5.23	0.10
2	7	1.98	1.80	0.13
3	7	2.29	2.26	0.15
4	7	56.15		2.13
5	8	10.95	3.91	0.22
6	11	2.07	1.63	0.14
7	7	21.86	2.27	0.26
8	7	19.50	20.53	0.15
9	8	1.25	1.33	0.13

Appendix B
Solvency Position of Multi-Purpose Cooperatives

Multi-Purpose Cooperative	Debt-to-Equity Ratio		Debt-to-Assets Ratio		Equity-to-Assets Ratio	
	2015	2014	2015	2014	2015	2014
1	0.15	0.40	0.13	0.40	0.87	0.27
2	0.62	0.68	0.38	0.40	0.62	0.40
3	0.60	0.62	0.38	0.38	0.62	0.62
4	0.02	0.05	0.02	0.04	0.98	0.88
5	1.87	2.00	0.67	0.67	0.36	0.33
6	0.26	0.59	0.21	0.37	0.79	0.63
7	0.78	0.70	0.44	0.41	0.56	0.59
8	0.60	0.45	0.38	0.28	0.62	0.62
9	0.15	0.17	0.13	0.15	0.87	0.85

Appendix C
Liquidity Position of Multi-Purpose Cooperatives

Multi-Purpose Cooperative	Cash Ratio		Quick Ratio	
	2015	2014	2015	2014
1	0.88	0.80	0.95	1.58
2	0.26	0.09	2.60	2.48
3	0.43	0.35	1.00	0.93
4	36.26	17.42	47.68	25.12
5	0.04	0.29	0.43	0.76
6	0.77	0.64	4.72	2.59
7	0.02	0.05	2.23	2.39
8	0.43	0.35	1.00	0.93
9	1.71	1.50	7.31	6.45

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