

COOPERATIVES

as important participants in Financial Inclusion

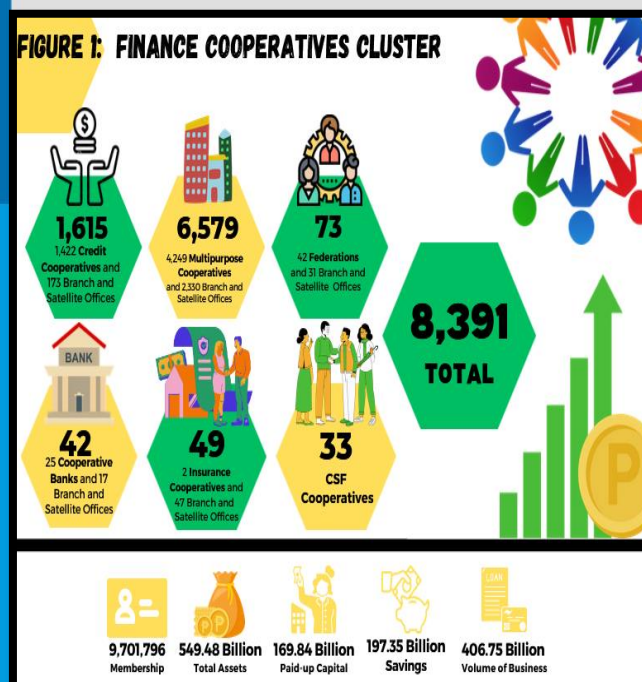
For more than a century, cooperatives in the Philippines have been indispensable contributors to financial inclusion and have prided themselves with their capacity to serve remote rural areas through their massive network, mobilizing local resources through savings and capital build-up and extending credit assistance and other financial services to their members for various needs.

The Cooperative Development Authority has been in the forefront of the registration, regulation and supervision of cooperatives offering financial services. For Cooperative Banks and Insurance cooperatives however, regulation and supervision are lodged primarily with the Bangko Sentral ng Pilipinas (BSP) and Insurance Commission (IC), respectively. For purposes of presenting a complete picture of the cooperatives in the finance cluster, data for these cooperatives shall be included.

As of end 2022, there are 5,793 cooperatives under the finance cluster. Two hundred eighteen (218) of which were registered new cooperatives within the year. With the goal of providing accessible services to their members, branch and satellite offices of these cooperatives have been established in additional 2,598 areas increasing the total number of access points.

Types/categories	Number of cooperatives
Credit Cooperatives	1,442
Multi-purpose Cooperatives	4,249
Federations	42
Cooperative Banks	25
Insurance Cooperatives	2
CSF Cooperatives	33
TOTAL	5,793

Figure 1



Despite the pandemic, cooperatives continued to provide financial services to 9,701,796 members valued at Php 406.75 billion. Business continuity and resiliency are some of the challenges to be hurdled alongside technology innovations, including digitalization of operations that would reduce costs and improve accessibility of services to the members.

It is also worthy to mention that with the 8,391 total access points for financial services, cooperatives' presence is noted in 1,272 municipalities/cities out of the total 1,634 municipalities/cities in the Philippines equivalent to a 77.85% presence nationwide or as much as 83.91% if we are to exclude the 118 municipalities/cities in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). The data on cooperatives in the BARMM, being governed by a separate agency, are not included in this report.

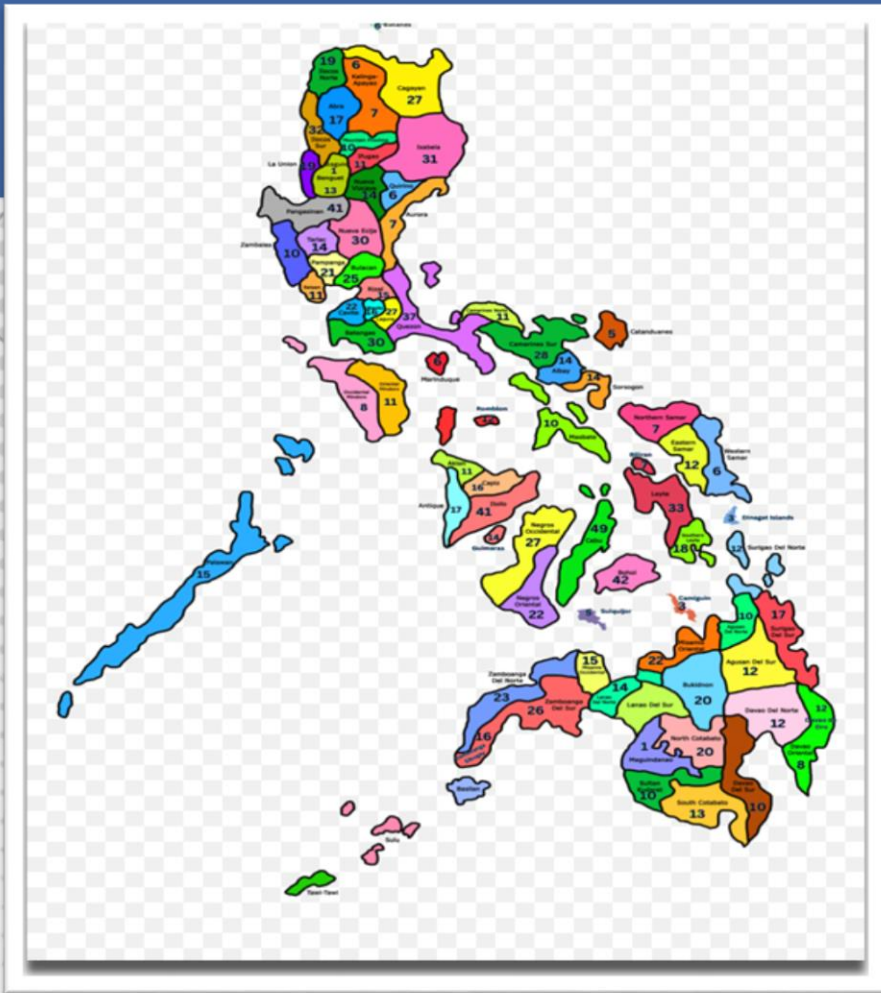
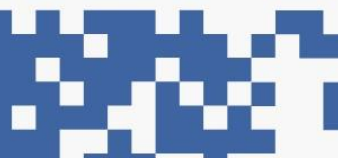


Figure 2 shows the presence of cooperatives offering financial services in the country. The number represents the number of municipalities or cities in each specific province where cooperatives are present and doing business. These numbers include the principal, branch and satellite offices of cooperatives providing financial services to their members.

Figure 2 . Spread of Financial Service Cooperatives in Various Provinces of the Philippines





Engr. Sylvia O. Paraguya
CEO, National Confederation of Cooperatives (NATCCO)

NATCCO and Financial Inclusion

NATCCO is a federation of 869 cooperatives with consolidated assets of 331 Billion Pesos (330,887,127,168) with 7,041,385 individual members served in 2,258 offices, 87 ATMs and 435 offices with Kaya Payment Platform.

Its major services are clustered into three: **business, support and inspection/monitoring.**

The 7M individual members hold a share capital account and at least one savings account with the cooperatives. Today, the share capital is 27% or a total of 89.37 Billions; deposits is 38% or 126 Billions. The volume of these internal funds is the result of the various education and training seminars, including pre-membership education, continuing education and training like financial literacy, and even entrepreneurship; including the various savings products which help them build wealth. Education and training is really part of the DNA of cooperatives because it is one of the timeless cooperative principles.

NATCCO is strong in its advocacies on children and youth, gender and development and enterprises, overseas Filipinos, climate action and disaster risk reduction and management, business development services for members, including integration of agricultural enterprises.

Digitalization is a major focus as it started its efforts with the implementation of a standard core system for savings and credit operations, participation in the ATM operations, and the operation of the Kaya payment platform. In 2020, NATCCO registered as an operator of a payment system with BSP. The ATMs and POS of NATCCO are found in areas where the cooperative is sometimes the only financial institution. Its POS in an upland barangay near an ancestral domain has reduced the encashment costs. Where the cardholder needs to take a habal habal with 500 Pesos to 1000 round trip, now the only costs would be the typical POS encashment cost. Today, NATCCO is applying to become an Electronic Money-Issues-Nonbank Financial Institution-Cooperative.

CREDIT SURETY FUND PROGRAM

The CSF program is a credit enhancement facility, conceptualized by the Bangko Sentral ng Pilipinas (BSP) that aims to increase the creditworthiness of MSMEs which are experiencing difficulty in obtaining loans from banks due to lack of acceptable collateral, capacity and credit history. It was institutionalized with the passage of RA 10744 or the Credit Surety Fund Cooperative Act of 2015. Under the law, CDA is the lead government agency and is responsible for registration, regulation, monitoring and supervision of CSF Cooperatives.

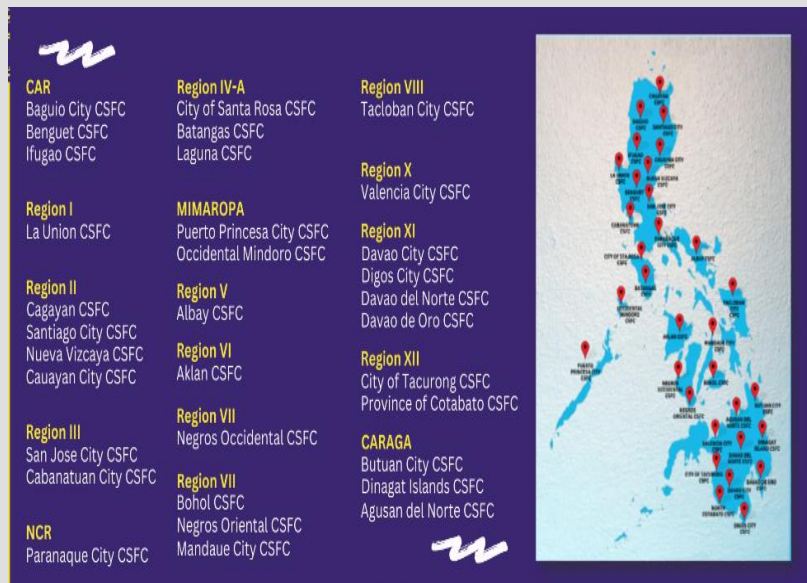


Figure 3. Registered CSF Cooperatives per region as of December 2022

Registration of CSF Cooperatives. As of end 2022, there are thirty-three (33) registered Credit Surety Fund Cooperatives (CSFC). Eighteen (18) of these cooperatives are Provincial CSFCs and 15 are City CSFCs. Membership to these cooperatives consist of 437 cooperatives, 6 NGOs, LGUs, DBP, LBP and the Philguarantee, each of which have contributed to each CSF with an accumulated amount of contributions from the members in the amount of **Php 447.59 million**

Online Registration System. As an effort towards continual improvement from the previous manual processing and evaluation of applications for registration of CSF Cooperatives, the Credit Surety Fund Cooperatives Information System (CSFC-IS) was implemented. The system governs the process and provides for the submission documentary requirements for the online registration of the CSF Cooperatives. This new online registration system ensures effective and efficient technical assistance and online registration processes in granting juridical personality and other registration-related services to the proposed CSF Cooperatives.

Loans facilitated/released through the CSF Program. With the CSF Cooperative's endorsement/ issuance of a surety cover, banks are more willing to lend money to MSMEs, cooperatives and NGOs especially those that experience difficulty securing a loan due to lack of collateral or credit history. According to the data as of December 31, 2022, the accumulated loans facilitated through the CSF program for the 33 registered CSF Cooperatives have reached a total of Php 2.9 billion pesos. Only 1.81 percent of the total amount, or Php 52 million, was monitored as overdue or past due. This highlights the CSF program's significant impact on promoting economic growth and development, particularly in the small and medium-sized enterprise sector. The increasing trend of loan facilitation is expected to continue as more CSF cooperatives are registered, and as more cooperatives and MSMEs and lending banks continue to be involved in the program.



Gasoline Station established and funded by a loan facilitated by the Laguna CSF; owned by Sta. Cruz Calumpang Operators Drivers Transport Service MPC, a member-coop of the Laguna CSF

Program Beneficiaries. The CSF program has assisted **1,376 loan beneficiaries**, including CSF Cooperatives, member-primary cooperatives, and individual MSMEs. This figure only reflects the direct borrowers from banks and does not include yet the number of beneficiaries which were benefited by the re-lending program of the borrower-cooperatives. Subsequent reports should include information on the latter to give a clearer picture of the program beneficiaries.

The CSF program has a long way to go in its mission to facilitate the growth of MSMEs and cooperatives in the Philippines. But this early, significant gains have already been noted in enabling MSMEs and cooperatives to obtain financing that they may not have been able to access otherwise, helping them to start and expand their operations and create more jobs. The program's strategy on collaborative efforts between and among Cooperatives, NGOs, LGUs, LBP, DBP, and PhilGuarantee to help meet the goal of financial inclusion and contribute to the efforts towards making MSMEs and cooperatives bankable and credit-worthy has been proven effective.

FINANCIAL LITERACY AND SAVINGS OPPORTUNITIES FOR MINORS

Bringing the youth into the financial system at a young age is a strategy towards intergenerational sustainability of cooperatives. It is aimed at creating a future generation of adults with stronger money management habits. It is believed that it is easier for children to practice and cultivate positive habits such as financial discipline when they start young.

CDA recognizes Laboratory cooperatives organized among minors as provided under RA 9520 and its IRR. One of the purposes for the organization of a laboratory cooperative is to teach the values of thrift and saving mobilization among its members.¹ Being composed of minors, a Laboratory Cooperative shall be affiliated with a duly registered cooperative, to be known as the Guardian Cooperative. A Laboratory Cooperative primarily composed of students from a particular school may affiliate with the school's cooperative, if any, or select a cooperative of its choice within its area of operation. If the laboratory cooperative is composed primarily of

With the guidance and supervision of the Guardian cooperative, the minors are provided with training activities on financial literacy that help them develop the habit of savings and how to manage their finances, among others. The guardian cooperative is responsible for ensuring an accessible, appropriate and safe savings program for the minor. Since the objective is to develop the habit of savings, emphasis is on regularity and discipline and not the amount of savings. Savings generated by these minors are deposited with the Guardian cooperatives.

There are a total of 289 recognized Laboratory cooperatives in the entire country, which are either school-based or community-based. Membership to these laboratory cooperatives totaled 1,149,924 and the accumulated savings generated amounted to close to Php 8.3 billion pesos. These data are taken from the reports submitted by the guardian cooperatives.



AIMCOOP Laboratory Cooperative is the biggest laboratory cooperative in terms of membership. As of end 2022, there are 605,061 members with a combined savings of Php 155,525,750.61. The guardian cooperative is Aurora Integrated Multi-Purpose Cooperative (AIM Coop) Burgos St., Poblacion, Aurora, Zamboanga del Sur and has branches and satellite offices in Luzon, Visayas and Mindanao.

¹ Rule 6, Sec 3, Revised Rules and Regulations Implementing Certain and Special provisions of the Philippine Cooperative Code of 2008

² Rule 6, Sec 5, Revised Rules and Regulations Implementing Certain and Special provisions of the Philippine Cooperative Code of 2008

TECHNOLOGY SERVICE COOPERATIVES

Ensuring the viability of cooperatives through the utilization of new technologies can be a valid purpose for the organization and registration of a cooperative³. Thus, the Cooperative Development Authority, pursuant to its power to determine other types of cooperatives⁴, has provided for the registration of a Technology Service Cooperative (TSC) to provide “professional services designed to facilitate the use of Information Technology by enterprises and end-users or to provide specialized technology-oriented solutions by combining the processes and functions of the software, hardware, networks, telecommunications, and electronics.”⁵

The TSC is expected to address the need of cooperatives offering credit services for user friendly and accessible mobile transactions apps that would enable co-op members to perform mobile transactions anytime and anywhere. Several of the large and medium cooperatives have already started their own digital systems, the challenge is to improve those of the Micro, small and medium smaller counterparts’ access to online services. Thus, an opportunity to build the digital infrastructure of a large chunk of the cooperative movement.

The *Digicoop Technology Service Cooperative* is the first cooperative registered with the CDA under this special type. Another group, composed of national federations and large cooperatives is also known to be preparing the requirements for registration as a Technology Service Cooperative. These groups are expected to apply as Electronic Money issuers (EMIs) after the Bangko Sentral ng Pilipinas (BSP), as the government agency assigned to implement the National Retail Payment Systems Act (NRPSA), issued a circular⁶ that included cooperatives as Non-Bank Financial Institutions (EMI-NBFI).

FINANCIAL LITERACY TRAINING FOR COOPERATIVES

The Cooperative Development Authority (CDA), in partnership with the Land Bank of the Philippines (LANDBANK) implemented the **Financial Inclusion through Cooperatives (FIT Coop) Program** in underserved and unbanked municipalities identified based on the criteria set by the Bangko Sentral ng Pilipinas (BSP).

The project was designed to capacitate the cooperative officers and members with financial literacy trainings to hasten business recovery under the new normal and to identify the factors that hamper their operations and link them to appropriate government agencies to enhance their business operations.

At the start of the project, micro and small cooperatives in the target municipalities were identified from the CDA’s list of compliant cooperatives. Survey forms for needs assessment were accomplished by 92 cooperatives; while a total of 35 municipalities have submitted the environmental scanning survey forms. Results of the survey showed that recurring constraints for cooperatives include slow internet access, lack of potable water systems, and difficult road conditions, among others.

³ Art 6(12), RA 9520

⁴ Art 23 (u), RA 9520

⁵ CDA MC 2021-14 – Guidelines for the Registration of a Technology Service Cooperative as a Special Type of Cooperative Organized Among Registered Cooperatives

⁶ BSP Circular No. 1166, series of 2023 “Amendment to the Regulation on Electronic Money and operations of Electronic Money Issuers in the Philippines.

Results of the survey showed that recurring constraints for cooperatives include slow internet access, lack of potable water systems, and difficult road conditions, among others.

To help address these issues, the results of the survey were coordinated with appropriate government agencies, DICT, for interconnectivity; to the LUWA for potable water needs and to the DTI for market access for possible development interventions and support.

Another component of the program is the conduct of Financial Literacy Training for the officers and members of identified micro and small cooperatives. The LBP through Landbank Countryside Development Foundation, Inc. (LCDFI) and other partner training providers conducted training on Financial Literacy to 776 individuals who are members of 44 cooperatives from 27 unbanked municipalities. The training program was aimed at building the resiliency of our partner-cooperatives to spur economic activity and fast-track our collective recovery under the new normal.



FINANCIAL INCLUSION AND EMPOWERMENT OF COCONUT FARMERS

Philippines is one of the world's top coconut producer and exporter. However, coconut farmers remain to be the poorest sector in the country. Being mostly dependent on coconut farming, they are considered least resilient to natural disasters and economic crisis. With low farm productivity, they are prone to high levels of indebtedness from informal providers who offer easy but very onerous credit opportunities, all because they are excluded from the formal financial sector, not bankable and credit worthy.

The Coconut Farmers and Industry Development Plan (CFIDP) pursuant to RA 11524 also known as Coconut Farmers and Industry Trust Fund (CFITF) was formulated to increase the income and productivity, promote poverty alleviation, education, social equity and rehabilitate and modernize the Philippine coconut industry for the benefit of 2.5 million coconut farmers in the country.

The Cooperative Development Authority as one of the agencies implementing the CFIDP has commenced **the Coconut Farmers Organization and Empowerment through Cooperatives** program to organize and/or revitalize strong and self-sufficient coconut farmer cooperatives operating viable agribusiness enterprise/s, providing tangible economic opportunities and benefits to its member-coconut farmers.

One component of the program was the financial assistance to coconut farmers cooperatives who are not yet qualified to avail of loans from other formal sources of credit. The financial assistance is a seed money that they can lend to their coconut farmer members to increase farm productivity and increase household income of by providing livelihood opportunities and integrate supply and value chain process in their business operation. Alternatively, the cooperative can undertake cooperative owned and managed projects or enterprises using the seed capital as provided.

For the year 2022, CDA was able to provide financial assistance amounting to Php95,000,000 to 380 coconut farmer cooperatives (CFCs) nationwide for various coconut-related business undertakings benefitting 133,043 member coconut farmers.

Another component of the program is a capacity-building program on Financial Literacy, entrepreneurial, managerial and technical skills development and enhancement required for the efficient operation of their cooperatives. CDA shall also assist these Coconut farmers cooperatives to market their produce through online market platforms and digital technologies.

