

# coop MONITOR

A Quarterly Publication of



MASS-SPECC  
COOPERATIVE DEVELOPMENT CENTER

## PROTECTING OUR MEMBER BASE

In business, customer base refers to that group of people who repeatedly patronize the products and services of a company. These people are the most dedicated and committed customers and provide the most financial value to the company. They are, therefore, important to the profitability and success of the business.

Businesses try to protect their customer base. They exert effort in understanding them and in finding ways to create value for them so that they remain loyal to their “brand.”

The cooperative has also a group of members who are consistent in their support of the cooperative – entrusting their money in the cooperative, patronizing its products and services on a regular basis,



*Cooperatives need a strong member base to ensure long-term growth and sustainability.*

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and participating in its governance system. They keep themselves informed about the organization.

These members understand their rights and duties as owners and users of the business of the cooperative. When it comes to meeting their economic needs, the cooperative is their first choice. They are loyal and dependable even at times when the organization meets operational difficulties.

These members make up the cooperative’s **member base**. They are its main base of support. It can be said that the size of this base will determine how sustainable the business of the cooperative will be.

Member base is not a concept or a theoretical construct. It is as real as the member who comes to the office to deposit money or pay for a loan. It is as real as the member who sees the manager to seek help in solving a cash flow problem affecting a family business or to ask for consideration for a delayed payment. It is, therefore, important for the cooperative to know and understand those who make up the member base, up to the level of individual members, the better to respond to their various needs and expectations – and create value for them that is unique or only the cooperative can best give. These members have to be kept continuously engaged and connected to the organization.

In other words, the member base needs to be protected, nurtured, and purposefully expanded. The bigger the member base the better for the future of the organization.

This is especially so now that cooperatives are facing challenges both internally and externally.

### **Our Membership Challenge**

The cooperative is not just another business. It is an association of people who come together to put up or partake of a business that can meet their common need, which is purposely economic but also includes social and other needs determined by the same group of people. That *business* is the means by which they achieve their common objective.

Members of the cooperative are both *owners* and *users* (or, in business parlance, customers) of that business.

**Ownership and patronage.** As owners, members need to be assured that their money is used for their benefit, is safe and its value is preserved over time – and they are informed, properly and regularly of the status of the business. As users, members need to be satisfied with the quality of the products and services they get from the cooperative.

Both of these expectations have to be met. Otherwise, members will waver in their commitment to the cooperative. Some signs that this is happening are: when they are “on and off” in their dealings with the cooperative; when they

do not attend membership meetings and the general assembly; when they become members of other cooperatives in search of similar services; when they become inactive altogether (our data suggest that, on the average, 30% of coop members are inactive right now).

Unfortunately, this is what is happening right now, leaving cooperatives with dwindling member base. The weakening of this base means that the cooperative can rely on continued support only from fewer and fewer members. The weaker the member base, the more problems the cooperative will face.

Needless to say, the board and management have to give this membership reality the special attention it deserves. Building and strengthening the cooperative’s member base have to be intentional, purposive, and supported by action.

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# The Impact of the Pandemic on Co-op Performance



Financial Performance 2020	% Growth (2019-2020)	Ave. % Growth (2015-2019)
<b>ASSETS</b>		
Estimated Total Assets of MSP Affiliates in Mindanao = 143,124,355,710	10%	16%
<b>RECEIVABLES</b>		
Estimated Total Loan Receivables of MSP Affiliates in Mindanao = 79,548,704,523	1%	16%
<b>TOTAL DEPOSITS</b>		
Estimated Total Deposits of MSP Affiliates in Mindanao = 61,580,122,182	11%	13%
<b>SHARE CAPITAL</b>		
Estimated Total Share Capital of MSP Affiliates in Mindanao = 46,282,298,682	19%	24%
<b>RESERVES</b>		
Estimated Total Reserves of MSP Affiliates in Mindanao = 5,992,073,087	15%	19%
<b>NET SURPLUS</b>		
Estimated Total Net Surplus of MSP Affiliates in Mindanao = 5,057,014,719	-22%	14%

## Financial Highlights Of MASS-SPECC Members (2019 – 2020)

Like most organizations and businesses, the operation of cooperatives suffered from the disruptions brought about by the COVID-19 pandemic. Most cooperatives remained open during the lockdowns, many maintaining skeletal force or operating on shortened hours. Almost all cooperatives experienced collection problems as their members themselves suffered from disruptions in their capacity to earn, with wage earners and those operating small businesses suffering the most (see 3<sup>rd</sup> Quarter Issue 2020 of the *Coop Monitor*).

The financial reports of cooperatives under MASS SPECC at the end of 2020 show the negative impact of the pandemic on their operations. This is especially clear when viewed against the average performance of these cooperatives before the onslaught of the pandemic. All financial indicators show slower growth in all regions of Mindanao in 2020, compared to the previous years except the net surplus, which is decidedly negative.

**Assets.** Assets grew by 10% from 2019 to 2020, slower than the 5-year average increase of 16% from 2015 to 2019. In fact, cooperatives experienced higher growth in assets during the 5-year period compared to similar institutions. Will they return to the higher levels of growth after the pandemic? The answer to this depends on how well they are adjusting to the present conditions and how well they are positioned for the future or after the pandemic.

**Receivables.** Loan receivables showed the most drop even if growth remained positive overall. From 16% average increase from 2015 to 2019, loan receivables dropped to 1% from 2019 to 2020. This was the result of two related decisions, with cooperatives purposely holding back their loan exposure because of uncertainty, on the one hand. On the other hand, members either opted to restructure existing loans or borrowed smaller amounts to match their paying capacity. Many borrowers also experienced difficulty in paying back their loans, resulting in higher loan delinquency.

...continue to page 8...

This report provides cooperators with a rundown of the significant economic highlights and market trends during the third quarter of 2021 that reflected the profound impacts of the COVID-19 global pandemic in the co-operative movement and Philippine society.

## **CO-OP REGISTRATION PROCESS DUE FOR STREAMLINING**

The Cooperative Development Authority's (CDA) systems will be integrated into the Philippines' central business portal by the fourth quarter, potentially reducing requirements for co-op registration. The portal is a unified digital platform for registering businesses.

The agencies agreed on streamlining CDA's registration processes, potentially removing the notarization requirement, and making use of digital signatures. The Certificate of Tax Exemption could also be integrated into the portal.

An Ease of Doing Business and Anti-Red Tape Advisory Council task group plans to conduct a business process mapping of all permits and licenses in the business cycle for integration into the portal.

The platform allows organizations to register with the SEC and BIR online, cutting registration time to three days from 33. The agency plans to cut the registration period to one day by June next year.

## **DBP, CDA INK AGREEMENT TO PROVIDE FINANCING TO CO-OPERATIVES**

The Development Bank of the Philippines (DBP) has partnered with CDA to allow co-operatives to tap the bank's lending programs for their projects.

The state-run lender and CDA signed a memorandum of agreement to help boost co-operative enterprises in the country by giving them access to financing.



DBP will offer financing assistance to select co-ops through its three credit lines:

(1) a facility that lends to rice farmers and their co-operatives; (2) one that helps micro, small, and medium enterprises (MSMEs) recover from the pandemic; and (3) another program under which the bank provides working capital needed by rice co-operatives to improve their integration with the industry value chain.

The CDA will identify the co-ops that are eligible to tap these loan facilities to make sure the projects to be financed by DBP are viable and sustainable. There are at least 18,065 co-operatives registered with the agency.

DBP is the country's designated infrastructure bank with total assets worth P1.102 trillion as of March 2021, making it the sixth biggest lender locally. As a development bank, it also provides credit to other sectors like MSMEs, environment, social services, and community development.

## **FILIPINOS OPT TO PAY MORE FOR SUSTAINABLE PRODUCTS**

"Buy Local, Go Lokal" program promotes sustainable business practices. Consumers now prefer products that are considered sustainable or are created by companies and brands with ESG (environmental, social, and governance) policies.

One of the more prominent consumer behavior shifts amid the pandemic is the rise of "social commerce." Citing a survey by the consulting firm, nine out of 10 consumers are willing to pay a higher price for ESG-focused companies and products.



*Photo Source: Go-Lokal-Store-Robinsons-Place-Manila-2.jpg  
(1213x800) (girlandboything.com)*

The DTI has a “Buy Local, Go Lokal” program to support Philippine MSMEs, as well as an initiative to promote sustainable business practices.

Local companies are facing greater market demand both here and abroad despite the global supply chain problem, as consumers are looking for more “authentic products.”

## **MORE DIGITALIZATION INITIATIVES UNDERWAY — BSP**

Industry players and consumers will have access to more digital payments initiatives by the end of this year and into 2022.

The BSP is collaborating closely with the Philippine Payments Management, Inc. (PPMI), a BSP-accredited payment system management body in the Philippines, to roll out more services related to QR Ph and the PESONet.

The scheme was pilot-launched in April and included select merchants that use InstaPay, the retail electronic fund transfer system that facilitates transactions below P50,000. This also allows consumers with accounts in select banks to perform the person-to-merchant QR payments.

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The PESONet is the electronic fund transfer service handling transactions worth more than Php 50,000 under the central bank’s National Retail Payment System. The transfers are credited to the receiver by the end of a banking day, making it suitable for business-to-business dealings and an alternative to the paper-based check system.

Other digitalization initiatives including an interoperable bills payment facility and the request-to-pay facility are expected to be launched early next year and by the second quarter of 2022, respectively.

## **PANDEMIC SPURS DIGITAL DEALS, BUT PINOYS WANT MORE SEAMLESS PROCESS**

Filipino consumers are more likely to open a digital account amid the coronavirus pandemic, but the process should be made simpler, according to a study by global analytics software firm FICO.

Six of ten Filipinos wish to answer fewer than ten questions when opening an online account, or they will abandon the process. The pandemic is driving a digital-first mindset in the Philippines, with 61% of consumers more likely to open an account digitally than a year ago.

While Filipinos seem to be more comfortable with online transactions, they want banks to make the experience more seamless. The survey found that 69% of them want to undergo identity verification online, while 26% said financial institutions ask too many questions.

Filipinos want simpler applications with fewer questions for so-called “buy now, pay later” products (65%), savings accounts (62%), and transaction accounts (60%). The findings showed that many clients would abandon a process once asked to move out of a platform to prove their identity. These customers will either give up opening an account or go to a competitor.

## PAYMAYA: CASHLESS TRANSACTIONS FROM REGIONAL MSMEs SURGED IN Q2

Digital payments firm PayMaya Philippines, Inc. said that the volume of transactions it processed from MSMEs outside Metro Manila more than quadrupled year on year in the second quarter, suggesting that regional small businesses are quickly adopting digital payment technologies.

The company said its solutions enabled regional MSMEs to accept digital payments via QR or number linked to a PayMaya wallet, bank transfers, card payments, and other e-wallet payments.

To enable MSMEs to accept QR, bank transfers, and e-wallet payments via mobile phones, the company introduced last year its Paymaya Negosyo App, which also allows these small firms to become community outlets for bills payment and digital goods like telecom load and gaming pins.

PayMaya said it provides financial services to over 38 million Filipinos. The company said its customers could pay, add money, cash out or remit through its more than 300,000 digital touchpoints across the country.

## PHL E-COMMERCE SEEN TO HIT \$15 BILLION BY 2025

Despite its low penetration rate, the Philippines' e-commerce sector is anticipated to jump in 2025, with gross merchandise value expected to reach \$15 billion.

The e-commerce penetration rate in the Philippines is only 5%. The average penetration rate in Southeast Asia is 6%, with Singapore having the highest penetration rate of 14%, followed by Indonesia at 8%.

The country's e-commerce market had an estimated gross merchandise value of \$4 billion last year when the coronavirus pandemic started to affect most industries.

The paper also said digital economies in the regions like Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam offer "immense opportunities," as they represent a huge addressable market with an overall gross domestic product of around \$2 trillion.

Aside from e-commerce, two other areas of the region's overall digital economy stand out: financial technology (fintech) and gaming.

*(News Source: Business World)*

The graphic features a white background with red and blue accents. At the top left, there is a logo for 'Co#ps Day' with the text 'International Day of Cooperatives' and 'Rebuild better together' followed by '3 July 2021'. In the center, the 'MASS-SPECC COOPERATIVE DEVELOPMENT CENTER' logo is displayed above a large red rounded rectangle containing the text 'CO-OP WHIZ' in white. Below this, it says 'An Online Co-op Trivia Challenge'. At the bottom, there are logos for 'YAKAP' and 'COOP Sharing and growing together'.

## MASS-SPECC celebrates International Day of Co-operatives with 'Co-op Whiz' online trivia challenge

As a way to celebrate the International Day of Co-operatives, MASS-SPECC Cooperative Development Center held the "Co-op Whiz: An Online Co-op Trivia Challenge."

From July 1 to 3, MASS-SPECC posted trivia questions on its official page on Facebook to test the knowledge of the participants about co-operatives and their impacts on society.

For each question, the participant had to first react to the post (like, love, or wow) and then write the correct answer on the comment section to have one valid entry.

All correct answers in a specific question were collected and placed in an electronic draw to determine the winner. The winners were announced on Saturday, July 3, through Facebook Live.

Prizes for the Regular Trivia Questions included Php200 worth of load or GCash, and for the Grand Trivia Question, a one-year insurance policy from Yaman ang Kalusugan Program (YAKAP).

YAKAP is MASS-SPECC Group Medical Insurance in partnership with Paramount Care. For an affordable annual premium, co-op members can avail of in-patient benefits up to Php 50,000, out-patient benefits, annual physical examinations, and basic life insurance. These can be added to the member's PhilHealth benefits.

This year's International Day of Co-operatives had the theme "Rebuild better together," aimed at presenting how co-operatives around the world showcase their ways and means of addressing the COVID-19 pandemic crisis with solidarity and resilience and offering communities a people-centered and environmentally just recovery.

According to the International Co-operative Alliance (ICA), #CoopsDay has since become the occasion "to spread the word about how a human-centered business model, sustained by the co-operative values of self-help and solidarity and the ethical values of social responsibility and concern for community, can reduce inequality, create shared prosperity and respond to the immediate impacts of COVID-19."

..continuation from page 2: **Protecting Our Membership Base...**

**Loyalty and dependability.** This is especially important now that the market environment has become increasingly competitive. The market for financial services, in particular, is full of ubiquitous players all vying for a bigger share of the market, including that of the so-called unbanked. Thanks to digitalization and modern technology, these players are offering innovative products and services meant to make financial services accessible and convenient even for poor people and those in the rural areas

Financial products in sachet form are now available in response to the penchant of ordinary Filipinos for "tingi-tingi" way of buying things. Sari-sari stores are now cash agents of banks where one can deposit and withdraw money. Very soon one can do other banking chores through these neighborhood stores without spending money and time in going to the nearest bank branch in town. Who knows what more changes will come, all in the name of financial inclusion and innovation.

All these are meant to attract into the business more people, including members of cooperatives.

These will test even the most loyal of members. If cooperatives do not rise up to the challenge, their member base will become even smaller.

### **Back to Basics**

For cooperatives, this means things have to change. But where to start?

First is the change in mindset: The prevailing attitude among coop leaders and managers is one of complacency, coming from the false assumption that because members are owners, they *have* to support the cooperative. In fact, members behave like other consumers in the market seeking satisfaction from what they get.

Second is putting into practical terms this realization: We have to ask members and listen to what they say. Are they satisfied with the coop products and services? Do these meet their needs and expectations? What differentiates these products and services from similar offerings in the market? What will make them choose the cooperative over others?

Conducting member surveys or focus group discussions is something cooperatives have still to take seriously. There is no better time to do this than now. *RMV*

..continuation from page 3: The Impact of the Pandemic to the Coop Performance..

**Total Deposits.** Total deposits maintained a healthy increase of 11% during the one-year period ending 2020 although this was lower than the 13% average growth in the preceding 5 years. This could be a reflection of the continued confidence of members in the cooperative, seeing it as a reliable source of cash during the pandemic. The fact that many cooperatives have ATM machines contributed to maintaining this confidence.

**Share Capital.** The same can be said of the share capital which saw the highest increase of 19% for the one-year period ending 2020. This was below the average growth of 24% in the previous 5 years but still high enough to indicate the continued confidence of members. The share capital is always in direct proportion to loans granted, so maybe this is an indication that members are preparing to borrow more after the pandemic.

**Reserves.** Reserves are a fixed percentage of net surplus, so with lower net surplus in 2020 it follows that the growth of reserves is lower than the previous 5 years. This was 15% for 2019 – 2020 period compared to the 19% average growth from 2015 to 2019.

**Net Surplus.** Cooperatives saw a big drop in net surplus at negative 22% from 2019 to 2020, compared to 14% average growth from 2015 to 2019. This was the result of the decrease in loans granted during the year as well as of the increase in loan delinquency and loan loss provisioning. At least 12% of the cooperatives suffered net loss in 2020.

## Growth Rates by Region Percent (%) Growth (2019-2020) VS. Average Percent (%) Growth (2015-2019)

		% Growth (2019-2020)	Ave. % Growth (2019-2020)
<b>REGION 9</b>	Assets:	7%	11%
	Receivables:	4%	14%
	Total Deposits:	1%	9%
	Share Capital:	8%	11%
	Reserves:	5%	6%
	Net Surplus:	-54%	12%

		% Growth (2019-2020)	Ave. % Growth (2019-2020)
<b>REGION 10</b>	Assets:	11%	16%
	Receivables:	3%	20%
	Total Deposits:	26%	7%
	Share Capital:	10%	14%
	Reserves:	13%	4%
	Net Surplus:	-19%	19%

		% Growth (2019-2020)	Ave. % Growth (2019-2020)
<b>REGION 11</b>	Assets:	12%	22%
	Receivables:	-4%	14%
	Total Deposits:	20%	22%
	Share Capital:	13%	24%
	Reserves:	10%	26%
	Net Surplus:	-24%	20%

		% Growth (2019-2020)	Ave. % Growth (2019-2020)
<b>REGION 12</b>	Assets:	7%	16%
	Receivables:	5%	16%
	Total Deposits:	12%	14%
	Share Capital:	7%	18%
	Reserves:	18%	25%
	Net Surplus:	-10%	9%

		% Growth (2019-2020)	Ave. % Growth (2019-2020)
<b>CARAGA REGION</b>	Assets:	5%	22%
	Receivables:	2%	26%
	Total Deposits:	17%	18%
	Share Capital:	11%	20%
	Reserves:	18%	32%
	Net Surplus:	-12%	29%

		% Growth (2019-2020)	Ave. % Growth (2019-2020)
<b>ZBST REGION</b>	Assets:	7%	12%
	Receivables:	7%	13%
	Total Deposits:	12%	14%
	Share Capital:	6%	14%
	Reserves:	19%	16%
	Net Surplus:	-74%	5%



### A GREAT CATCH

*“Save and always trust in the Lord that he will provide for your everyday needs. I urge everyone with my most genuine heart that if you want to achieve something in life and it seems too dark, Paglaum MPC will shine its light on you and help you achieve something and become someone you never thought possible.”*

In the humble city of Tangub, there lives Anselmo Salinas, a *Bangus* (milkfish) broker and fish cage operator. At 36 years old, Anselmo started his business and with his determination, what used to be his dream is now a reality.

His success story did not start well. Even during his days as a fisherman, he was facing an ocean of hardships. He had to row his small boat by himself just to catch enough fish for him to sell. There were times where he almost drowned and had to swim back to shore. However, the insurmountable waves of hardships did not break Anselmo's spirit. It only fueled his desire inside to reach greater heights.



It was through his mother that he learned about co-operatives. His mother told him about Paglaum Multi-Purpose Cooperative's financing services, and although he was initially reluctant, he went on to avail of the opportunity. With the loan he got, he bought a motorized boat, and eventually, he ventured into the *Bangus* industry. He realized that the market was strong. With calculated steps, he began to grow his capital, and now he owns six fish cages. He also supplies *Bangus* to various areas.



Salinas' clients trust him for the quality of his *Bangus*. Anselmo and his wife worked side by side to make their business bigger. They now employ around 16 people to help him maintain the fish cages and about 30 people to help them during the harvest season.

When asked what his secret was to his success, he had a simple answer: “Save and always trust in the Lord that he will provide for your everyday needs. I urge everyone with my most genuine heart that if you want to achieve something in life and it seems too dark, Paglaum MPC will shine its light on you and help you achieve something and become someone you never thought possible.”

*\*The Mauswagon Category of MICMA is open to micro-entrepreneurs who successfully started a business that is now a reliable source of income for the family. Asset size of the microenterprise should have a market value above P300,000.00 up to a maximum amount of P 1 million , inclusive of those rising from loans, but exclusive of the land on which the particular business entity's office, plant, and equipment are situated. For more info about MICMA, visit our website with this link: <https://mass-specc.coop/about-micma/>*

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