Financial Performance and Good Governance of Cooperatives in Cagayan Valley

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Abstract - **The study determined the financial performance, strategies and policies of cooperatives in Cagayan Valley that are registered with the Cooperative Development Authority (CDA), Region 2 in 2015 in the context of governance. Twenty two (22) cooperatives and seven thousand three hundred ninety nine (7,399) co-operators were involved as respondents. The Management Staff and Board of Directors (BODs) who are directly involved in the cooperative governance and active members were requested to answer the questionnaire. Descriptive and inferential statistics were applied. Analysis of Variance (ANOVA) and chi-square test were used to test the difference on the financial performance of cooperatives among provinces in Cagayan Valley and perceptions of the co-operators on the level of adoption of policies, respectively. Regression analysis was used to test the relationship of profitability and levels of adoption of cooperative policies. Financial performances of the cooperatives were measured using the indicators of the performance standards set by the CDA. Paradoxically, all the cooperatives evaluated have an overall unsatisfactory financial performances. Fifteen (15) pressing problems are identified by the co-operators. They are: high incidence of past due loans; lack of fund; BODs do not have time to oversee the cooperatives; high cost of borrowing; substantial clean loans; lack of monitoring system; laxity of implementing rules and policies; over exposure to Directors, Officers, staff and related interest (DOSRI) accounts; poor collection of loans; poor credit policies; borrowers' credit limit not established; limited access to capital; presence of fraud; lack of qualified staff and non-compliance with laws and regulations.**

Keywords - **business risk, cooperative governance, financial performance**

I. INTRODUCTION

A cooperative is an economic enterprise that must measure up to the criteria of viability and efficiency. Its vision is to improve the socio-economic status of the people who have been plunged-out of various financial services in the past. Members entrust their cooperative and its resources to the BODs and the Management Team (Vivas, 2003). They expect them to enhance the value of the cooperative, protect their rights and interests and be accountable to them. The management expects the BODs to lay down the cooperative's vision, and mission and the strategies to attain them. Success of the cooperative depends, to a great extent, on the major players in the good governance which are the members, directors and management staff. Each cooperative exists to provide value for its members.at the same time, each cooperative also faces uncertainty. That leaves management with a great task: to decide what level of uncertainty is acceptable, recognizing that uncertainty provides potential to add value as well as risk.

The significant contribution of the cooperative sector cannot be ignored. In 2014, its contribution to the country's economy through withholding taxes is P3,941,480,558.70 and provided direct and indirect employment for more than 2.4 million of our people (CDA report, 2015). With its huge impact to the Philippine economy, it is imperative to insure its sustainability. Previous research studies and observations indicate that failure of cooperatives depends largely on the governance policies adopted by them. Under this premise, the researcher deemed it important to study the governance of cooperatives in Cagayan Valley in order to determine the different strategies that would be implemented to help the board improve the value of each cooperative and maximize its financial performance.

Objectives of the study. Generally, this study was conducted to determine the financial performance and the policies and strategies adopted by cooperatives on good governance. Specifically, this study aimed to: (1) determine the relationship between the level of adoption of leading cooperative good governance policies and profitability; (2) compare the perception of the BODs, members, and staff on policies and strategies of the cooperative; (3) compare the financial performance of various cooperatives among provinces in Cagayan Valley; and (4) identify the problems met by cooperatives that hamper the realization of their objectives and goals.

Conceptual Framework

This study is conceptualized on the basis that realization of the cooperative's vision, goal and mission is a collective effort of all the major players of cooperative good governance, which are the members, BODs and management staff. The paradigm showing the relationships among major variables that may influence the cooperative performance is shown in Figure 1.

The organizational performance of the cooperatives is believed to be influenced by the quality of the leaders, efficient performance of their duties and responsibilities, cooperative policies and system of direction and control.

The consistency of high level of organizational performance would result to the attainment of the cooperative's ultimate goal which include maximized

profit, and financial viability, improved organizational performance and enhanced organizational credibility.

The above goals can only be achieved if there is good cooperative governance system used for directing and overseeing the management of the cooperative. Likewise, management efficient implementation of the BOD-prescribed policies and performance of duties and responsibilities play a very vital role in the realization of every cooperative goal. The attainment of the cooperative goals will create social and economic stability to its members, employees and the community as a whole.

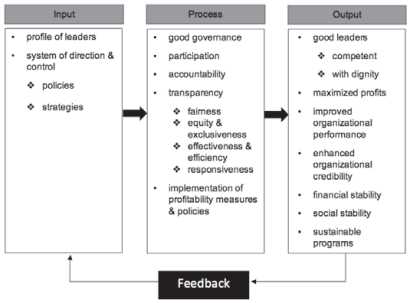

Figure 1. Conceptual Framework of the Study

II. RESEARCH METHOD

Research Design. To find answers to the problems of the study, the descriptive and correlational research designs were employed. Primary data were gathered from the three (3) groups of respondents. Secondary data were obtained from the Regional Office of the CDA of Region 02. These were used to meet the objectives of the study.

Respondents of the Study. The study focused on the financial performance and system of good governance practiced by the cooperatives with deposit and credit facilities and whose total assets is at least ten million pesos (P10,000,000) that are registered as of December 31, 2015.. The respondents of the study were the BODs and management staff who are directly involved in the cooperative governance and active members of cooperatives in Cagayan Valley.

Data Collection. Pertinent data were gathered through personal interviews with the aforementioned respondents. Survey questionnaires were used as a tool in recording data. Secondary data like audited financial statements, BOD minutes of meetings and accomplishment reports were also gathered from the cooperatives and CDA, Region 02 at Carig, Tuguegarao City.

Sampling procedures. Purposive random sampling with replacement was employed. Only those active members, BODs and officers who are actually knowledgeable of the governance and risk management practices were tapped as respondents. Because of the difficulty of retrieving questionnaires from the respondents, the researcher decided to have the following number of respondents.

Table 1. Number of Respondents by Province, Three Groups, Cagayan Valley, 2015

PROVINCE	NO. OF COOP	BOD	STAFF	MEMBERS	ALL GROUPS
Isabela	8	59	88	2,503	2,650
Cagayan	6	44	90	2,060	2,194
Nueva Vizcaya	5	39	35	1,685	1,759
Quirino	3	19	21	756	796
TOTAL	22	161	234	7,004	7,399

Statistical Treatment of Data. The data were analysed and processed in the computer using the minitab 15, Microstat and Statistical Package for Social Science (SPSS) applying the following statistical tools:

1. Descriptive statistical tools was employed to determine the problems encountered by the cooperatives that hamper the realization of goals and objectives.
2. Weighted arithmetical mean was used to determine the respondents' perceptions on the level of implementation or adoption of cooperative policies using the Likert's table as follows:

Scale	Numerical Range	Levels of Policy Adoption
5	4.50-5.00	Very high
4	3.50-4.49	High
3	2.50-3.49	Average
2	1.50-2.49	Low
1	1.0-1.49	Very low

3. Chi-square test was used to determine and test the difference on the perceptions of the three (3) groups of respondents on the levels of adoption of the best cooperative governance policies and practices.
4. Regression analysis was also employed to determine the relationship between the levels of adoption of cooperative policies & profitability.
5. Analysis of variance (ANOVA) was used to test the quantitative differences on the financial of the cooperatives among Provinces in Cagayan Valley (Jarrett, 1989)
6. Financial ratios were used to measure the financial performances of the cooperatives using the PESOS indicators of the performance standards set by the CDA. Such was classified into several categories: (1) Portfolio Quality; (2) Efficiency; (3) Stability; (4) Operations; and (5) Structure of Assets.

III. RESULTS AND DISCUSSION

Table 2. Profile of Respondents in Cagayan valley, 2015

PARTICULARS	MEMBERS	STAFF	BOD
Individual Respondents			
Sex			
Male	42%	35%	54%
Female	58%	65%	46%
Age (mean) in years	48.13	37.15	50.16
No. of years in the position (mean)	15.35	10.18	13.73
Educational Attainment			
Elementary	0.32%	0%	0%
Secondary	35.17%	1.22%	6.10%
College Undergraduate	10.88%	23.42%	1.31%
College Graduate	43.69%	74.68%	59.60%
With Masters Units	0.16%	0.63%	22.18%
Masters degree	3.15%	0%	4.50%
Ph.D. units	3.47%	0%	1.16%
Doctors degree	3.15%	0%	5.15%

Cooperative Respondents	NUMBER	PERCENTAGE
Type of cooperative		
Credit	1	4.55%
Multi-purpose	21	95.45%
Length of existence (mean) in years	32	
Category		
Agri/community –based	19	86.36%
Non-agri/institution-based	3	13.64%
Area of operation		
Municipal	3	13.64%
Regional/Provincial	18	81.82%
National	1	4.54%
Total membership (mean)	3,162	
Number of employees (mean)	20.50	
Number of BODs (mean)	7.11	

Profiles of the Respondents. Forty (40) cooperatives met the qualifications as respondent but only twenty two (22) primary cooperatives, eight (8) from Isabela, six (6) from Cagayan, five (5) from Nueva Vizcaya and three (3) from Quirino have responded.

Table 2 revealed the profile of the cooperative-respondents. There were more female members and staff than males, but there are more male BODs than females. The members, staff and BODs are aged on the average 48.13, 37.15 and 50.16 years, respectively. Moreover, they hold their current positions for 15.35; 10.18 and 13.73 years, respectively. On educational attainment, it shows that membership in cooperatives is open to all irrespective of educational attainment. 0.32% of the respondents is elementary graduates, 35.17%; 10.88%; 43.69%; 16%; 3.15%; 3.47% and 3.15% represents high school graduates; college undergraduates; college graduates; with units in masters degree; masters degree holders; with doctoral units; and doctoral degree holders. Staff – respondents are broken down as high school graduates; college undergraduates; college graduates; and with units in masters degree program; with 1.27%; 23.42%; 74.68% and 0.63%, respectively. BODs on the other hand are composed of high school graduates; college undergraduates; college graduates; with units in masters degree; masters degree holders; with doctoral units; and doctoral graduates with percentages 6.1%; 1.31%; 59.60%; 22.18%;4.5%; 1.16% and 5.15%, respectively. It shows that cooperatives are managed by educated people as bulk of both staff and BODS are degree holders.

Type of Cooperative by Business Operations. There are twenty one (21) multipurpose cooperatives (95.54%) and only one (1) is credit cooperative (4.55%). Cooperatives with only one (1) line of business is more focused, it is easier to manage. Multipurpose cooperatives are riskier to manage because of their diversified business lines. This brings risks to cooperative management due to lack of appropriate manpower skills and sufficient economic resources.

Length of Existence. Table 2 revealed that the average length of existence of cooperatives is 32 years. Cooperatives that existed over long years implies that they have gone through various ups and downs. They gained more experiences than those cooperative which lasted for shorter years. They have more track records to sustain and more lessons that have been learned out of their experiences.

Nineteen (19) or 86.36% of the respondents are community-based and three (3) or 13.67% are institution-based. Community-based cooperatives pose more challenges and problems for the management and officers especially on loan collection while institution-based cooperatives are easier to handle as they enjoy the privilege of having the loan payments of members deducted from their respective payrolls.

Area of Operation. Table 2 shows that there are three (3) or 13.63% cooperatives with area of operation at the Municipal level; eighteen (18) or 81.82% at the provincial/regional level and only one (1) or 4.55% at the National level but its main office is located in Isabela. The areas of operation of cooperatives have a great effect on their management performance especially in terms of capital and membership growth, and volume of business. Size of Membership, Number of Staff and BODs. It is shown on table 2 that the average members, staff and BODs of the cooperatives are 3,162; 20.5; and 7.11, respectively. Large membership implies that cooperatives need huge capital to satisfy their needs. Moreover, cooperatives with more staff and BOD members have, likewise, more expenses.

Table 3. Relationship Between Levels of Adoption of the Leading Practices on Good Governance and Profitability of Cooperative, Cagayan Valley, 2015

Cooperatives/Province	Level of Adoption		Profitability Rate
	Mean	Qualitative Description	
Isabela			
Isabela DAR	4.33	High	58%
Good Samaritan	3.79	High	9%
San Manuel MPC	3.43	Average	9%
Echague Dev't Coop	4.01	High	26%
5 star	3.78	High	17%
SACDECO	3.81	High	13%
ISU MPC	3.54	High	34%
BISADECO	3.86	High	19%
R=0.675		F-5.018	Result: not significant
Cagayan			
Massist-Dacal	34.02	High	17%
DA R02-Tuguegarao	3.3	Average	29%
ETIDCO-Enrile	3.82	High	15%
CFMPC-Claveria	3.7	High	20%
CGMPC-Claveria	4.11	High	23%
CAMPC-Claveria	3.54	High	-35%
R=0.210		F=0.185	Result: not significant
Nueva Vizcaya			
Alay Kapwa-Solano	3.99	High	10%
St. Vincent-Dupax	4.04	High	29%
St. Catherine-Bambang	3.93	High	30%
St. Joseph-Kayapa	3.58	High	12%
St. Jerome-Bagabag	3.6	High	29%
R=0.412		F=0.614	Result: not significant
Quirino Province (Diffun)			
DISADECO	3.9	High	28%
ABRASA	3.8	High	15%
Pusuac	3.8	High	18%
R=0.845		F=2.497	Result: not significant

Relationship Between the Levels of Adoption of the Leading Practices on Good Governance and Cooperative Profitability. Cooperative Governance (Vivas, 2003) is a system by which a cooperative is controlled to maximize profits on one hand, or minimize or avoid risk exposure on the other, has to provide a structure that promotes a culture of performance, fairness, accountability and transparency. Table 3 shows the relationship of levels of adoption of cooperative governance practices and profitability of cooperatives in Cagayan Valley. In Isabela, San Manuel MPC rated its adoption of leading practices on good governance as

"average" with a mean rating of 3.43. All the other cooperatives rated it as "high". The mean ratings range from 3.54 to 4.33. As to profitability, Isabela DAR is the highest at 58% followed by ISU MPC at 34%. Both cooperatives are institution-based. Echague Development Coop, a community-based cooperative, places third with a rating of 26%. All the others, except 5 Star Coop with a rating of 17%, are all community-based with profitability ratings from 9% to 19%. Correlation analysis shows R value computed at 0.675 and F value of 5.018 which means that there is no significant relationship between the level of adoption of governance practices and profitability.

The table also shows that of the six (6) cooperatives involved in Cagayan, only DA Region 02 rated its level of adoption of the leading practices on good governance as "average" with a mean rating of 3.30 but is highest in terms of profitability at 29%. The other five (5) cooperatives rated the level of adoption as "high" with mean ratings ranging from 3.54 to 4.02. The profitability level ranges from negative 35% to 23%. The result of correlation analysis showed R value of 0.210 and F value of 0.185 which indicate that there is no significant relationship between the level of adoption of the leading practices on good governance and cooperative profits.

In Nueva Vizcaya, all the Cooperatives involved in the study rated the level of adoption of the leading practices on good governance as "high". The mean rating is from the range of 3.58 to 4.04. In terms of profitability, the level is from 10% to 30%. The result of the test showed computed R value of 0.412 and F value of 0.614 which means that there is no significant relationship between the level of adoption of practices and profitability.

Like in Nueva Vizcaya, all the cooperatives in Quirino rated the level of adoption of the leading practices on governance as "high". Mean rating is from 3.6 to 4.04. Profitability of the cooperatives ranges from 15% to 28%. The computed R value of 0.845 and F value of 2.497 indicate that the relationship between the level of adoption of practices and profitability is not significant.

Table 4. Perceptions of the three (3) groups of respondents on the practices of good governance, Cagayan Valley, 2015

Factors of Good Governance	Categories of Respondents						Grand Mean	Qual. Des.	Chi-Square Value	Prob.
	Members		Staff		BODs.					
	Mean	QD	Mean	QD	Mean	QD				
BODs	3.89	high	3.97	High	4.1	High	3.99	High	0.036	1.00ns
Management	3.9	High	4.02	High	4.1	High	4.01	High	0.015	1.00ns
Organizational Control	3.71	High	3.85	High	3.93	High	3.83	High	0.03	1.00ns
Independent Audit Mechanism	3.32	Ave.	3.69	High	4.29	High	3.77	High	0.074	1.00ns
Disclosure & Transparency	3.51	High	3.70	High	3.8	High	3.67	High	0.049	1.00ns
Members	3.93	High	4.0	High	4.04	High	3.99	High	0	0.99ns
Compliance System	3.45	Ave.	3.45	Ave	3.49	High	3.46	Ave.	0.002	1.00ns
GRAND MEAN	3.67	High	3.81	High	3.96	High	3.82	High		

ns=not significant

Differences on the Perception of the Members, Staff and BODs on Policies and Strategies of the Cooperatives; Policies on Good Governance. Table 4 summarized the perceptions of the BODs, staff and members on the leading practices on good governance. All the three (3) groups of respondents agree that all the parameters described in the table obtained a qualitative rating of "high" with a grand mean of 3.99 and Chi-square value of 0.036 with probability of 1.000. This indicates that there is no significant difference on the level of good governance practices as perceived by the three (3) groups of respondents.

Table 5. Overall Financial Performances of Cooperatives in Cagayan Valley, 2011-2015

Province	2011	2012	2013	2014	2015	Mean	Qualitative Performance
Isabela	60.63	60.75	61.19	61.79	60.94	61.12	Very poor
Cagayan	49.00	48.25	49.83	50.42	51.25	49.75	Very poor
Quirino	55.33	52.50	56.33	56.33	53.67	43.57	Very poor
Nueva Vizcaya	49.50	47.70	47.00	47.20	47.70	47.82	Very poor

Comparison of Financial Performances of Cooperatives Among Provinces in Cagayan Valley. An analysis of the audited financial statements was conducted using the PESOS indicators of the Performance Standards for credit and other types of cooperatives with credit services in the Philippines. It is evident from Table 5 that the overall performances of all the cooperatives involved in this study for 2011- 2015 have unsatisfactory rating. The mean ratings were 61.12; 49.75; 43.57 and 47.82 for Isabela; Cagayan; Quirino and Nueva Vizcaya, respectively, which are qualitatively described as "very poor". Generally, cooperatives are established as service–oriented institutions which might explain the very poor financial performance.

Table 6. Financial Performance of Cooperatives in Cagayan Valley, 2015

Indicators	Isabela		Cagayan		Quirino		Nueva Vizcaya		Cagayan Valley	
	F value	Prob	F value	Prob	F value	Prob	F value	Prob	F value	Prob
PORTFOLIO										
Portfolio at risk	483.54*	0	78.23*	0	21*	0	-	*	328.21*	0
APLL (>12months)	14.58*	0	6.72*	0	*	*	-	*	37.35*	0
APLL (<12 months)	790.44*	0	12.00*	0	*	*	17.67*	0	249.32*	0
EFFICIENCY										
Asset yield	6.27*	0	8.69*	0	14.80*	0.001	9.47*	0	27.12*	0
Operational self-sufficiency	.83ns	0.554	102.66*	0	1.27ns	0.316	-	*	219*	0.129
ROR on members' share	127.04*	0	17.33*	0	11.67*	*	69.05*	0	69.05*	0
Loan Portfolio Profitability	31.34*	0	14.8*	0	1.60ns	0.397	6.05*	0.002	47.64*	0
Cost per peso loan	32.31*	0	34.73*	0	*	*	73.36*	0	35.10*	0
Adm. Efficiency	-	*	0.60ns	0.70	6.00*	0.16	32.67*	0	36.68*	0
STABILITY										
Solvency	1.40ns	0.216	26.02	0	-	*	151*	0	37.71*	0
Liquidity	6.53*	0	73.78	0	5.47*	0.02	-	*	16.84*	0
Net Institutional Capital	78.81*	0	-	*	-	*	-	*	283.32*	0
OPERATIONS										
Membership growth	1.73ns	0.141	24.00*	0	-	*	-	*	35.05*	0
External Borrowing	11.66*	0	6.10*	0.001	-	*	-	*	123.56*	0
STRUCTURE OF ASSETS										0
Asset Quality	16.00*	0	-	*	256*	0	8.80*	0	38.20*	0
Debt to -Assets	24.34*	0	51.82*	0	8.00*	0.006	147*	0	110.99*	0
Net LR-to -Total Assets	33.60*	0	17.96*	0	271.00*	0	1.00ns	0.431	174.44*	0
SC to -Total Assets	37.80*	0	131.70*	0	36.00*	0	-	*	86.82*	0

Significant*
Not significant ns

Comparison among provinces is shown on table 6. It shows that there is significant differences in almost all parameters. ANOVA was used to test the difference. Table 6 revealed the computed F values for cooperatives in Isabela, Cagayan, Quirino, Nueva Vizcaya and Cagayan Valley as a whole are 483.54; 78.25; 21; 0; and 328.21, respectively. It indicates that there is a significant difference on the status of health of the portfolio among cooperatives within the four (4) provinces and among Provinces in Cagayan Valley. In terms of adequacy of allowance for probable losses on loans, the table revealed that there is a significant difference on the amount provided by the cooperatives within the Provinces of Isabela and Cagayan but among the cooperatives in Quirino and Nueva Vizcaya, the difference is insignificant. Among the Provinces in Cagayan Valley, there is a significant difference at 1% level. On efficiency, results revealed that all the cooperatives within the Province differs significantly in almost all the parameters except on the areas loan portfolio probability, operational self-sufficiency and administrative efficiency. Also when the means of the four (4) Provinces are compared, it appears that there is a significant difference. On stability, results reveal that there is insignificant difference for solvency of cooperatives within Isabela but for the other parameters, liquidity and net institutional capital, it shows that there is significant difference among the cooperatives in Isabela. On liquidity, it appears that there is a significant difference among cooperatives within the Provinces of Isabela and Cagayan. But for Provinces of Quirino and Nueva Vizcaya, it shows that there is no significant difference among the cooperatives. On net institutional capital, it shows that there is significant difference among the cooperatives in Isabela only and no significant difference among the cooperatives in the other three (3) Provinces. In the whole Cagayan Valley, the computed F value is 285.32 which means that there is a significant difference among Provinces. In the Provinces of Isabela, Quirino and Nueva Vizcaya, there is no significant difference in terms of membership growth, but in Cagayan results show that there is a significant difference. But in the whole Cagayan Valley, there is no significant difference among Provinces. For external borrowings, there is no significant difference among the cooperatives in the Provinces of Quirino and Nueva Vizcaya. However, in the Provinces of Isabela and Cagayan, it shows that there is a significant difference at 1% among the cooperatives. In the whole Cagayan Valley where the computed F value is 123.56, it shows that there significant difference at 1% level among the Provinces. On structure of assets, it shows that there is significant difference among the cooperatives in the Provinces of Quirino and Isabela. In Cagayan, there is no significant difference only on asset quality among the cooperatives in the Province. In Nueva Vizcaya, there is no significant difference among cooperatives for net loan receivable-to-total assets and share capital-to-assets. Among the Provinces in Cagayan Valley, it shows that there is significant difference on the structure of cooperative assets.

Table 7. Problems Encountered by Cooperative in Cagayan Valley, 2015

PROBLEMS	Frequency of mention	Rank
High incidence of past due loans	1,741	1
Lack of fund/insufficient capital	1,254	2
BODs do not have time to oversee the cooperatives	1,023	3
High cost of borrowing	978	4
Substantial clean loans	665	5

Problems Encountered by Cooperative that Hamper the Realization of their Goals and Objectives. Table 7 shows the top five (5) ranking problems as claimed by the three (3) groups of respondents. There are 1,741 who said that the number one problem in the cooperatives is the "high incidence of past due loan" and as a consequence, the cooperatives suffer from "lack of funds". There are 1,254 respondents who felt the problem in their cooperatives. The 3rd, 4th and 5th ranking are: "BODs do not devote time to oversee the cooperatives",; "high cost of borrowings"; and "substantial clean loans" with 1,023; 978; and 665 respondents, respectively. Quality of members has a great impact on the collection of loans.

IV. CONCLUSIONS AND RECOMMENDATIONS

Conclusions. All the cooperatives involved in this study adopt the leading practices on good governance. The cooperatives set policies prescribing the qualifications of BODs, employees and officers. They make sure that all the key players of good governance are people with integrity and commitment to attain the ultimate goals of their cooperatives. On the basis of statistical analysis, it is revealed that there is no significant relationship between the level of adoption of policies and strategies on good governance and profitability.

The three (3) groups of respondents rated almost all the parameters used to assess the policies and strategies of the cooperatives in the context of good governance with "high", except on the areas on compliance system and independent audit mechanism. The members and staff rated the adoption level of compliance mechanism as "average". The independent audit mechanism factor is rated by the members as "average". On the basis of the result obtained, it may be interpreted that there is no significant difference on the perceptions among the three (3) groups of respondents.

Based on PESOS indicators, the over-all financial performances of all the cooperative-respondents were unsatisfactory. Each cooperative within Isabela have significant difference at 1% level on all areas except on operational efficiency, administrative efficiency, solvency and membership growth where computed F values are 0.85; 0; 1.46 and 1.71, respectively. In Cagayan Province, however, it showed in the table that there is significant difference at 1% level of financial performances in all parameters except on areas administrative efficiency, net institutional capital and asset quality. The computed F values on those areas are 0.60; 0; and 0, respectively. This means that there is insignificant differences in the above areas in the Province of Cagayan. In the Province of Quirino, it revealed that there is significant difference at 5% level in areas administrative efficiency and liquidity and there is no significant difference in all the other seven (7) areas among the cooperative in the Province. In the Province of Nueva Vizcaya, on the other hand, it showed that there is no significant difference in all parameters among cooperatives in the Province, except in portfolio profitability where the computed F value is 6.00. In Cagayan Valley, there is significant differences on the financial performance of cooperatives among Provinces except in operational efficiency.

The problems met by cooperatives that hinder them from attaining profitability and sustained financial viability are all within their control. The most pressing ones as perceived by the co-operators are high incidence of past due loans; lack of funds/insufficient capital; BODs do not devote time to oversee the cooperatives; high cost of borrowing and substantial clean loans.

Cooperatives can realize their goals and objectives only when the policies that are formulated by the BODs are strictly implemented by management. The financial performance of cooperatives in Cagayan Valley can be

improved if these pressing problems are given immediate attention.

Recommendations. Based on the result of evaluation on performance of cooperatives using the PESOS indicators, all the cooperatives involved in this study obtained high ratings on growth of membership. Which means that there is continuous increase in their membership. They should, however, recruit quality members. They should adopt a more stringent set of policies on membership and a continuous membership education and training be regularly undertaken. More enlightened members can be an asset of the cooperative for its sustained growth and development.

Each cooperative is enjoined to use the COOP-PESOS in the assessment of their performance to ensure the protection of members. It will allow management to determine troubled areas and it enables them to make necessary adjustments to its policies and or the way the cooperative's operations are handled.

The CDA shall have close supervision over the cooperatives to make sure that they have the necessary operational and financial discipline that ensures the safety and soundness of their operations.

The portfolio quality of the cooperatives should be monitored closely inasmuch as the loan portfolio accounts constitute the bulk of the cooperative's assets. The provision for probable losses on loans should be increased.

As reflected in the result of the study, there is no significant relationship between the level of adoption of cooperative policies and profitability. Reasons for this may be many and varied. Further study to determine the factors affecting profitability of cooperatives should be done.

ABOUT THE RESEARCHER

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