

# Factors Influencing the Growth of Credit Cooperatives: The Case in the City of Malolos, Philippines

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**Abstract:** Cooperatives have been considered as one of the avenues of Philippine Government in building social justice and economic growth. The growth of Credit Cooperatives in the Philippines is significant, some of them started as informal association of individuals with the objective of solving the financial difficulties and problems of its members. This study examined on factors influencing the growth of credit cooperatives. They include; Management Practices and Policy, Members' Participation, Value Added Services and Education and Training. The study utilized quantitative method and correlation research design. The respondents of the study were 10 credit cooperatives in the City of Malolos. To gather the data pertinent to the study, researcher utilized the proportionate stratified random sampling to identify the number of respondents. The respondents were composed of 112 employees from 154 total employees of 10 credit cooperatives. The main tool of the study was questionnaire, which is composed of two parts. In order to present and analyze the data to be collected in this study, the following statistical treatments had been used: Percentage, Weighted Mean, Pearson Coefficient of Correlation and Multiple Regression Analysis. The Study revealed that the coefficients are positive for all variables which indicates direct relationship of the Management Practices and Policy, Members' Participation, Value Added Services and Education and Training to the growth of credit cooperatives.

**Keywords—Credit Cooperatives, business administration, descriptive-correlational study**

## 1. INTRODUCTION

Cooperatives have been considered as one of the avenues of the Philippine Government in building social justice and economic growth [1][2]. The University of California (n.d.) defined cooperatively as a private business organization formed by individuals with common objectives, [3] who coordinate with one another to achieve vertical integration of their business activities and is structured based on the changing needs of its members.

Based from 2013 report of cooperatives, the aggregate ending balance of cooperatives was Php 97 billion times/savings, paid-up capital of Php71 billion, and net surplus of Php13 billion, which contributed to the inclusion of marginalized sector in the financial market. Also, cooperatives added in strengthening the Philippine financial sector and economic growth of the country through an active participation of medium and large cooperatives in the country which comprised 9% of the total registered cooperatives in the country. This was supported by the data published by CDA in 2013 which shows 4.87% share of cooperatives in the country's Gross Domestic Product [4][5].

The assistance being provided by cooperatives to micro business entrepreneurs, and the contribution they provide to the economy of the country made the researcher interested to investigate the different the factors that profoundly influenced the growth of Credit Cooperatives in the City of Malolos. The researcher hopes that the findings of this paper would assist businessmen, entrepreneurs, and cooperatives particularly the credit cooperatives in the City of Malolos in conceptualizing new business strategies and in adapting to rapid changes in the external trends based on the identified factors.

## 2. RELATED WORKS

With the success of cooperatives in different parts of the world, it is essential to understand the drivers that keep these cooperatives' progressing. In a study, factors influencing the growth of an organization were examined. The factors identified include management practices and policy, members' participation, value-added services, and education and training [6]. Proper management is essential in a cooperative to ensure efficient business operation. As he emphasized, the firm must ensure that the management is efficient, effective and functional due to its significant implication on the growth of cooperatives [7]. Thus, if an organization is not adequately managed and controlled, it will result to slow growth of the organization [8].

The Board of Trustees of Good Health Cooperative defined members' participation as "the active involvement of members in the meaningful ways to influence their cooperative." In addition, Section 3 of the Article 4 of Republic Act 9520 also known as "Philippine Cooperative Code of 2008", defined Member Economic Participation as someone who "contribute equitably to, and democratically control, the capital of their cooperatives." Likewise, the participation of cooperative members as actors and as stakeholders will result in the success of cooperative empowerment having members' involvement as a decisive factor in the success of the cooperative [9].

To establish the name of the business, to compete in society and to gain more profit, business needs to create its value whatever strategy it might take to achieve its goal. Value-added services are part of marketing strategies to encourage the clients to become members of the cooperative [10]. It generally marketed as featured and add-ons to the product of cooperatives. Some cooperatives prefer the value-added services for the beneficiaries not only of the firm but also for the common good of society [11][12].

Education aims to provide knowledge and training aimed at the improvement of mind and body [13]. The fifth of the Rochdale Principles states that co-operative societies must provide education and training to their members and the public. As ICA stated on the Co-operative Identity, "Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives." Furthermore, education remains the lifeblood of all cooperatives. It is the avenue of cooperative development and across in all areas of cooperation [14].

**3. STATEMENT OF THE PROBLEM**

The purpose of the study is to identify the factors which greatly influence the growth of cooperatives in the City of Malolos.

Specifically, this study answered the following questions:

1. How may the growth of credit cooperatives in the City of Malolos be described in terms of:
  - 1.1 number of members;
  - 1.2 number of Authorized Share Capital;
  - 1.3 number of Branches;
  - 1.4 number of Employees; and
  - 1.5 amount of Total Assets?
2. What is the perception of the respondents on the factors that influence the growth of the cooperative in terms of:
  - 2.1 management Practices and Policy;
  - 2.2 members' Participation;
  - 2.3 value Added Services; and
  - 2.4 education and Training?
3. Do the following factors exert significant influence in the growth of Credit Cooperatives in the City of Malolos?
4. What business implications may be drawn from the findings of the study?

**4. METHODOLOGY**

This study utilized the descriptive correlational design using quantitative descriptive correlation. As described [15], in quantitative research, the investigator identifies problems based on the trends in the field. In addition, this method is being to explain the occurrence of certain phenomena like the relationship among variables or determining whether one or more variable/s influence another variable.

Since this study aims to examine the factors influencing the growth of credit cooperatives in the City of Malolos, the respondents of the study came from the City's ten (10) registered credit cooperatives. To gather data pertinent to the study, the researcher utilized the stratified random sampling.

The ten (10) credit cooperatives in the City of Malolos is composed of 154 employees. The researcher set 95% confidence level to identify the sample size. Thus, 112 employees were taken from 154 total number employees which include the general managers and accountants of the ten (10) credit cooperatives in the City of Malolos.

The researcher prepared a questionnaire consisting of two parts. The first part dealt with the growth of the credit cooperative described in terms of the number of members, number of authorized share capital, number of branches, number of employees and amount of total assets for the last three years. On the other hand, the second part was composed of parameters for each specified factor where employees were asked to describe their perceptions on how these factors influenced growth by responding from 1 (Very Low Extent) to 4 (Very High Extent).

The researcher submitted a letter addressed to the City government as well as to ask for the list of Credit Cooperatives in the City of Malolos, and to ask permission to gather data from the said Credit Cooperatives. Letters addressed to the General Managers of the Credit Cooperatives in the City of Malolos had been prepared to ask permission to gather data from the chosen respondents formally. The researcher personally distributed the survey questionnaires attached with an approved letter to chosen Credit Cooperatives General Manager/ Manager and Accountant respondents. The respondents were given enough time to answer the questionnaire. The researcher made sure that all the questions had been answered entirely before leaving the respondents.

**5. RESULTS AND DISCUSSIONS**

**Growth of Credit Cooperatives in the City of Malolos**

The table below summarizes the average rate of growth of the ten (10) cooperatives who participated in the study in each indicator from 2015 to 2017. As reflected on the table, the total amount of asset obtained the highest average rate of increase/growth of 52% among the different indicators. It was then followed by the number of authorized share capital with an average rate of increase/ growth of 34%. The number of employees and number of members, on the other hand, obtained an average rate of increase/ growth of 10% and 5%, respectively. Among the different indicators, it was the number of branches who acquired the lowest average rate of increase/ growth which is 2% from 2015 to 2017.

**Table 1. Growth of Credit Cooperatives**

Number of Members	Number of Authorized Share Capital	Number of Branches	Number of Employees	Total Amount of Assets
5%	34%	2%	10%	52%

**Perception of the Respondents on the Factors that Influence the Growth of the Cooperative**

Analyzing the overall mean of the perception of employees on the influence of the identified factors on the growth of cooperatives, all the identified factors influence the growth of credit cooperatives in a great extent, but it is the management practices and policy which obtained the highest mean. It has an overall mean of 3.27. On the other hand, it is the value-added services which obtained the lowest mean among the

different factors but still interpreted with great extent influence on the growth of credit cooperatives.

The table below summarizes the perception of the on the factors that influence the growth of the cooperatives.

**Table 2. Factors that Influence the Growth of the Cooperative**

Factors	Mean	Verbal Interpretation
Management Practices and Policy	3.27	High Extent
Members' Participation	3.21	High Extent
Value Added Services	3.02	High Extent
Education and Training	3.16	High Extent

**Significant Influence in the Growth of Credit Cooperatives**

The B coefficient for each regression coefficient in the model is reported to assess the factors which are significant predictors of growth of credit cooperatives. The results indicate that with a good Management Practices and Policy, the growth of credit cooperative is expected to improve at .09 with an associated probability of 0.821 and beta coefficient of 0.026. Management Practices and Policy has an insignificant impact on the growth of credit cooperative as shown by associated p greater than 0.05. It was also revealed that active members participation contributes to the growth of credit cooperative at 1.256 with an associated probability of 0.000 and beta coefficient of 0.351. Members Participation has a significant contribution to the cooperative growth as indicated by associated p less than 0.05. The growth of credit cooperative is projected to grow at 0.785 with an associated probability of 0.000 and beta coefficient of 0.36 in the influence of value-added services. Value-added services have the highest contribution and impact among all the factors considered in the study as shown by associated p less than 0.05. The findings also reflect that Education and Training impact the growth of credit cooperative at 0.438 with an associated probability of 0.23 and a beta coefficient of 0.133. Education and Training has a little effect on the growth of cooperative as implied by associated p greater than 0.05.

The B and beta coefficient for each regression coefficient in the model is reported to assess the factors which are significant predictors of growth of credit cooperatives. Management practices and policy is found to be an insignificant factor in the growth of credit cooperatives in the City of Malolos. On the other hand, value-added services members' participation, and education training is found to have a significant influence on the growth of credit cooperatives in the City of Malolos.

**Business Implications**

Based on the findings, among the identified factors influencing the growth of cooperatives in the City of Malolos, value-added services of the products or services contribute to

the satisfaction and retention of cooperative members. On the surface, value-added function look like obvious money losers. But when handled wisely, VAS is all but guaranteed to boost sales. In addition, the power of giveaways/ VAS goes much deeper. When consumers get something for nothing, they respond in a host of surprising, mostly unconscious ways — and the net result is often that the companies handing out VAS are rewarded well for their "generosity." The Study results that Value-Added Services has a significant relationship in the growth of cooperatives. The result confirms that VAS helps the business to boost its services and products in the consumers.

Members' participation contributes to the satisfaction and retention of cooperative members. It confirms that the participation of the members of the organization is essential for the development of the business. Since cooperative is structured based on the changing needs of its members, it is but necessary to address the comments and suggestions given by them. This can also be considered by other business organizations to ensure customer satisfaction. The result is an avenue for the management to think and evaluate their existing rules in relating on the roles of members' in the organizations.

International Cooperative Alliance states that "Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation". The study also confirms that the Education and Training of the employees helps the business to improve their operation to attain their economic goals.

**6. CONCLUSIONS**

Based on the findings of the study, the following conclusions were drawn:

1. Generally, based on the average rate of increase on the following indicators: number of members, number of authorized shares, number of branches, number of employees and amount of total assets from 2015 to 2017, there is growth among the credit cooperatives in the City of Malolos. It signifies that the management and members are continuously working and performing to achieve the credit cooperatives' goals.
2. Based on the perception of the employees, all the identified factors influence the growth of credit cooperatives on a great extent. Specifically, the annual general assembly obtained a very great extent in terms of its influence on the growth of credit cooperative based on the perception of the employees. It implies that the members are actively attending the annual assembly of the cooperatives which the annual reports of the management and election of the board of directors were made during the said assembly.
3. The regression analysis shows value-added services, members participation and education and training have a significant influence on the growth of credit cooperatives. The

result is consistent with the perception of the employees except for management practices and policy. It is value-added services which have the highest mean on the extent of influence based on the perception of employees and degree of influence based on the result of regression analysis. It indicates that members of cooperatives love value-added services of the products or services. Others may perceive it as a money loser, but value-added services are add-ons which can help in building goodwill and increase the revenue if given for a discount price. On the other hand, the management practices and policy have the least extent on the growth of cooperatives, and probably it is perceived to be indirectly contributing to the growth of cooperatives

4. Since the study shows, value-added services obtained a high influence in the growth, so the cooperative is needed to involve, commit and continuously provide cooperative members with value-added services since it helps the company to market and easily promotes their products. The cooperative should also encourage the people in the organization to participate in the planning process, decision making and operation of the business for the continuous growth and development since members' participation is a vital influence on the growth of cooperative. On the other hand, Education and Training of the employees give benefit for the continuous growth and development of the cooperatives/ business organizations.

## 7. RECOMMENDATIONS

The following recommendations are drawn based on the findings of the study:

1. Credit cooperatives must continuously introduce strategies that would further enhance and strengthen the members' participation, improve and increase value-added services and promote continuing education among its employees since it was revealed in this study that these factors significantly influence the growth of credit cooperatives.

2. Cooperatives with the decreasing rate in some of the indicators of growth may benchmark from cooperatives showing a significant increase in the different indicators to improve their practices and services further. Thus, provide an effective and efficient operation that will increase the value of its stakeholders/ members.

3. Management should educate the members in the operation of the cooperatives for the extreme involvement of its members and encourage members to participate by investing, committing more resources, and availing the services with the aim of getting some benefits like patronage rebate, dividends, and interest. The management should also value and listen to the suggestions and comments of the members since members' participation was found to influence the growth of cooperatives significantly.

4. Management should continue and enhance their existing value-added services for their members and develop additional services as part of their marketing and promotion.

5. The Management should invest in their employees such as providing a scholarship for the employees' professional growth, sending them in different seminars to enhance their

skills and knowledge in the workplace, and motivate the employee to attend in training by providing financial assistance and incentives. All of those will undoubtedly strengthen the foundation of the cooperatives and will result in the success of the entire organization.

6. Future researchers may conduct a further study on other factors influencing the growth of cooperatives to help and guide the management and board of directors in developing the new strategies in attaining the organization's goals and objectives. Furthermore, they may also include other types of cooperatives as a subject of the subject.

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