

Assessment of Cooperative Movement in a Developing Country: The Philippine Experience

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Abstract

This paper contributes up-to-date information and knowledge on the present status, and dynamics of cooperatives in the Philippines as a basis for strategic programs, and policies to strengthen them. It sought to analyze the growth rate and productivity performance of agricultural cooperatives in Bukidnon Province, Northern Mindanao, Philippines since its rebirth in 1990. It also aimed to identify important core organizational capacity indicators needed for the cooperatives to survive and live up to their role as effective partners in improving the welfare of their members. Based on the comprehensive analysis, it was found that cooperatives showed an overall positive productivity performance and growth rate. Beside these potentials, they were also found to have weaknesses in the identified important core organizational capacity indicators such as savings mobilization, sufficient budget, innovativeness and entrepreneurial skill development, members' participation and continuous education and training. In the light of the cooperative sector's potential as a partner for development especially in rural areas, the stakeholders should look into identified weaknesses and work out strategies to transform these weaknesses to possible strengths. Such moves will keep their operations viable and sustainable and thus strengthen the rural cooperative sector.

Key words: Cooperative enterprise, growth and productivity, organizational capacity

I. INTRODUCTION

In third world countries, cooperatives persist as a vehicle for rural development because they have as much promise of success as any other form. In fact, a number of countries have come to the conclusion that cooperatives are a desirable form of business for the poor, especially in rural areas (Attwood, 1988: 2). Several economic groups have benefited through their involvement in the cooperative movement (William, 2002: 11). Sibal (1998: 2) discusses the merits of cooperativism, claiming that they provide an alternative production system to those people outside state and private enterprise. Cooperatives, recognized widely as a private voluntary and independent associations of persons joining together to achieve a common economic objective with democratic control, have been described as the largest socioeconomic movement in the world, and they fill community needs left unmet by other businesses. Their important economic and social contribution in developing rural communities has been proven by the diverse business activities which have mushroomed in the countryside (Teves, 2002: 1). Through these cooperative enterprises, the livelihood of many people has

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been enhanced and secured as economic benefit is kept within the locality since profit is not siphoned off by outside interest.

In the Philippines, as in many developing countries, as continuous population increase is placing intense demands on government institutions, the cooperative sector is making an important socioeconomic contributions in serving poor communities through sustainable development programs. The Philippine government has enacted different cooperative related laws, policies and regulations that enjoined government agencies (GOs), non-government Organizations (NGOs), the private sector and other institutions to support the formation and organization of cooperatives and to create an atmosphere conducive to their growth and development. It also created a legal body in 1990 known as Cooperative Development Authority (CDA) specifically to monitor the activity of the movement. CDA data from mid 2003 showed a total of 63,181 registered cooperatives of all types. However, despite government efforts and the significant increase in cooperative registration, the general notion is that the cooperative movement has yet to take hold and make its impact felt.

The extent to which the cooperative sector can contribute to improving the lives of members depends in part on the quality of cooperatives' internal organization. For this reason, it is important to conduct and learn from periodic assessment of their organizational performance.

The present study aims to analyze the growth rate and productivity performance of the cooperative movement in Northern Mindanao, Philippines with a focus on agricultural cooperatives in Bukidnon Province. It also aims to determine important core organizational capacity indicators necessary for cooperative business operations to become viable and sustainable. More concretely, this research tries to find answers to the following questions: a) How are cooperatives doing business in the Philippines? b) What are important organizational indicators needed for a viable and sustainable operation? c) Are they capable enough to sustain viable operations? and, d) What strengths need to be maintained or enhanced and what weaknesses need to be overcome.

II. CONCEPTUAL FRAMEWORK

1. Descriptive Theory on the Inherent Structural Weakness in Farming Business.

Agriculture is generally a seasonal business and its operation is greatly dependent on climatic conditions. Thus, it can easily be confronted with risks such as business and financial risk (Castillo et al., 2002: 14). The inadequacy of transport and communication systems in rural area, the low value trade of agricultural produce and the limited access to market information aggravate farmers' business conditions. Individually, each farmer is comparatively powerless against market forces, cannot produce enough volume to allow direct business with wholesalers and retailers of their product and is unable to obtain economies of scale by his/her own efforts (Digby & Gretton, 1955: 82; Helm, 1968: 26). In the Philippines, the striking feature of agriculture is the very small farm size, averaging two hectares or less tilled by each household farmer. Through all these limitations, farm operation as

well as marketing of farm produce is expensive for individual farmers. In many instances, they have been exploited by money lenders charging very high interest rates. The situation has triggered the formation of cooperative enterprises to solve their perennial problems.

In recognition of the importance of cooperatives, the Philippine government has created a policy to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power toward the attainment of economic development, with provision on tax exemption.¹ Moreover, to obtain a legal personality and to legally operate in the community cooperatives of any type must be organized and registered with at least 15 members, having the following purposes: a) to encourage thrift and savings mobilization; b) to generate funds and extend credit for productive purposes; c) to provide goods and services and other requirements; d) to acquire land and provide housing benefits; e) to promote and advance the economic, social and educational status of the members; f) to coordinate and facilitate cooperative activities; and, g) to undertake any and all activities for the effective and efficient implementation of the provision of the Code²

2. The Structural Characteristics of Cooperatives

To understand decision making in cooperatives, it is necessary to understand how cooperative firms are managed and how they differ from other types of business. The structure considered here includes both the component and the basic operating rules.

2.1 The Nature of Cooperative Enterprise

A cooperative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly and democratically-controlled enterprise.³ From this definition, cooperatives are characterized as follows: first, the cooperative is “autonomous.” It is as independent of government agencies and private firms as possible in its management and operation. Second, it is “an association of persons”. The person being referred is to include a legal person, another cooperative or a company that will decide freely on matters dealing with cooperatives issues. Third, the persons are united “voluntarily,” which means that membership is not compulsory. Fourth, members of a cooperative “meet their common economic, social and cultural needs.” This implies that the very purpose of a cooperative’s existence is centered on its members’ needs. Thus, cooperatives are organized by the members and for the members. Being an enterprise, it has to successfully operate in the market and strive to effectively and efficiently serve its members.

In addition, the cooperative enterprise is to operate guided by three core principles, namely: a) *the User-Benefit principle*; b) *the User-Ownership principle*; and, c) *the User-Control principle*.

The User-Benefit principle. In cooperative business, benefits are transferred to the members based upon the percentage of use or patronage (Olson, 1996: 2) in contrast to common business

structures where benefits or profits are transferred to the owners based upon the percentage of ownership. When cooperatives generate margins from efficient business operation, the earnings are returned to members in proportion to their use of the cooperative. Thus, the absence of cooperative organization would mean that profits and funds would go to other middlemen or processors (Frederick ,1997: 5).

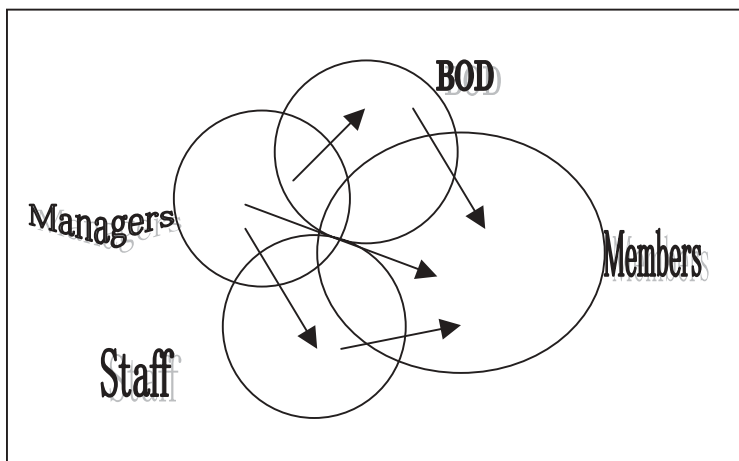
The User-Ownership principle. The persons who utilize the cooperative own the organization. Members are obliged to provide financing in proportion to their use because their organization has to acquire assets in order to operate and expand.

The User-Control principle. The governance of the cooperative remains with the owner. Being the owners, members have to control coop activities and at the same time they have responsibility for the long term success and growth of their organization. This further implies that the members have to be aware that the achievement of their organization’s objectives does not depend solely on the hired managers but also on their own behavior and active participation.

2.2. The Coordination Process

A cooperative is organized to provide goods and services to its members. The members delegate power to the Board of Directors (BOD). They in turn hire management and delegate power (Craig,1986: 94). The organization’s routine activity is carried out through an efficient division of labor. Management has authority for planning, organizing, controlling and coordinating in order for the organization to work smoothly and effectively. Coordination then is attained through the flow of information (Figure 1) which Craig describes as having a continuity of patterns that is stable, predictable, rational and routine. These characteristics make cooperatives well organized, effective and economically successful.

Figure 1. The Logic of Information Flows in Organization

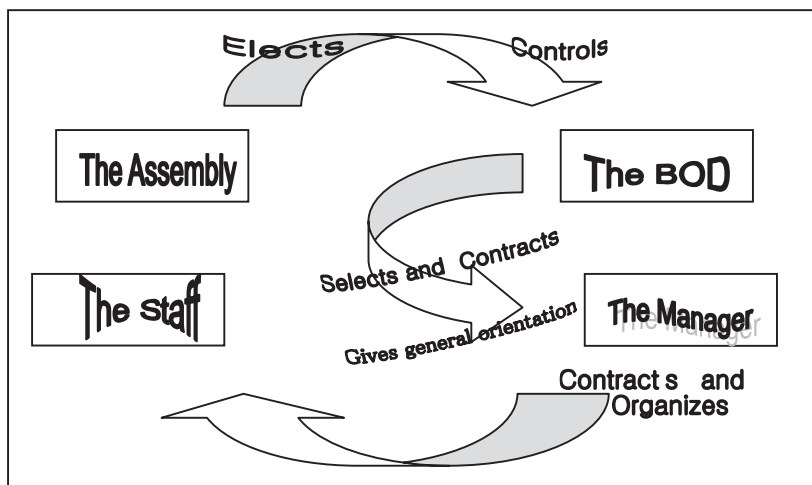


Source: Craig, John G. "Business Success and Democratic Process"
Cooperatives Today. ILO Geneva

2.3 Democratic Decision Making

The cooperative's decision making process ensures that it operates in members' interest⁴. The management of a cooperative is the responsibility of its members. They are involved in decision making at several levels. For example, the BOD sets out the general orientation of the cooperative and makes important strategic decisions. In turn, the chairperson implements the policy defined by the BOD. However, the members and the chairman have only a part of their time to spend with the cooperative, and the daily management has to be handed down to the hired manager (Figure 2). This further implies that, though members do not have to handle the daily management of the cooperative, they must not completely rely on the managers because this could be a source of mismanagement, graft and corruption. They must be knowledgeable enough about the operation of their cooperative to achieve checks and balances and this knowledge can be acquired through continuous education. Emphasizing the value of education is one of the important principles to foster the cooperative spirit (Orgada, 2001: 12). It is also considered as the core component of savings, so that all prospective members are required to join local seminars.

Figure 2. The Cooperative Decision Making Process



Source: TACIS: Today's cooperative : a new form of agricultural organization in NIS (1985: 39)

3. Theoretical basis of cooperative enterprise

3.1 As a Business Enterprise

Generally, cooperative enterprises are considered as an attractive model of business organization due to following reasons: a) they are run as democratic enterprises where members have the control over their own business and operate it to meet their common needs, thus enabling them to be socially and economically self reliant citizens; b) by pooling members' financial resources, the cooperative can

provide a way to raise capital; c) cooperatives provide members with a guaranteed market for their produce and lastly, d) cooperatives contribute to rural development by affecting the lives of their members through increase in employment and improvement in financial position and social conditions (Quintana, 1996).

According to Rikken (1994: 18), the business philosophy of cooperatives is based on the concept of enlightened self-interest, which is expressed from the standpoint of the cooperating members. Rikken state the concept as, "By working together we can all benefit as individuals." He further states that a cooperative is simply a form of business enterprise set up by individuals to perform a service for themselves, and which they initiate for their own economic benefit. In other words, a cooperative is organized basically to serve an economic function. Although social ends are also an important purpose, unless a cooperative is successful economically, no long-lasting or self-sustaining social development can be expected.⁵ The difference between cooperative and non-cooperative or private business lies mainly in the business structure and purpose. A private or non-cooperative business is established individually or by a group to carry out services for somebody else and make profit, whereas a cooperative business endeavors to operate as efficiently as any other business except that its savings and profits revert to the members, who are users or customers of the services. In farmers' cooperative these savings serve to increase the farmer-patrons' returns from their farm operation.

3.2 The Capital Structure of Cooperatives

The capital fund in cooperatives differs from ordinary entrepreneurial capital in several respects (Castillo et al 2002: 24). The equity comes from members, obtained by direct contributions through membership fees, share capital or the desire of the members to retain a portion of its dividends or patronage refunds in the cooperative. Moreover, scarce financing, lack of cooperative consciousness and low educational level among producers/members impede development (Orgada, 2001: 7).

The aforementioned conceptual review explains why cooperatives exist, how they operate and manage, and their importance in helping farmers improve their economic and social status. However, there is no one best organization that thrives and functions similarly in all environments. Thus, this study aimed to assess the cooperative movement in the Philippines, its present situation and future prospects.

III. OVERVIEW OF THE PHILIPPINE COOPERATIVE

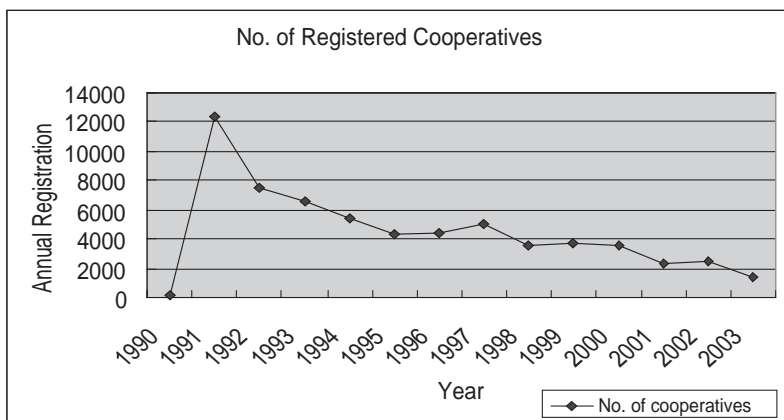
This section presents an overview of cooperatives in the Philippines in general and in Bukidnon Province in particular by using qualitative and quantitative approaches.

1. General Trend and Status

1.1 The Registration of Cooperatives

The approval of the twin Laws RA 6938 (The Cooperative Code of the Philippines) and RA 6939 CDA in 1990 marked the rebirth of the cooperative movement in the country. As shown in Table 1, the CDA's partial report submitted as of September 2003, revealed that there were 63,181 total registered and confirmed cooperatives nationwide. In addition, there was a tremendous registration increase in 1991 (Figure 3), a year after the law enactment, which has posted the highest registration rate and accounted for almost 20% of the total cooperatives. However, not all of the registered cooperatives were operational. The national data indicated that only around 49% were considered as operational, while others were non-operational and few of them had been cancelled. Moreover, the average data from 1998-2002 showed that only 11% of the cooperatives submitted annual reports with financial statements and were considered active.

Figure 3. The Annual National Registration of all Types of Cooperatives from 1990-2003



1.2. Types of Cooperatives

The business activities of cooperatives are conducted according to their types, such as: a) consumers' cooperative, whose primary purpose is to procure and distribute commodities to members and non members; b) credit cooperative, organized to create funds and grant loans for productive and providential purposes; c) marketing cooperative that engages in the supply of production inputs to members and marketing of their produce; d) producers' cooperative, organized to undertake joint production whether agricultural or industrial; e) service cooperative, established to engage in medical and dental care, hospitalization, transportation, insurance, communication and other services; and, f) the multipurpose cooperative organized to engage in two or more types of business activities.⁶

Table 1 shows that agricultural multi-purpose cooperatives (AMPC) accounted for 52% of all

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Table 1. National Registration of Cooperative by Type (1990-mid2003)

Year/ TYPE (0)	CON (1)	CR (2)	MKT (3)	AMPC (4)	N-AMPC (5)	Prod (6)	SRVC (7)	Coop Bank (8)	Lab Coop (9)	Oth- ers (10)	Total
1990	8	26	7	139	54	6	4	0	0	0	244
1991	314	1050	196	8194	2216	179	225	2	0	0	12376
1992	55	177	53	5332	1788	44	102	0	0	1	7552
1993	79	262	68	4136	1820	71	133	0	2	3	6574
1994	130	254	55	3204	1639	107	92	0	2	1	5484
1995	69	269	52	2086	1624	71	108	0	2	1	4282
1996	58	224	39	1986	1927	53	99	0	1	3	4390
1997	192	446	88	1831	2124	127	182	1	0	2	4993
1998	104	345	48	1200	1734	83	105	0	0	1	3620
1999	95	251	41	1536	1562	89	119	0	0	4	3697
2000	72	327	52	1345	1551	151	145	0	0	3	3646
2001	42	167	36	782	1198	42	70	0	0	1	2338
2002	59	174	57	833	1192	88	108	0	5	5	2521
2003	22	83	18	510	737	35	55	0	0	4	1464
Total	1299	4055	810	33114	21166	1146	1547	3	12	29	63181

Source: CDA selected statistics for the year 1998-2002 based on annual report database

Note: (1) Consumer (2) Credit (3) Marketing (4) Agricultural Multi-Purpose (5) Non- Agric'l Multi purpose (6) Production (7) Service (8) Coop Bank (9) Laboratory coop (10) Others

registered cooperative or 33,114 cases. Together AMPC and non-agriculture multi-purpose cooperatives (N-AMPC) accounted for 85%, while single cooperatives accounted for only 15% with credit cooperatives the most predominant.

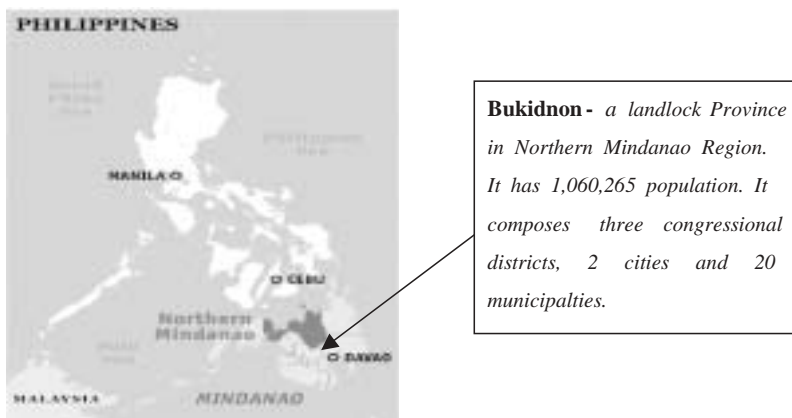
1.3 Membership, Employees and Contribution to National Output

Based on membership, the CDA reported as of December 2002 that there were a total of 2.8 million and 0.8 million regular and associate members in primary cooperatives respectively. Their contribution to the national output has been continuously increasing providing a total of 65,196 and 18,796 jobs in fulltime and part time employment respectively. It has also generated a total of PhP13.9 billion in net surplus and has accumulated a total of PhP76.1 billion worth of assets with paid-up capital of around PhP 22.2 billion.

2. The Cooperative Business Performance and Rate of Progress in Bukidnon Province, Northern Mindanao

Why Bukidnon?. The national government envisions that Mindanao will become an industrial center as well as food basket for the country. This Province is endowed with fertile soil, and 80% of its land is devoted to agriculture. As a food basket, President Macapagal- Arroyo chose Northern and Central Mindanao as a center for hybrid rice production. The government allotted PhP200million for seeds and a PhP250million from LandBank for credit to farmers. The process of credit availment by farmers is usually done through cooperatives. Thus to realize the government's vision it is of great importance to assess the organizational performance and capacity of cooperatives in Mindanao. However, due to time constraints, only Bukidnon Province was considered in the study. The author resides in this Province and therefore access to cooperatives' information is made easier. Beside, the above mentioned program is already incorporated in the Bukidnon Integrated Development Plan.

Figure 4. The Map of Philippines showing Bukidnon Province



2.1. The rate of surviving cooperatives (1950- onwards)

Data indicated that for almost four decades encompassing the era before and after Martial Law, there was not much concern about cooperatives in the Province (Table 2). It was only in the 1990's and onwards that cooperatives showed a remarkable increase of 3000%, or from 27 in 1980's to as high as 840 cooperatives as of 2002. However, from the total number, only 40% were considered active, 49% were inactive, and, the rest were cancelled 11%. Bukidnon has a higher rate of active cooperatives (40%) as against the national figure of 11% (Table 3). Agricultural Multipurpose Cooperatives (AMPC) also dominate, accounting for 67%, followed by Non-AMPC at 25%. Data on all active cooperative were used in this section of the study.

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Table 2 The Rate of Surviving Cooperative in Region 10 During Martial Law

YEAR	PROVINCE				TOTAL
	BUKIDNON	Camiguin	Mis. Occ	Mis. Oriental	
1950 's	0	0	0	1	1
1960 's	3	1	3	10	17
1970 's	5	3	5	7	20
1980 's	19	7	7	18	51
Total	27	11	15	36	89

Source: History of Cooperative Movement in Mindanao, Philippines, Lovena Parcon Naces, 1997

Note: Region 10 has 4 provinces namely: Bukidnon; Camiguin; Misamis Occidental and Misamis Oriental

Table 3. The Rate of Surviving Cooperatives from 1990 and onwards with Number of Active, Inactive and Cancelled Cooperatives

	'90	'91	'92	'93	'94	'95	'95	'97	'98	'99	'00	'01	'02	total
Over -all yearly performance														
Total Active	1	86	28	27	27	16	25	43	20	26	23	14	19	342
(%)	.25	.36	.36	.37	.30	.36	.36	.33	.43	.47	.61	.50	.79	.40
Total In -Active	2	105	31	35	54	26	38	36	26	29	15	14	5	416
(%)	.50	.43	.40	.47	.60	.57	.59	.70	.57	.53	.39	.50	.21	.49
Total Cancelld	1	50	19	12	9	3	1	0	0	0	0	0	0	95
(%)	.25	.21	.24	.16	.10	.07	.05	0	0	0	0	0	0	.11
Grand Total	4	241	78	74	90	45	64	53	46	55	38	28	24	840
Accum. As of	4	245	323	397	487	532	596	649	695	750	788	816	840	

2.2 Distribution of Cooperatives by Asset Size (2002).

The data on cooperatives in Bukidnon showed the cooperatives' classification based on their asset size (see Table 4 for the range). Micro size was most prevalent, accounting for 50%, followed by small size (32%), and then cottage type with 15%. Unfortunately, there were few large-scale cooperatives, with only 2% and 1% in medium and large classifications respectively (see Figure 5).

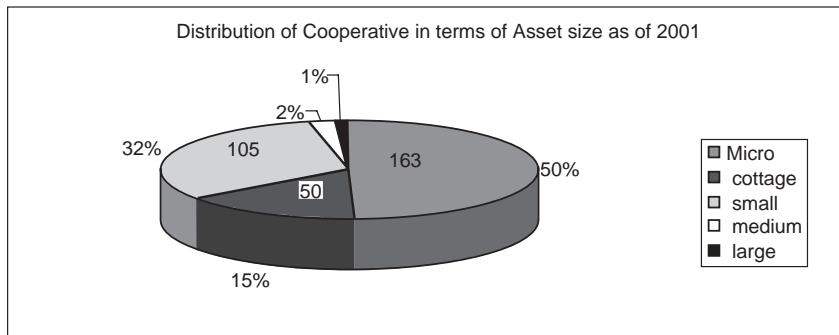
2.3. Rate of Business Productivity Performance

To determine the rate of business productivity performance of the registered active cooperatives in the Province covering the period of 1997 to 2001, the following were considered: a) members' equity; b) total assets; c) paid-up capital; d) volume of business e) net surplus; f) gross income; g) membership; h) full time employees; and, i) return on investment (ROI). Analyzing the growth rate by district

Table 4. The Cooperative Asset Size Range in Each Category

Category	Asset Size (Peso)	\$US (1: 55P)	Japan Y(.52)
Micro	Less than .5Million	< 9,090.9	<260,000
Cottage	.5M - 1.499Milliom	9,090 --27,254	260,000 ---779,480
Small	1.5 M - 14.999 Million	27-272 - 272,709	779,999 ---7,799,479
Medium	15 M - 59.999 Million	272,727 - 1,090,727	7,800,000 - 31,194,800
Large	60 Million and above	1,090,909 & above	31,200,000 % above

Figure 5. Distribution of Cooperative in terms of Asset Size in Bukidnon Province, 2001



using the above criteria revealed that three districts comprising Bukidnon province had a total positive growth rate. District III was found to have the lowest growth rate of 81.7% compared with 145% and 146% for Districts I and II respectively. Unfortunately, Districts I and II were found to have a negative growth rate in the Return on Investment (ROI) (Appendix Table 1). The negative growth in ROI was brought about by natural calamity experienced by farmers in this area, when they experienced losses and were thus unable to repay loans. Consequently, the cooperative income also decreased.

2.4 Economic Contribution to the Rural Community

Cooperative are seen as an economic vehicle for poorer people to attain equity, social justice and sustainable economic development. The 227 active agricultural multipurpose cooperative considered in the study had a total of 11,784 regular members as of 2002, excluding the associate members. Their financial performance as of 2001 indicated that they also owned P1,045,682,044 worth of assets, accumulated P216,015,914 of paid-up capital, and had been able to produce P45,291,260 worth of net surplus (Appendix table 1). The net surplus was then returned to the members in the form of dividends and patronage refunds. This clearly supports the claim that cooperatives helped and contributed to the solution of inequitable distribution of wealth in the province, because they provide opportunities for many people to have a share in the community's economic resources. Though

cooperatives have their own limitations, were able to manage and to generate jobs for about 336 full time employees, although most of them hired only part time employees. Given the potential of these existing agricultural cooperatives, there is a need to monitor and keep them on the right track.

IV. ORGANIZATIONAL ASSESSMENT OF COOPERATIVES in BUKIDNON PROVINCE

1. Double-step methodology

The study was conducted with 36 respondent cooperatives (11% of the total) in November 2003 in Bukidnon Province. Personal interviews were also performed with managers of the identified cooperatives. This section of the study aims to test the research hypothesis which states that :

H1: Cooperatives in the Philippines have some weaknesses in important core organizational capacity indicators that affect the viability and sustainability of their business operation.

To attain this purpose, the managers were enjoined to seriously and honestly perform the double assessment process involving 1) the level of importance on 15 identified core organizational capacity indicators for a viable and sustainable business operation and; 2) the level of their success on the same indicators.

Organizations typically exist in turbulent environment where resources are limited and where threats to growth and survival can relatively commonplace. Within such environments, they must not only meet a series of what may be termed organizational requirements (for example, resource acquisition, efficiency, production/output, etc) but in addition must satisfy certain behavioral requirements with respect to their members (for example, a stable membership, spontaneous and innovative behavior, etc). The role of management under such circumstances is to organize and utilize the available resources in a way that minimizes external threats and pressures and facilitates the attainment of ultimate aims of the organization through mechanisms that can improve their organizational effectiveness. (Steers,1975: 174). To succeed, cooperatives require periodic assessment of their management performance and development. Significant in their development is the enhancement of honesty, integrity, reliability and at the same time, the formation of the habit of savings. Savings serve as the main goal of capital build-up to provide capital for production, thereby minimizing the need for borrowing from money lenders or loan sharks.

1.1 Evaluation on the level of importance on 15 identified core organizational capacity indicators necessary for a viable and sustainable business operation.

A review of literature covered the work of Taimni, Thordorson, Mercado, Levinger and Bloom. One of few cooperative management related studies conducted in Bukidnon Province, the work of Solidor (1987: 23), found that management performance was significantly associated with income, frequency of BOD meeting, educational activities and awareness of responsibility by members. Another study (Gonzaga,1995) indicated that awareness of responsibilities of members are significantly

related with capital growth. Mansequiao (1987) found strong points in cooperative movements where government agencies like the Department of Agriculture provided financial assistance. On the other hand, weaknesses were found in cooperatives which had dual practices, such as the manager acts simultaneously as president of the BOD. Tagalog (1988) and Galagnara (1999) found that the financial structure of farmer cooperatives was markedly weak, and observed very high delinquency rate in payment of loans by the members.

This particular study identified and consolidated 15 core indicators for organizational capacity necessary for business viability and sustainability (see Table 5). The managers of 36 cooperatives were asked to rate each of the identified factors using a four-point scale (1) very important; (2) important; (3) less important; and, (4) not important. Table 4(1a) revealed that the areas of good governance, professional and skilled managers, continuous education and training, entrepreneurial skills, sufficient budgetary level, savings mobilization, timely service, and proper record keeping were rated “very important”. In contrast, local linkage, years of existence, government support and number of full time employees received “not important” ratings.

1.2 Evaluation on the level of cooperative performance in each indicators

In this phase of evaluation, managers were asked to rate on the same indicators as to their level of success performance, using the four-point scale (1) very successful; (2) successful; (3) less successful; and (4) not successful. Table 5(1b) indicated that education and training, innovativeness and entrepreneurial skills, sufficient budget level, savings mobilization, members participation and membership growth, were rated “not successful,” whereas the areas of good governance, skilled managers, years of existence, proper record keeping and Full Time Employees received a rating of “very successful.”

2. Analysis on the Divergence Between Importance and Level of Success of the Organizational Capacity Factors.

The purpose of this section is to identify on which of the important factors these cooperatives failed. Where is there divergence between the assessment on importance and the assessment on success?. Divergence was identified when the combined result for most important (1) and important (2) ratings was compared against the combined result of very successful (1) and successful (2) ratings. The result with highest difference was said to have the highest divergence. Figure 6 showed that among the very important factors of organizational capacity necessary for viable and sustainable business operation identified by managers (in 1.1), the areas found to have highest divergence were a) continuous education and training for members, staff and management; b) innovativeness and entrepreneurial skills; c) sufficient budget level; d) savings mobilization; and, e) members’ participation. This means that these areas were identified as important, and yet, cooperatives had low success. This

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Table 5. Results on Level of Importance and Level of Success

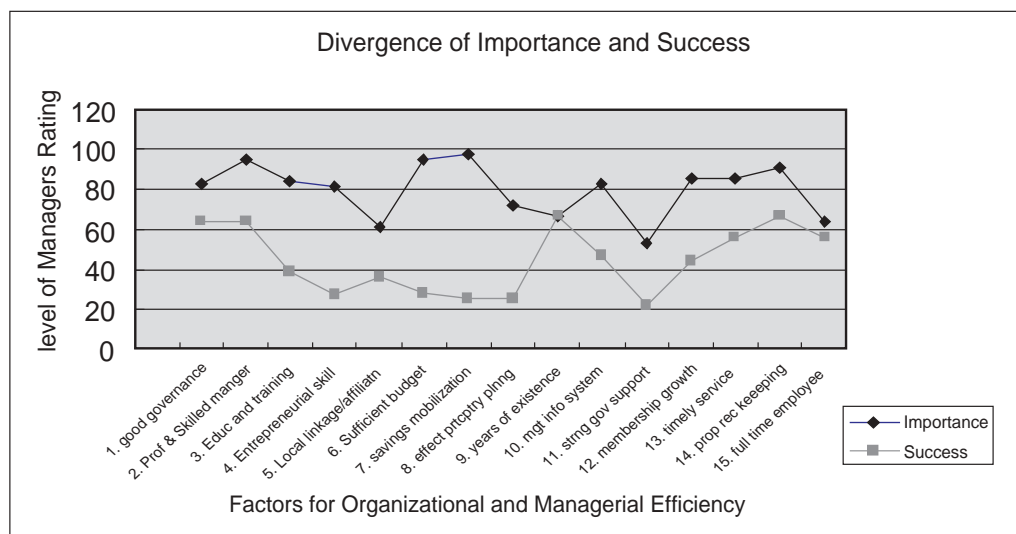
Factors	1.a. Level of Importance				1.b. level of success			
	Vi(%)	I(%)	Li(%)	Ni(%)	Vs(%)	S(%)	Ls(%)	Ns(%)
1.Good Governance	50	33	11	6	14	50	28	8
2.Prof & Skilled Manger	56	39	6	0	11	53	25	11
3.Con t Educ & training	53	31	14	3	8	31	33	28
4.Innovat 'ness & Entrep l Skills	50	31	14	3	8	19	42	31
5. Local Li nkage & Affiliation	11	50	14	22	0	36	42	22
6.sufficient Budget level	64	31	6	0	6	22	42	31
7.Savings Mobilization	78	19	3	0	6	19	36	39
8.Members 'Participation	25	47	19	8	6	19	39	36
9. Years of Existence	25	42	14	19	11	56	33	0
10.Comm & Info System	25	58	11	6	3	44	44	8
11.Government support	28	25	17	31	3	19	61	17
12.membership Growth	50	36	11	3	8	36	25	31
13.Timely Service	58	28	14	0	6	50	28	17
14. proper Record Keeping	69	22	6	3	17	50	25	8
15.Full Time Employees	31	33	22	14	14	42	25	19

Source: Interviewed 36 cooperative managers

Note: Vi= Very Important; I= Important; Li= less important ; Ni= not important

Vs=Very successful ; S= Successful Ls= less successful; Ns= not successful

Figure 6. Divergence on Importance and Success Ratings



further implies that, there was a wider gap in these areas that has to be patched up and carefully considered by the cooperatives.

3. Critical comments

This section comments on the five core indicators for organizational effectiveness found to have greatest divergence and thus demanding due consideration by the stakeholders.

3.1. Savings Mobilization (72% divergence)

Data in Table 5 indicates that 97% of the cooperative managers under study cited savings mobilization as an important factor for organizational efficiency. However only twenty five percent (25%) of the 36 cooperatives reported success in this area, thus resulting in a very high divergence of 72%. Savings serve as the means of securing capital. The expansion of successful cooperatives allows them to build up internal capital (Rikken, 1994:66). This means, the money to be used by the cooperative as they acquire assets should come from within. Members should learn to deposit money with their cooperative. However, according to most managers interviewed, it is difficult to realize savings mobilization because of the small scale production of farmer-members: they don't have a surplus amount to put back into their cooperative in the form of savings. Nevertheless, except for a chosen few, savings mobilization was considered part of their expansion program.

3.2. Sufficient Budget Level (67% divergence)

Ninety five percent (95%) of the managers rated sufficient budget as very important factor while only 38% showed success in this area (table 5). This result corresponds to the information gathered during a separate interview with farmer-members in each of the sample cooperatives. When asked about the loans they received, they explained that production loans received intended for Rice and Corn particularly at P10,000/hectare (about US\$200) were insufficient when compared with the average total cost of production of 15,000/hectare. For farmers with no other source of income to make additional financing for the insufficient loan received, this jeopardizes the production process, thus resulting in lower production output.

3.3. Innovativeness and entrepreneurial skills development (62%)

According to Taimni (2001: 249-250), cooperatives of all types not only in developed countries but also in developing countries, are now facing immediate challenges in the new environment characterized by liberalization, globalization and privatization, regarding how to re-orient their activities and build a stronger and committed membership base and emerge as autonomous actors in an increasingly competitive market. He further states that the surest way for the management of cooperatives to meet the emerging challenges is to innovate, and to think of better ways to serve the

members. Concerning Philippine cooperatives, entrepreneurial skills development is one of their weaknesses. Eighty one percent (81%) of the manager-respondents rated this factor as important, whereas 27% reported success (Table 5). In the context of cooperatives, entrepreneurship can be considered at the level of individual, primary, secondary or even apex cooperatives. In this survey, most of the respondent cooperatives are primary, and except for a few which started livelihood projects aside from their normal operations and also provided full support to their entrepreneuring members, the rest of them never tried to take risk or seize opportunities.

3.4. Active participation of members in cooperative activities and decision making processes (47% divergence)

Cooperatives operate on the basis of democratic principles. They only function well when members are motivated to actively participate in policy formulation, decision making and a variety of cooperative activities. Table 5 revealed that 72% of the managers rated this factor as important while one fourth or 25% reported success. The result was further confirmed by the outcome of interviews with the managers, when they were asked about their cooperative's most pressing current problem. Almost 85% of them cited delinquency or delayed repayment of loans by farmer-members. These delinquent members were no longer active participants, specially in meetings and at the time of decision-making processes. Therefore, the situation gives an indication that members' participation is low in most of the cooperatives under study.

3.5. Continuous Education and Training (42% divergence)

Another critical weakness of cooperatives is in the area of provision of continuous education and training for common cooperative members, staff and leaders. Table 5 shows that 84% of the managers rated this particular indicator important for organizational effectiveness, while only 39% of them counted success in this area. In the Philippine setting, common members of cooperatives undergo a pre-membership education training which in many cooperatives is a requirement for membership. However there is no continuing education program for the common members to develop a strong sense of ownership of the cooperative they are joining.

4. Importance of Organizational indicators for Effectiveness and Cooperatives' level of Success

It has been observed that nine out of 15 core indicators for organizational capacity were rated important by more than 50% of the managers included in the survey. However five of these nine indicators were found to have greater divergence against its success ratings. That is, most of the cooperative managers rated these five factors as very important, and yet, few of them rated their cooperatives as actually successful in relation to these factors. This substantiated the study's hypothesis that the cooperative in Bukidnon Province had some weaknesses in core organizational

indicators for effectiveness necessary for a viable and sustainable business operation. In other words, cooperatives in the province are still striving to become viable and sustainable. This was clearly seen in their business productivity performance which indicated that almost all of the districts considered in the survey have a negative growth rate on the return on investment (ROI).

Finally, by identifying these five important factors allows a kind of insight that supports the empowerment of cooperatives to sustain their business viability towards attaining its goal. That is, if the cooperatives have strong conditions in all of these factors, they can operate viably and sustain their operations. Otherwise, if one of the conditions is weak then it could possibly lead to a continuous process that hindering cooperative development. For example, the absence of one factor like spirit of innovativeness and entrepreneurial skills will obviously result in non-diversification of business activities. Thus, from the farmers' point of view, since their income depends largely on farming activity, earnings will not increase since there are no other sources of income. Consequently this will affect savings, and, if savings are low there could be little or no allocation for special activities particularly on education and training. If education is missing in the cooperative, it could possibly result in low participation of members in the business activity due to lack of awareness about the importance of cooperative values and principles. This in turn would limit sense of ownership towards the cooperative. In this way one condition affects the other until the cooperative is unable to attain its objectives or ceases to operate.

V. SUMMARY AND CONCLUSIONS

Particularly in a developing country like the Philippines, cooperatives are a way of life, a necessity and an important bond of people. Cooperatives are not just to provide for loans and patronage refund but to see to it that members' social needs are also achieved. Since their rebirth in 1990, the number of cooperatives has grown rapidly with more than 63,181 cooperatives registered as of 2003. Much of this increase has occurred as a result of the passing of the twin Laws RA 6938 and RA 6939 which focus on the promotion of cooperative development in the country. Generally, the cooperative sector in the Philippines can be characterized based on asset category. Under this classification, almost half (49%) are considered micro. They also have low membership size averaging 100 members. Meanwhile, according to types, Agricultural Multi-purpose Cooperatives (AMPC) were found to be the most prevalent 67%. Lastly, most of the cooperatives had low capital structure. In terms of cooperative business productivity performance as of 2001, the sector had total positive growth rate both in financial measures such as assets, business volume, sales, capital build-up, net surplus and Return on Investment (ROI) and organizational measures such as membership and full time employment. The core organizational factors for effectiveness rated as most important were in the areas of governance, professional and skilled managers, continuous education and training, innovativeness and entrepreneurial skills development, budget level, savings mobilization, timely

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service and proper record keeping. Meanwhile, “Not successful” rating was reported in the areas of continuous education and training, innovativeness and entrepreneurial skill development, sufficient budget level, savings mobilization, participatory decision making and membership growth.

Finally, the author concludes that cooperatives in Bukidnon province are still striving to become viable and sustainable. They also manifested some gap or weaknesses in core organizational indicators for effectiveness necessary for a viable and sustainable business operation.

VI. RECOMMENDATIONS

In many developing countries, the cooperative sector has yet to make a significant economic and social impact. With the statistical and descriptive data presented herein, there is a lot to be learned about the cooperative sector in the Philippines. One point concerns their own internal organization. In order for the cooperatives to play a vital role as partners for development through the improvement of peoples' live in the community, the cooperative enterprise must maintain financial viability. Financial surplus is only a means to achieve broader goals such as gaining access to new market, achieving economy of scale, securing credit, increasing bargaining power, sharing of cost, finding new services and the like. Though cooperatives in the Philippines have gained a total positive growth rate they also have several weaknesses that require forward looking strategies to increase efforts in solving particular issues such as funding generation from within (savings mobilization) so as not to rely heavily on external sources that make them overburdened with debts. Since savings mobilization is the area where many have reported low success, it is time for the management to look for ways or alternatives to encourage members to save. This can be done by giving more incentives to those who save more. Another measure to recommend is forced savings even in a small amounts. Furthermore, the organization should crucially consider the provision of continuous education for the common members and training for the staff and leaders. This will not only teach members about cooperative values and principles but will also make them fully aware that, if put into practice, cooperative values will really help them improve their lives economically and socially. Cooperatives also have to reorient their business focus by looking for promising business opportunities. In sum, they have to be creative, innovative and lead a life that are full of entrepreneurial drive. Externally, there should be strong cooperation among cooperatives and other sectoral groups for greater effectiveness in policy advocacy. (This policy suggestion contrasts with cooperative managers' view, shown in the research findings, that local linkage is not an important factor for organizational viability and sustainability.) There should also be a positive policy environment coupled with economic reform that can work to the advantage of cooperatives. Cooperatives continue to be an interesting and attractive model as self-help and mutual-help organizations that have potential to contribute to the development of the people and community. Thus, to solve the issues mentioned in this study, economic and managerial aspects as well as the social values of cooperatives require strict attention and discipline. In this way

cooperativism will help foster human dignity and eliminate exploitation. Lastly, sound management and functioning of the cooperative as an economic enterprise is indispensable for the successful fulfillment of their other social purposes.

Notes:

1. See Chapter I, Article 2, of Cooperative Code of the Philippines.
2. See Chapter II, Article 6 and 7 Cooperative Code of The Philippines.
3. International Cooperative Alliance, 1995. Definition of Cooperative in Asia.
4. TACIS. 1985. Today's Cooperative. A new form of agricultural organization in NIS. p.38-40.
5. International Cooperative Alliance.1995. Five Good Reasons for Cooperatives. International Cooperative Center. (www.wisc.edu/uwcc/icic.html)
6. See Cooperative Development Authority Manual.

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Appendix Table 1. Summary of Business Productivity Performance by Year of the Cooperative in Bukidnon Province (1997-2001)

Particulars	1997	1998	%Inc	1999	%Inc	2000	%Inc	2001	%Inc	TotalInc+	Ave
DISTRICT I											
Members Equit	0	92,624,067	0	111,971,616	0	137,734,488	0	108,725,030	-0.21	0.228	0.06
Total Asset	103,985,426	213,759,003	1.06	257,940,891	0.21	241,575,092	-0.06	276,394,848	0.14	1.343	0.34
Paid-Up Capita	10,388,348	60,795,467	4.85	58,380,097	-0.04	69,224,976	0.19	82,645,578	0.19	5.192	1.30
Vol. of Bus	56,351,870	129,937,413	1.31	226,252,635	0.74	261,224,976	0.15	295,424,984	0.13	2.333	0.58
Net surplus	4,210,327	11,609,832	1.76	6,737,033	-0.42	10,333,404	0.53	12,935,636	0.25	2.123	0.53
Gross Inc	0	35,527,995	0.00	42,479,098	0.20	59,695,640	0.41	51,027,013	-0.15	0.456	0.11
Liability	78,595,172	120,651,047	0.54	156,026,217	0.29	169,365,345	0.09	163,702,069	-0.03	0.880	0.22
Reg Members											
Male	3,756	8,296	1.2	8,327	0.00	8,483	0.02	7,792	-0.08	1.150	0.29
Female	2,036	3,409	0.67	3,446	0.01	3,664	0.06	3,992	0.09	0.838	0.21
Fulltime Employee											
Male	242	320	0.32	258	-0.19	429	0.66	238	-0.45	0.346	0.09
Female	34	124	2.65	103	-0.17	82	-0.20	98	0.20	2.469	0.62
ROI	0.04	0.05	0.34	0.026	-0.97	0.043	0.638	0.047	0.09	0.099	0.02
Mean										1.455	
DISTRICT II											
Members Equit	0	67,777,833	0	84,630,124	0.25	97,714,601	0.15	117,096,275	0.20	0.602	0.15
Total Asset	110,082,905	246,120,044	1.24	310,533,761	0.26	346,953,983	0.12	377,959,669	0.09	1.704	0.43
Paid-Up Capita	13,006,799	26,910,737	1.07	43,165,301	0.60	56,248,054	0.30	66,348,843	0.18	2.156	0.54
Vol. Of Bus	73,975,024	169,128,005	1.29	297,097,345	0.76	296,455,872	-0.00	358,387,683	0.21	2.250	0.56
Net surplus	6,013,566	16,026,656	1.67	21,181,279	0.32	14,121,691	-0.33	16,555,261	0.17	1.826	0.46
Gross Inc	0	55,246,129	0.00	73,795,304	0.34	69,966,480	-0.05	71,077,623	0.02	0.300	0.07
Liability	82,239,380	181,576,422	1.21	222,999,607	0.23	255,722,804	0.15	270,341,605	0.06	1.640	0.41
Reg Members											
Male	3,627	4,677	0.29	5,807	0.24	6,046	0.04	5,756	-0.05	0.524	0.13
Female	1,915	3,440	0.80	4,388	0.28	4,529	0.03	4,609	0.02	1.122	0.28
Fulltime Employee											
Male	28	77	1.75	106	0.38	85	-0.20	130	0.53	2.458	0.61
Female	21	106	4.05	125	0.18	104	-0.17	138	0.33	4.386	1.10
ROI	0.05	0.07	0.19	0.07	-0.64	0.04	-1.06	0.04	0.08	-1.440	-0.36
Mean										1.4605	
DISTRICT III											
Members Equit	0	64,483,427	0.00	71,852,841	0.11	86,575,991	0.20	101,084,883	0.17	0.487	0.12
Total Asset	121,785,303	179,762,280	0.48	222,767,872	0.24	303,295,840	0.36	391,327,527	0.29	1.367	0.34
Paid-Up Capita	11,307,491	34,920,537	2.09	41,462,880	0.19	60,050,085	0.45	67,021,493	0.12	2.840	0.71
Vol. of Bus	67,126,635	152,245,788	1.27	205,126,923	0.35	274,180,694	0.34	416,430,185	0.52	2.471	0.62
Net surplus	32,964,955	8,839,322	-0.73	5,946,189	-0.33	7,952,982	0.34	15,800,363	0.99	0.265	0.07
Gross Inc	0	30,029,951	0.00	36,014,764	0.20	37,623,177	0.04	58,607,473	0.56	0.802	0.20
Liability	121,785,303	122,169,839	0.00	156,547,786	0.28	215,072,032	0.37	286,120,208	0.33	0.989	0.25
Reg Members											
Male	6,612	7,609	0.15	7,837	0.03	10,359	0.32	10,700	0.03	0.535	0.13
Female	3,553	5,967	0.68	5,367	-0.10	7,645	0.42	7,735	0.01	1.015	0.25
Fulltime Employee											
Male	65	33	-0.49	70	1.12	61	-0.13	73	0.20	0.697	0.17
Female	50	51	0.02	110	1.16	102	-0.07	122	0.20	1.300	0.33
ROI	0.27	0.05	-0.82	0.03	-1.03	0.03	-0.02	0.04	0.54	-1.329	-0.33
Mean										0.817	