

IMPACT OF NEGROS ORIENTAL CREDIT COOPERATIVES AND MULTIPURPOSE COOPERATIVES PROVIDING CREDIT SERVICES ON THE SOCIO-ECONOMIC LIFE OF THEIR MEMBERS: AN ASSESSMENT

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ABSTRACT

This study investigated the impact of credit and multipurpose cooperatives providing credit services in Negros Oriental on the socio-economic life of their members. Specifically, the study assessed the programmes offered by credit and multipurpose cooperatives in Negros Oriental and how these programs helped enhance the socio-economic life of their members. Two groups of respondents were identified for this study. One group consisted of the managers of the top three cooperatives in the city and municipality of Negros Oriental based on capital of one million pesos and above. The second group consisted of individuals who are members of the 26 primary cooperatives covered in the study. Credit and multipurpose cooperatives in Negros Oriental do not only provide credit facilities but extend other services to benefit members. In general, the findings of the present study revealed that majority of the credit and multipurpose cooperatives in Negros Oriental have helped to enhance the socio-economic life of their members.



INTRODUCTION

The Philippines is a country faced with various problems. A large number of the people cannot meet their daily needs because of their meager incomes. The small farmers and tenants availed of the credit assistance they need from landowners, capitalists or traders at exorbitant rates of interest. Due to meager incomes, the small farmers are not capable of procuring labor savings devices nor are they capable of adopting modern methods of farming such as seed selection, conservation and soil determination, crop rotation as well as other farming innovations.

Cooperation as a system which seeks to harness the limited resources of people of small means and opportunities for more produce and social needs was first introduced in the Philippines in the late 1800's. Dr. Jose Rizal who was said to have been inspired by the concept of cooperation during his travels to Europe, organized in 1898 a marketing cooperative among the farmers of Dapitan during his exile. Subsequent attempts to introduce cooperatives in the country were mainly undertaken through the government's initiatives and efforts (Abasolo, Ruiz, and Bertol, 1996).

In sponsoring the adoption of the cooperative organization as a means to an-end-not the end itself means advocating a new economic system for the country based on national consciousness. The cooperative system is not transitory in the sense of correcting only certain economic ills which affect the nation. It is a system that is destined to become a permanent fixture of our economic life. Since it is designed to be a permanent adjunct to the economic system, it is planned to be carried out gradually and to spread its development over a longer period of time. However, because the country is confronted with serious economic problems, it may be important to state the fact that the pace of development of the cooperative movement should be properly accelerated (Razon, 1940).

As a benchmark to the growth of cooperatives, the researcher is encouraged to undertake this study to establish a parameter that would connect every single achievement and benefit desired by members of the cooperatives in Negros Oriental and to determine whether or not cooperatives have provided the channel to increase the productivity of Juan De la Cruz, the "common *tao*" whose welfare and interest is the focal point of the government initiatives and efforts to introduce and support the cooperatives in the country.

Statement of the Problem

Primarily, the study was conducted to obtain information on the contribution of credit and multi purpose cooperatives with credit services in enhancing the socio-economic condition of the members. Specifically, it sought to answer the following questions:

1. What is the profile of the respondent primary cooperatives providing credit services in Negros Oriental, as of December 31, 2005 in terms of the following:
 - Size of Membership
 - Paid in Capital
 - Total Assets
 - Net Surplus
 - Loan Portfolio
 - Savings Generation
 - Employment Generation
2. What programs and services do credit and multipurpose cooperatives provide to their members?
3. What problems do members encounter in terms of:
 - Service Efficiency
 - Products and Services
 - Policies and Procedures
 - Interest Rates.
4. How do credit and multipurpose cooperatives providing credit services enhance the socio-economic life of their members by their products and services?
5. What recommendations can be drawn in order to expand the services and increase the benefits of members?

Significance of the Study

The study is important to various stakeholders of the cooperative program, namely:

- **Board of Directors.** The study would serve as a guide to improve or enhance the programs and services of the cooperatives to cater to the needs of their members.
- **Policy Makers.** The findings would be important to them and to cooperative advocates including non-government organizations in understanding the role and participation of cooperatives in the rural development of Negros Oriental.
- **Government Agencies.** The findings would also help government agencies in their decision making process particularly in the formulation of plans and programs and other support services to cooperatives.
- **Academicians and Researchers.** This group can use the findings as input should they decide to undertake a similar study.

REVIEW OF RELATED LITERATURE

This section presents the literature related to and in support of the successful cooperative undertaking. Cooperatives play various roles in different stages of economic development. In an industrialized community, the cooperative movement assumes different objectives from that of an agricultural community. People in industrial or urban areas must live on what their money can buy. Their incomes come from the salaries and wages they receive. So they are inclined to find ways on how to make their incomes buy more goods and services. As a result, well developed consumer societies have been dominant in these places (Fajardo & Abella, 1993).

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 contributions to the capital required and accepting a fair share of the risks and benefits in accordance with the universally accepted cooperative principles (Cooperative Development Authority, 1992).

Nature and Purpose of Cooperatives

By its nature, structure and form, a cooperative is perfectly suited for the promotion and strengthening of livelihood activities among its members. The strong sense of self-help and mutual help among cooperatives is a driving force to guarantee the development of any kind of livelihood enterprise to enhance the economic condition of members (Conti, 2004).

Being the people's livelihood enterprise, cooperatives enhance livelihood through the generation of funds and extension of credit to members for productive and provident purposes. The following are the purposes of forming cooperatives:

- To encourage thrift and savings mobilization among members.
- To generate funds and extend credit to members for productive and providential purposes.
- To encourage systematic production and marketing of members' produce.
- To provide goods and services and other requirements to members.
- To develop expertise and skills among members.
- To acquire lands and provide housing for members.
- To insure against losses of the members.
- To promote and advance the economic, social and educational status of members.
- To establish, own, lease or operate cooperative banks, wholesale and retail complexes, insurance, agricultural, industrial processing enterprises and public markets.
- To encourage and facilitate the activities of cooperatives; and to undertake any or all other activities for the effective and efficient implementation of the provisions of the cooperative (Conti, 2004).

Listing of Potential Benefits from Employment-Related Programs

To facilitate the choice of impact to be studied, a list of the potential benefits for society, individuals, employees and government is presented. All employment-related programs can be judged in terms of these impacts, but each program will have a different method of reaching its objectives and different emphasis will be put on each of them.

A. Benefits for Society

- Improved equity in the distribution of income and employment, especially for target groups.
- Increased national production.
- Reduced unemployment.
- Increased social satisfaction.
- Stable prices.
- Reduced antisocial behavior.
- Reduced dependency on government.
- Increased voluntary leisure.
- Reduced discrimination and improved race relations.
- Improved housing.
- Improved health, and
- Improved family life.

B. Benefits for Individuals

- Increased income.
- Reduced unemployment.
- Increased satisfaction.
- Increased social status.
- Reduced dependency.
- Improved health.
- Improved family life.
- Improved housing.

C. Benefits for Employers

- Jobs for specific employers filled.
- Jobs in particular areas filled.
- Improved productivity of particular employer's labor force.

D. Benefits for Government Operations

- Reduced costs of government operations.
- Reduced transfer payments.
- Increased tax revenues through increased tax base.
- Increased number of persons available for military service or public service. (Borus, 1979).

RESEARCH METHODOLOGY

This part of the study discusses its important components: the research environment, the selection of respondents, the research instrument data collection and data analysis procedures.

Research Environment

The geographical location of the study is the province of Negros Oriental, composed of five (5) component cities and twenty (20) municipalities. Data gathered from the Cooperative Development Authority, Region VII shows there are two hundred and seventy two (272) active cooperatives in Negros Oriental as at September 30, 2006. These are credit, consumer, producer, services, marketing, multipurpose agricultural and non-agricultural cooperatives. This study was limited to credit cooperatives and multi-purpose cooperatives with credit services and covered the business operations of the cooperatives as at December 31, 2005, which is the latest period with complete available data needed for the study.

Selection of Respondents

Two groups of respondents were utilized in this study. The first group is composed of cooperative managers or persons in-charge of the business operation of the cooperative. A total of twenty six (26) managers of the primary cooperatives in the province were included in this study. The population of the first group of respondents were the top three operating cooperatives with lending services based on capital in every town or city. The researcher utilized the 2005 data of the cooperatives as the cut off date for the study as the 2006 report had yet to be prepared and approved by the general assembly.

The second group consisted of persons or members who are the direct beneficiaries of the programs and services of the cooperatives. A total of 1,089 cooperative members representing the 26 primary cooperatives participated in the study. Proportionate sampling was used to determine the number of respondents assigned to each congressional district. Furthermore, the study's total population of the second group of respondents was derived from the total regular membership of the cooperatives in Negros Oriental totaling 56,212 as at December 31, 2005. In determining the sample size of the respondent - coop members, Slovin's formula was used. For this study, the researcher used a 3 percent margin of error. The sample size computation is shown below.

$$n = \frac{N}{1+N(e)^2}$$

Where: n = sample
 N = population
 e = margin of error

$$n = \frac{56,212}{1 + (56,212) (.03)^2}$$

$$n = 1,089$$

Furthermore, the researcher made use of the following formula in determining the number of respondents per cooperative:

$$nc = \frac{pc}{N} \times n$$

Where: nc = sample size or number of respondents per cooperative.
 pc = cooperatives' total membership
 Nc = total population per cooperative

Research Instrument

This study used questionnaires as the primary data gathering instrument. The questionnaires were structured in such a way that the questions raised in the statement of the problem could be answered. Two sets of questionnaires were formulated to be used by the two sets of respondents in the study. The first questionnaire solicited relevant information pertaining to the operations of the cooperative, organizational profile, and the programs and services offered by the cooperative. The second questionnaire was designed to obtain vital information from the members of the cooperative such as personal information, number of years of cooperative membership, frequency of loan availment, uses of loan, other benefits derived from the cooperative, as well as problems encountered with regards to the members' use of cooperative services. A pretest was conducted among selected cooperatives to validate if the questions raised could be answered by the respondents. Improvements were introduced by the respondents in the first set of questionnaires and that the same was acknowledged and formed part of the final questionnaire. Information gathered from the interviews conducted also formed part of the data in this study.

Data Collection Procedure

For this study, the researcher made use of purposive sampling procedure. Specifically, the data was gathered in the following manner:

- i. A formal letter was sent to the Board of Directors of each primary cooperative covered in this study, to seek permission and allow the researcher to gather data and other relevant information.
- ii. A formal letter was sent to the Regional Director of the Cooperative Development Authority (CDA), Cebu Extension Office, to seek information related to the status of cooperatives with credit services in Negros Oriental based on CDA's classification and other data required in the study.
- iii. The questionnaires were distributed personally by the researcher with the help of the cooperative management staff to speed up the distribution and retrieval of the questionnaires from the respondents.
- iv. The completed questionnaires were reviewed by the researcher to insure that all questions asked were answered.

Data Analysis Procedure

The researcher gathered both qualitative and quantitative data. Certain statistical tools utilized were:

- i. Rank or Ordinal Scale. In using this tool, categories were ranked according to classified order. The category with highest frequency was ranked 1.
- ii. Simple Percentage. This is a tool which determines the proportion of a set of data in relation to the whole. This method was used to establish the profile of the selected cooperatives covered in the study.
- iii. Frequency Distribution Tables. Used for groupings or summarizing data. This tool is particularly useful in establishing the group of values for such data. The formula is:

$$\text{Percentage (\%)} = \frac{f}{n} \times 100$$

Where: f = frequency of responses

n = total number of responses

- iv. Charts and Graphs. These tools were used to highlight certain sets of data.

RESULTS

To describe the impact of credit cooperatives and multipurpose cooperatives providing credit services in Negros Oriental on the socio-economic life of their members in terms of the services offered by the cooperative, data gathered from the survey are presented, analyzed and interpreted.

The subjects of the study were the twenty six (26) primary cooperatives representing the top three cooperatives in terms of capital. They were selected using proportionate sampling in order to cover all the municipalities and cities in Negros Oriental with cooperatives under the above category.

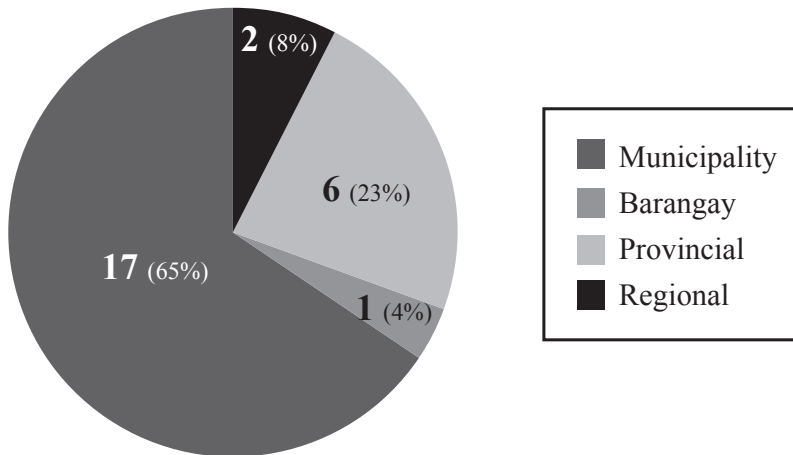


Figure I: Area of operation of the cooperatives

Figure I describes the profile of the respondents' area of operation and shows that out of the total population of 26 primary cooperatives, in terms of area of operation, 17 cooperatives or 65 percent are operating in the municipality, 6 cooperatives or 23 percent are province wide, 1 cooperative is based in the *barangay* and 2 cooperatives are operating across the regional boundaries.

Table 1: Cooperative Membership According to Occupation* (n=26)

Responses	Frequency	Percentage (%)
Government employees	21	81
Farmers	19	73
Private employees	18	69
Vendors	14	54
Businessmen	13	5
Fishermen	13	50
Teachers	12	46
Laborers	5	19
Lawyers		15
Others:		
Youth	3	12
Housekeeper	4	15
Agrarian Beneficiary	1	4

*Sum of multiple responses

As revealed in Table 1, membership of the cooperatives is multi-sectoral as shown in the following distribution of responses: government employees make up 81 percent of the membership, farmers 73 percent, private employees 69 percent and vendors 54 percent. Fishermen and businessmen constitute 50 percent of the membership, teachers 46 percent, medical practitioners 19 percent, laborers 19 percent, lawyers 15 percent, housekeepers 15 percent, youth 12 percent and agrarian beneficiary, 4 percent.

Table 2: Initial Capital of Cooperatives (n= 26)

Reponses	Frequency	Percentage (%)
Less than P1,000.00	9	35
P1,001.00 - P5,000.00	5	19
P5,001.00 - P10,000.00	4	15
P10,001.00 - P15,000.00	0	0
P15, 001.00 - P20,000.00	2	8
P20,001.00 and above	6	23
TOTAL	26	100

Table 2 shows that among the twenty six (26) cooperatives only few had started their operation with a capital of more than P 20,000.00. This means that a cooperative is a business enterprise that can be initiated with a small capital.

Table 3: Paid up Capital /Fixed Deposit of the Cooperative as of December 31, 2005 (n=26)

Responses	Frequency	Percentage (%)
P1,000,000.00 - P4,000,000.00	15	58
P4,000,001.00 - P8,000,000.00	6	23
P8,000,001.00 - P12,000,000.00	1	3.8
P12,000,001.00 - P16,000,000.00	1	3.8
P16,000,000.00 and above	3	11.4
TOTAL	26	100

With members contributing on a regular basis to increase capital, the cooperative can accumulate sufficient amount to finance the business operation just like any other lending or corporate business. Table 3 shows that cooperatives have the potential to be self-reliant.

Table 4: Savings Deposit of the Cooperatives as of December 31, 2005 (n=26)

Responses	Frequency	Percentage (%)
None	1	3
Less than P100,000.00	9	35
P101,000.00 - P500,000.00	5	19
P501,000.00 - P1,000,000.00	2	8
P1,501,000.00 - P2,000,000.00	2	8
P2,001,000.00 and above	7	27
TOTAL	26	100

Table 4 above illustrates the savings generation program of the credit and multipurpose cooperatives. Except for 1 cooperative that has no savings program, majority of the 26 cooperatives were able to generate sufficient amount in their savings program. The data presented above show that savings deposit program can be a good source of internal capital.

On the part of capitalization, data gathered show that most cooperatives established their operation with minimal capital and they grew through continuous capital and savings generation.

Table 5: Services Offered by the Cooperatives* (n=26)

Responses	Frequency	Percentage (%)
Lending	26	100
Deposit	23	88
Check encashment	9	35
Insurance	5	19
Money Transfer	3	12
Rediscounting	2	8
Others: Special Credit Line Memorial plan. Loan protection plan Death aid benefits, Financial assistance to members with cancer illness.	12	46

* Sum of multiple responses

Table 5 shows that as credit and multipurpose cooperatives providing credit services to their members, cooperatives in Negros Oriental do not only provide lending services but offer other products or services such as deposits, money transfer, check encashment, rediscounting, insurance, mutual death aid, memorial plan, financial aid to members with cancer illness, special credit line, and multipurpose loans.

Table 6: Types of Loan Offered by the Cooperatives* (n =26)

Responses	Frequency	Percentage (%)
Emergency loan	23	88
Salary loan	15	58
Instant loan	12	46
Vehicle loan	5	19
Housing loan	4	15
Other loans: Micro-lending, Educational, Regular loan, Medical loan, Agricultural, Special loan Business loan, Productive and Providential loan.	11	42

* Sum of multiple responses

Table 6 describes the different types of loans extended by the cooperatives to their members ranked according to frequency of responses and they include: emergency, salary, instant, vehicle, housing, regular, micro finance, medical, special, agricultural and educational loans. These loans are offered to meet the needs of the members.

Table 7: Delinquency Rate of Cooperative Loans (n=26)

Responses	Frequency	Percentage (%)
1% to 5%	4	15
6% to 10%	4	15
11% to 15	2	8
16 % to 20%	3	12
More than 20 %	13	50
Total	26	100

Just like any business organization, credit cooperatives and multi-purpose cooperatives with credit services have their own share of problems particularly in relation to loan collection. Table 7 shows the delinquency rate experienced by cooperatives providing credit services. Four (4) cooperatives or 15 percent have a delinquency rate of between 1-5 percent, another 4 cooperatives with 6-10 percent delinquency rate, 2 others with 11-15 percent rate, and 3 cooperatives have 16-20 percent delinquency rate. Thirteen (13) cooperatives or 50 percent have a delinquency rate of more than 20 percent. In this regard, it is understood that majority of the cooperatives need to be trained on loan collection mechanism efficiency.

Table 8: Economic Contributions of the Cooperatives* (n=1,089)

Responses	Frequency	Percentage (%)
Provide livelihood activity as source of income	487	45
Provide employment		
Full time	269	25
Part time	30	3
Provide livelihood activity as additional source of income	420	39
Others	93	8.5

*Sum of multiple responses

As a whole, the economic contribution of cooperatives to their members are described in Table 8 with the results ranked according to the frequency of responses: 45 percent of the responding members indicated that cooperatives provided livelihood activities as source of income, 39 percent disclosed cooperatives provided livelihood activities as additional sources of income, 25 percent said they provided full time employment, while 3 percent stated that cooperatives provided part time employment. Another 8.5 percent stated that cooperatives contributed towards children's education and cash for emergency situations.

Table 9: Social Impact of the Cooperatives on their Members (n=1,089)

Responses	Frequency	Percentage (%)
House repair or renovation	384	35
Acquire appliances	287	26.35
Acquire vehicles	219	20.11
Build a house	158	14.5
Owned jewellery	108	10
Gained more opportunities to help others in the community	305	28
Gained more confidence in public speaking	107	10
Helped improve livelihood skills, such as: cooking, driving, welding, sewing,	182	16
Others	74	7

*Sum of multiple responses

The overall impact of cooperatives in the social enhancement of their members' lives is described in Table 9. A total of 384 members or 35 percent admitted their lives were socially enhanced by way of house repair or renovation, 305 members or 28 percent said they gained more opportunities to help others in the community, 287 members or 26.35 percent disclose they acquired appliances, 219 members or 20.11 percent indicated they were able to acquire vehicles, 182 members or 16 percent identified improved livelihood skills and 158 respondents or 14.5 percent disclosed they built a house. 108 members or 10 percent answered they were able to own jewellery, 107 members or 10 percent said they gained confidence in public speaking and 74 members or 7 percent did not disclose any specific answers.

Table 10: Length of Cooperative Membership (n =1,089)

Responses	Frequency	Percentage (%)
less than one year	104	9.55
one to two years	134	12.30
more than two to three years	133	12.21
more than three to four years	129	11.84
more than four to five years	134	12.30
more than five years	455	41.80
Total	1,089	100

The respondents were also asked to disclose the number of years they have been members of the cooperatives. Table 10 shows that 455 respondents or 41.8 percent have been members for more than five years, 12.3 percent have been members for more than four to five years, with an equal number disclosing they have been members for one to two years, 12.21 percent have been members in their respective cooperatives for more than two to three years, 11.84 percent for more than three to four years, and 9.55 percent for less than one year. These data show that the respondents have a long record of membership and are very much aware of the operation of their cooperatives.

Table 11: Position in the Cooperative (n=1,089)

Responses	Frequency	Percentage (%)
Member	863	79.25
Management Staff	135	12.40
Committee Member	46	4.22
Officer	11	1.01
Board Member	34	3.12
Total	1,089	100

Table 11 describes the position of the respondents in the cooperatives. 79.25 percent are members of the cooperative, 12.4 percent are members and at the same time employees of the cooperative, 4.22 percent are committee members, 3.12 percent are members of the board and 1.01 percent are officers of the cooperative. Data gathered show that all the respondents are members of the cooperative at a given time. However, in this particular occasion some were designated to a particular position in the cooperative.

Table 12: Number of Loan Availment in the Cooperative (n=1,089)

Responses	Frequency	Percentage (%)
Once	135	12.4
Twice	150	13.8
Thrice	140	13.0
Four times	118	10.8
Five times	171	15.7
More than five times	372	34.3
None	3	0
Total	1,089	100

Table 12 shows that a large majority of the respondents have repeatedly used the services of the cooperative and that the proceeds have already resulted in the enjoyment of various socio-economic benefits.

CONCLUSION

Based on the findings gathered in the study, it is concluded that credit and multipurpose cooperatives in Negros Oriental have offered various types of services that have helped enhance the socio-economic life of their members. It is further concluded that delinquency is a common problem faced by credit and multipurpose cooperatives in Negros Oriental whether they are large, medium or small cooperatives. Hence, cooperatives in Negros Oriental have realized that the cooperative is a business enterprise and its membership must grow to include all sectors in the community and not be limited to the farmers where the concept originated.

***This article is part of the unpublished thesis book of the writer.**

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AUTHOR'S BACKGROUND

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