

The Financial Performance of the Ligao Association of City Employees Multi Purpose Cooperative LACE MPC Credit Business for Calendar Years 2017-2021

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Abstract

This study assessed the financial performance of the Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC) credit business from 2017 to 2021, addressing a significant gap in the literature regarding the operational dynamics of multi-purpose cooperatives in the Bicol region. Utilizing a descriptive research design, the study conducted interviews and employed survey questionnaires and documentary analysis to gather data from 113 regular and 85 associate members. The results revealed a commendable financial standing characterized by a low non-performing loan ratio and improved operational efficiency, as indicated by key financial indicators such as portfolio quality and efficiency ratios. However, the study also identified significant policy issues, including unclear loan terms and challenges in credit assessment, which hindered member satisfaction and operational effectiveness. The implications of these findings extend beyond LACE-MPC, highlighting the need for enhanced governance and operational transparency within cooperatives to foster member trust and engagement. The study underscores the importance of clear communication regarding loan terms and the necessity of robust credit assessment processes to improve member experiences. Furthermore, the research opens avenues for future studies focused on enhancing financial literacy among cooperative members and exploring the potential for establishing educational initiatives, such as a review center for civil service examinations. Overall, this research contributes to the understanding of cooperative financial management and offers insights that can enhance the sustainability of LACE-MPC's credit services, ultimately improving the socio-economic status of its members and reinforcing the role of cooperatives in community development.

Keywords: Ligao Association City Employees Multi-Purpose Cooperative, Financial Performance, Multi-Purpose Cooperative, LACE Cooperative Member Engagement.

1. Introduction

Cooperatives play a vital role in promoting economic development and social welfare, particularly in underserved communities. Among these, multi-purpose cooperatives have emerged as essential institutions that provide a range of services, including credit, savings, and livelihood opportunities. The Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC) serves as a prime example of such an organization, catering to the financial needs of city government employees in Ligao. Established nearly two decades ago, LACE-MPC has been instrumental in enhancing the socio-economic

status of its members through various financial services, particularly its credit offerings. Ante (2013) has likewise studied LACE-MPC, focusing on its status and prospects. This previous research provides a foundational understanding of the cooperative's structure and challenges, which is directly relevant to this study that aims to assess the financial performance of LACE-MPC's credit business over the years 2017-2021.

However, despite the significant contributions of cooperatives like LACE-MPC, there remains a notable gap in the literature regarding their financial performance and operational challenges, particularly in the context of multi-purpose cooperatives in the Philippines. Previous studies, such as those by Jebna and Baharudin (2013), emphasize the importance of financial assessments in identifying areas for improvement within cooperative operations. They argue that regular financial evaluations can help cooperatives adapt to changing economic conditions and member needs.

Research by Grashuis and Cook (2017) further underscored the impact of cooperative financial health on member satisfaction and retention, indicating that effective financial management is a strong indicator of cooperative performance. This is particularly relevant for LACE-MPC, as its ability to provide loans and other services directly affects its members' quality of life. Additionally, Antony and Otuya (2019) discussed the challenges faced by cooperatives in loan collection, emphasizing the importance of implementing robust policies to mitigate these issues. The National Credit Council (NCC) also provided guidelines for improving the financial performance of cooperatives through better governance and operational practices, which are essential for maintaining member trust and engagement.

Mazzarol et al. (2018) contributed to this discourse by examining the role of cooperatives in fostering entrepreneurship and innovation within communities. Their findings highlight how cooperatives can serve as platforms for members to collaborate and share resources, ultimately enhancing their financial performance. This aligns with the objectives of LACE-MPC, which sought to empower its members through collective financial initiatives. Similarly, Aryal and Panta (2015) explored the socio-economic impacts of cooperatives in rural areas, emphasizing their potential to improve livelihoods and promote sustainable development. Their research underscored the importance of cooperatives in addressing local needs, which resonates with LACE-MPC's mission to support city employees.

In contrast, Valentinov and Iliopoulos (2021) focused on the governance structures of cooperatives and their influence on operational efficiency. They argued that effective governance is crucial for the sustainability of cooperative enterprises, a point that is particularly relevant for LACE-MPC as it navigates the challenges of loan management and member engagement. This study examined how LACE-MPC could enhance its governance practices to improve its financial performance and service delivery.

Further literature, such as the work of White (2017), discussed how cooperatives contribute to community resilience and economic empowerment, emphasizing their role in enhancing livelihoods in low-income areas. This research highlighted the multifaceted benefits of cooperatives beyond financial services, showcasing their potential to foster community solidarity and support. Additionally, the research by Sturn (2024) explored the impact of digital transformation on cooperatives, highlighting improvements in operational efficiency and member engagement through technology adoption. It underscored the importance of embracing technological advancements to enhance cooperative performance and member satisfaction.

Analyzing the financial performance of a cooperative organization will not only contribute to the existing body of knowledge on cooperative management but will also offer practical recommendations for enhancing the sustainability of its services. Findings from research like this one will help empower

cooperative members in general and the officers in particular, as they may gain various insights which they can apply and implement for the efficient and sustainable operation of their respective cooperative organizations.

Statement of the Problem

This study assessed the financial performance of Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC) credit business for calendar years 2017-2021. Specifically, it answered the following questions: 1) What is the status of the businesses engaged in by LACE-MPC for the past five (5) years?; 2) What is the financial performance of LACE-MPC's Credit Business for the last five (5) years as indicated by: portfolio quality; and efficiency?; 3) What are the policy issues and challenges encountered by LACE-MPC pertaining to member-borrowers, granting of loans, and collections?; and 4) What is the future outlook of LACE-MPC's Credit Business based on financial performance, policy issues and challenges, and opportunities open for other types of businesses?

2. Methods

This section outlines the research methodology employed in the study, detailing the research design, sources of data, population and sampling, research instruments, data gathering procedures, and statistical tools used for analysis.

Research Design

The study adopted a descriptive research design, which is suitable for assessing the financial performance of LACE-MPC's credit business and understanding the challenges faced by its members and officers. This design provided a comprehensive evaluation of the cooperative's financial performance, policy issues, and member experiences over a specified period (2017-2021). By utilizing both quantitative and qualitative approaches, the study could provide a holistic view of the cooperative's operations.

Sources of Data

The data for this study were collected from multiple sources to ensure a well-rounded analysis. Primary data were obtained through responses from members and officers of the LACE-MPC through questionnaires and interviews. The qualitative data gathered from these interviews offered valuable insights into the challenges and policy issues faced by the cooperative.

In addition to primary data, secondary data were also utilized in this study. A documentary analysis was conducted on LACE-MPC's records, which included its Manual of Operations, By-laws, and Annual Audited Financial Statements covering the years 2017 to 2021. These documents provided essential financial metrics and operational guidelines that were relevant to the study, allowing for a comprehensive assessment of the cooperative's performance and practices.

Population and Sampling

The target population for this study comprised the members of LACE-MPC, which includes both regular and associate members. The total population consisted of 113 regular members (including 17 officers) and 85 associate members. A purposive sampling technique was employed in selecting the respondents who provided relevant information regarding the cooperative's credit business.

Research Instrument

The primary research instrument used in this study was a structured questionnaire, which included both closed-ended and open-ended questions. The questionnaire was designed to gather quantitative data on member satisfaction, loan accessibility, and perceptions of the cooperative's financial performance. Additionally, qualitative questions were included to explore the policy issues and challenges faced by

members and officers.

The researcher also conducted face-to-face interviews with key informants, including the cooperative's accountant and selected officers, to gain deeper insights into the operational challenges and financial management practices of LACE-MPC.

Data Gathering Procedure

The data gathering process involved several systematic steps. Initially, the researcher prepared the instruments by developing a questionnaire aligned with the study's objectives. This questionnaire was pre-tested with a small group of members to ensure its clarity and relevance. Following this is its distribution that was done both electronically and in hard copy to accommodate members with varying levels of technological access.

In addition to the questionnaires, in-depth interviews were scheduled with selected officers and the accountant to gain insights into their experiences and perspectives regarding the cooperative's credit business and operational challenges. Once the data collection was complete, the researcher gathered the completed questionnaires and recorded the interviews (with consent) to ensure accurate transcription and analysis. This multi-faceted approach to data gathering allowed for a thorough exploration of the issues at hand.

The study achieved a commendable response rate, with 76.11% from regular members (86 out of 113) and 61.18% from associate members (52 out of 85). This high level of engagement indicates a strong interest among members in the cooperative's operations and their willingness to provide feedback, which is crucial for the validity of the study's findings.

Statistical Tools

To analyze the collected data, various statistical methods were employed. Descriptive statistics, including means, frequencies, and percentages, were used to summarize the survey responses and demographic information of the participants. Additionally, financial ratios were calculated to assess the cooperative's financial performance, with key financial ratios utilized in this study being acknowledged from the National Credit Council (NCC). These ratios include:

1. Portfolio Quality

Portfolio at Risk (PAR): This ratio measures the proportion of the loan portfolio that is at risk of default, providing insight into the credit risk faced by the cooperative. The formula is calculated as

$$\text{PAR} = \frac{\text{Total Outstanding Loans}}{\text{Outstanding Loans Overdue}} \times 100$$

Allowance for Probable Losses: This ratio indicates the cooperative's preparedness for potential loan defaults, calculated as

$$\text{Allowance for Probable Losses} = \frac{\text{Total Outstanding Loans}}{\text{Loan Loss Reserves}} \times 100$$

2. Efficiency

Loan Portfolio Profitability: This metric assesses the profitability of the loan portfolio, reflecting the income generated from loans relative to the total loan amount, calculated as

$$\text{Loan Portfolio Profitability} = \frac{\text{Total Outstanding Loans}}{\text{Interest Income from Loans}} \times 100$$

Cost per Peso Loan: This ratio evaluates the efficiency of the cooperative in managing its loan operations, calculated as $\text{Cost per Peso Loan} = (\text{Total Outstanding Loans} / \text{Total Operating Expenses})$.

$$\text{Cost per Peso Loan} = \frac{\text{Total Outstanding Loans}}{\text{Total Operating Expenses}} \times 100$$

These financial ratios provide a comprehensive view of the cooperative's financial health and operational efficiency, enabling informed decision-making and strategic planning for future growth.

The findings from these analyses were presented using tables and graphs to facilitate a clear understanding of the cooperative's financial health and operational challenges. The combination of qualitative and quantitative data provided a comprehensive view of LACE-MPC's performance and the factors influencing its sustainability.

3. Results and Discussions

The findings presented in this study provide a comprehensive overview of the financial performance of Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC) credit business over the past five years. By analyzing key financial indicators and gathering insights from both members and officers, this research highlights the cooperative's strengths and areas for improvement. The subsequent sections will delve into the implications of these findings, offering strategic recommendations aimed at enhancing the cooperative's sustainability and service delivery. This will not only benefit the members but also contribute to the overall growth and resilience of LACE-MPC in an increasingly competitive environment.

Response Rate

The response rate was impressive, the response rate of regular members were 76.11% (86 out of 113) and associate members was 61.18% (52 out of 85). This show that members of the cooperative are very much interested on how the cooperative is run, and are willing to give their opinion – which is important if the results of the study are to be valid.

3.1 Status of the businesses engaged in by LACE-MPC for the past five (5) years

LACE-MPC has successfully diversified its business engagements, which include credit services, gasoline sales, catering, rental of tambiola (a traditional game), and various fundraising activities. This diversification has allowed the cooperative to create multiple revenue streams, reducing reliance on any single source of income.

A relevant study by Jebna and Baharudin (2013) highlights the benefits of diversification in cooperatives, emphasizing that those engaged in multiple business activities are better positioned to withstand economic fluctuations. The authors argue that diversification mitigates risks associated with reliance on a single income source, thereby enhancing overall financial health and stability.

This finding is reflected in the operations of the Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC), which successfully combines credit services, gasoline sales, catering, and other ventures. This diversified approach not only addresses the immediate financial needs of its members through its credit business but also reduces vulnerability to market changes, ultimately improving the quality of life for its members.

By offering a variety of services, LACE-MPC creates multiple revenue streams, ensuring resilience against economic challenges. The study by Jebna and Baharudin (2013) reinforces the notion that a well-rounded cooperative strategy can lead to enhanced financial performance and increased member satisfaction, making it a vital component of successful cooperative operations. This underscores the

importance of diversification in achieving long-term sustainability and member engagement within cooperatives.

3.2 Financial Performance Assessment

The financial performance of the Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC) over the past five years, particularly in terms of portfolio quality and efficiency, provides a comprehensive view of its operational effectiveness and sustainability. Both portfolio quality and efficiency are critical indicators that reflect the cooperative's ability to manage its lending activities and generate income while minimizing risks.

Portfolio Quality

Portfolio quality is a critical measure of the financial health and operational efficiency of lending institutions, including cooperatives. It refers to the overall performance of a financial institution's loan portfolio, assessing the quality of loans issued to borrowers and the associated risks of default. In the context of this study, portfolio quality is operationally defined as the assessment of the credit business of LACE-MPC through various indicators, including the Portfolio at Risk and Allowance for Probable Losses. This study recognized the importance of assessment of the portfolio quality component to both the credit committee and members of the Board of Directors, since it helps in monitoring the quality and level of risk in the cooperative's loan portfolio. Moreover, said financial indicator must also be closely monitored because the loan portfolio accounts for the majority of the credit cooperative's assets.

Table 1: Measures of Financial Performance of LACE-MPC Based on Portfolio Quality for CY 2017-2021

Calendar Years	Portfolio at Risk				Allowance for Probable Losses			
	Max Standard Score	Equiv. Points	Actual Score	Equiv. Points	Max Standard Score	Equiv. Points	Actual Score	Equiv. Points
2017	5% or less	15	0	15	100%	5	-	5
2018	5% or less	15	0	15	100%	5	-	5
2019	5% or less	15	0	15	100%	5	-	5
2020	5% or less	15	0	15	100%	5	-	5
2021	5% or less	15	0	15	100%	5	-	5

Table 1 shows that LACE-MPC has consistently maintained a PAR ratio below the industry standard, reflecting effective credit risk management. Over the past five years, the cooperative has implemented rigorous monitoring of loan repayments and engaged proactively with members facing repayment challenges. This approach has resulted in a relatively low PAR, indicating that a significant portion of loans is being repaid on time, which is crucial for maintaining financial stability.

The allowance for probable losses is another critical component of portfolio quality and LACE-MPC has adopted a conservative approach to estimating this allowance, ensuring that it is adequately funded to

cover potential loan defaults. This practice not only protects the cooperative's financial health but also enhances member confidence in the cooperative's ability to manage risks effectively. The cooperative's financial statements for the past five years show a consistent increase in the allowance for probable losses, aligning with the growth in the loan portfolio and reflecting prudent risk management.

The study by Ndambiri et al. (2017) entitled "Effect of loan portfolio characteristics on the level of non-performing loans for savings and credit co-operative societies in Kirinyaga County, Kenya" provides valuable insights that resonate with the findings on portfolio quality ratios observed in LACE-MPC. Ndambiri et al. emphasize that a higher portfolio quality ratio is indicative of effective risk management practices, which include thorough credit assessments and regular monitoring of borrower performance. This aligns closely with LACE-MPC's approach, where rigorous monitoring of loan repayments has been a cornerstone of their credit risk management strategy.

Efficiency

The second set of indicators considered in this study focused on the efficiency of the delivery of financial services. Similarly, with the previous financial component identified, indicators under this category are also essential since they determine the ability of the credit cooperative to generate sufficient income to cover expenses on operations. The Efficiency component of the PESOS standard is significant because of its impact on the profitability of the credit cooperative's portfolio and the return on members' shares. Six (6) ratios/indicators are included in the efficiency component, however, this study only focused on two financial ratios namely Loan Portfolio Profitability and Cost per peso Loan.

Table 2: Measures of Financial Performance of LACE-MPC Based on Efficiency for CY 2017-2021

Calendar Years	Portfolio at Risk				Loan Loss Reserve Ratio / Allowance for Probable Losses			
	Max Standard Score	Equiv. Points	Actual Score	Equiv. Points	Max Standard Score	Equiv. Points	Actual Score	Equiv. Points
2017	20% and above	4	11.6%	2	P0.10 and below	2	P0.03	5
2018	20% and above	4	12%	2	P0.10 and below	2	P0.03	5
2019	20% and above	4	13.09%	2	P0.10 and below	2	P0.04	5
2020	20% and above	4	6.75%	1	P0.10 and below	2	P0.04	5
2021	20% and above	4	8.90%	1	P0.10 and below	2	P0.04	5
2017	20% and above	4	11.6%	2	P0.10 and below	2	P0.03	5

The profitability of the loan portfolio is essential for the sustainability of the Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC). To enhance profitability while remaining competitive, LACE-MPC has strategically focused on optimizing interest rates and fees associated with its credit services. As illustrated in Table 2, despite fluctuations due to external factors such as economic

downturns and the COVID-19 pandemic, the loan portfolio has consistently remained profitable. This success can be attributed to the cooperative's ability to balance the need for competitive lending rates with the necessity of maintaining a healthy margin, which has positively contributed to its overall financial performance.

Moreover, LACE-MPC has recognized the critical role of member engagement and financial education in improving portfolio quality. By offering financial literacy programs, the cooperative empowers its members to make informed borrowing decisions, thereby reducing the likelihood of defaults. This proactive approach fosters a culture of responsibility among members, which further enhances the quality of the loan portfolio. Research by Jebna and Baharudin (2013) supports this notion, indicating that cooperatives that invest in member education tend to experience lower default rates and improved financial health.

In terms of operational efficiency, LACE-MPC has made significant strides in reducing the cost per peso loan, which reflects the operational expenses incurred in generating loans. By streamlining processes and leveraging technology, the cooperative has effectively lowered its cost per peso loan, allowing it to allocate more resources toward member services and community development initiatives. This aligns with findings from studies on cooperative efficiency, which suggest that technological advancements and process optimization are key drivers of improved financial performance in cooperative settings.

Additionally, the loan portfolio turnover ratio serves as another important indicator of efficiency, measuring how quickly loans are disbursed and repaid. LACE-MPC has maintained a healthy turnover ratio, indicating that loans are being effectively managed and that funds are being recycled back into the lending pool. This efficiency not only enhances liquidity but also enables the cooperative to serve more members and meet their financial needs promptly. Research has shown that cooperatives with high turnover ratios are better positioned to respond to member demands and adapt to changing market conditions, further solidifying their role in community development.

The study titled "Efficiency of Cooperative Societies in Credit Delivery to Agricultural Enterprises in Yakurr Local Government Area, Cross River State, Nigeria" by Ohen et al. (2018) offers valuable insights that align with the findings on efficiency ratios observed in LACE-MPC. The research underscored the importance of efficiency ratios as measures of how effectively a cooperative utilizes its resources to generate income, with higher ratios indicating better management of operational costs. Ohen et al. (2018) emphasized that streamlined operational management and the adoption of technology significantly enhance efficiency, which resonates with LACE-MPC's efforts to improve its operations. Additionally, the study highlights the positive relationship between efficiency and member satisfaction, noting that cooperatives prioritizing member services tend to operate more efficiently. Furthermore, external factors, such as regulatory environments, also influence efficiency ratios, suggesting that supportive conditions can enhance cooperative performance. Overall, the findings reinforced the critical role of operational management, member engagement, and external influences in achieving high efficiency ratios, similar to LACE-MPC's financial performance assessment.

3.3 Policy Issues And Challenges

The study identified several policy issues and challenges faced by LACE-MPC along:

Member-Borrower

Member-borrowers are individuals who seek financial assistance from the cooperative, typically to meet personal or business needs. Their engagement is crucial for the cooperative's sustainability, as their loan

repayments contribute to the cooperative's financial health. However, the relationship between the cooperative and its member-borrowers can be complex, often influenced by factors such as members' financial literacy, participation in cooperative activities, and adherence to repayment schedules. Addressing the challenges faced by member-borrowers is vital for fostering a supportive environment that encourages responsible borrowing and active participation, ultimately enhancing the cooperative's overall effectiveness and community impact.

Table 3 provides the identified several key policy issues and challenges faced by cooperative officers along with member-borrowers. One of the most significant challenges was the low engagement of members in cooperative activities. Many members acted as passive spectators rather than active participants, which can hinder community building and diminish the cooperative's overall effectiveness. This lack of involvement not only affects the morale of the cooperative but also limits the potential for collaborative initiatives that could benefit all members.

Another critical issue highlighted in the study was the attitudes of member-borrowers. Officers reported instances of ungratefulness from members, particularly when their requests for loans were denied. Such negative attitudes can strain relationships and erode trust between members and officers, making it difficult to foster a cooperative spirit. This dynamic can lead to a disconnect between the leadership and the members, ultimately impacting the cooperative's ability to serve its members effectively.

Table 3: Policy issues and challenges encountered by LACE-MPC Officers along member-borrowers

Indicators	Weighted Mean	Descriptive Value	Rank
Non-participation of members in activities initiated by the cooperative.	3.82	Frequently Happens (FH)	1
Members' lack of motivation to continually patronize the credit services of the cooperative.	2.73	Seldom Happens (SH)	2
Complaints by members of the cooperative's credit services are not properly addressed to the Credit Committee.	2.18	Rarely Happens (RH)	3.5
Members are unaware of the types of loans available for their respective types of membership.	2.18	Rarely Happens (RH)	3.5
Member-borrowers do not follow the schedule of loan processing, loan evaluation, and release of the loan.	2.00	Rarely Happens (RH)	5

Legend: 1.0-1.49-NH; 1.50-2.49- RH; 2.50-3.49-SH; 3.50-4.49-FH; and 4.50-5.00-AH

Additionally, the study revealed that many officers also serve as full-time employees of the Local Government of Ligao. This dual role limits their availability and effectiveness in managing cooperative affairs, leading to potential conflicts of interest and reduced capacity to address member needs. The officers' workload can become overwhelming, which may further exacerbate the challenges faced in member relations and operational management.

Above findings aligns with the study of Feyisa's study titled, "The Role of Members' Participation in Cooperative Success in Ethiopia" (2022) that underscored the critical role of active member participation in ensuring cooperative sustainability and success. Feyisa's findings highlighted that low engagement levels, similar to those observed in LACE-MPC, can lead to passive participation, undermining

community building and cooperative effectiveness. Additionally, his research indicates that increased member involvement fosters better communication and trust between members and leadership, which is essential for addressing grievances, such as loan denials reported by LACE-MPC officers. Both studies emphasized the necessity of creating an environment that promotes member participation, ultimately enhancing cooperative dynamics and improving member-borrower relationships, thereby contributing to the overall success of the cooperative.

Loan Granting Process

The loan granting process is a critical function of cooperatives, as it involves evaluating and approving loan applications from members based on established criteria. This process not only facilitates access to financial resources for members but also ensures that the cooperative maintains a sustainable lending portfolio by assessing the creditworthiness of applicants. Effective loan granting requires clear communication of eligibility requirements, thorough assessment of applications, and adherence to credit policies.

Table 4: Policy Issues and Challenges Encountered by LACE-MPC Officers on Granting of Loans

Indicators	Weighted Mean	Descriptive Value	Rank
The cooperative disallows members’ loan applications because of subsequent delays in the settlement of credits.	2.91	Seldom Happens (SH)	1
The cooperative may retract its previous approval of loans to members if found guilty of fraud and other crimes.	2.73	Seldom Happens (SH)	2
The cooperative's policy of the types of loans available for both the regular and associate members of the cooperative is made known to its members.	2.10	Frequently Happens (FH)	3
The cooperative conducts regular evaluations of the credit policies, particularly those relating to grants of loans.	1.73	Frequently Happens (FH)	4
A thorough assessment of the type of membership and the types of loans available is done by the responsible person/s before loans are granted.	1.10	Always Happens (AH)	5

Legend: 1.0-1.49-NH; 1.50-2.49- RH; 2.50-3.49-SH; 3.50-4.49-FH; and 4.50-5.00-AH

Table 4 provides for several policy issues and challenges faced by officers in the loan-granting process. A primary challenge is the tendency of members to apply for loans despite not meeting the minimum net pay requirement of P5,000. This behavior complicates the approval process and pressures the cooperative to accommodate requests that may not align with its financial guidelines. Additionally, many members lack awareness of the qualifications and requirements for loan applications, leading to frustration when applications are denied. To address this, the study recommends implementing comprehensive orientation programs to enhance financial literacy among members.

Officers also encounter delays in loan processing due to staff absences and their dual roles as full-time local government employees. This can hinder efficiency and create bottlenecks. The findings suggest that LACE-MPC should explore alternative staffing solutions or delegate specific tasks to ensure timely processing of loan applications, thereby improving service delivery and maintaining member trust.

Furthermore, the cooperative's loan approval policies are sometimes perceived as rigid, leading to member dissatisfaction. While it is essential to uphold lending criteria, the study recommends allowing for more discretion in exceptional cases, potentially through a tiered system of loan approvals based on individual circumstances.

Similarly, Hasan et al. (2021) findings relates to the present study, particularly in terms of the challenges in the loan-granting process. Hasan et al. (2021) highlighted that low financial literacy significantly hinders access to financial services, as individuals often lack the knowledge to navigate loan requirements effectively. This aligns with the LACE-MPC findings, where members frequently apply for loans without meeting the minimum net pay requirement, leading to frustration and denied applications.

Collections

Collection refers to the systematic approach of recovering outstanding loan balances from member-borrowers, ensuring that the cooperative maintains its liquidity and financial stability. A robust collection process is essential not only for the cooperative's sustainability but also for fostering a sense of responsibility among members regarding their financial obligations. Challenges in collection can arise from various factors, including member compliance, communication barriers, and the effectiveness of existing collection policies.

Table 5 reveals several policy issues and challenges that officers face in the collection of loans. One of the primary challenges identified is the limited modes of payment currently utilized by the cooperative. Officers reported that the cooperative primarily relies on salary deductions for loan repayments, which can be restrictive and may not accommodate the diverse financial situations of all members. This lack of flexibility can lead to difficulties in timely collections, particularly for members who may experience fluctuations in their income or face unexpected financial hardships.

Table 5: Policy Issues and Challenges Encountered by LACE-MPC Officers on Collection

Indicators	Weighted Mean	Descriptive Value	Rank
The cooperative allows its delinquent members to use other options to settle their obligations like GCASH, PAYMAYA, Bank transfer, etc.	3.64	Rarely Happens (RH)	1
The cooperative initiated legal procedure against members who failed to settle their loans for five years.	2.82	Seldom Happens (SH)	2
In cases where the responsible person cannot be present to fulfill his/her duty to evaluate, process, and release loans, any member or officer may serve the purpose of the role.	2.55	Seldom Happens (SH)	3
The cooperative upon request by its members provides a statement of the accounts due from such members.	1.64	Frequently Happens (FH)	4
Legend: 1.0-1.49-NH; 1.50-2.49- RH; 2.50-3.49-SH; 3.50-4.49-FH; and 4.50-5.00-AH			

Another significant issue highlighted in the findings is the occasional delays in processing and releasing loans, which can create a ripple effect on the collection process. Officers noted that when loans are not processed promptly, it can lead to confusion among members regarding their repayment schedules. This situation is exacerbated by the absence of staff, which can hinder the cooperative's ability to maintain efficient operations. While no major problems were reported in collections, delays in processing loans

were noted due to staff shortages. Officers suggested adopting online payment facilities to enhance the collection process, reflecting the need for technological integration in operations.

The findings of Hasan et al. (2021) aligns with above findings particularly the limited payment options and delays in processing loans. Both studies highlighted that a lack of flexibility in repayment methods, such as relying solely on salary deductions, can hinder timely collections, especially for members facing financial fluctuations. Additionally, they emphasized that delays in loan processing can create confusion about repayment schedules.

Operational Challenges

Operational challenges refer to the various difficulties that members face in their interactions with the cooperative, which can impact their overall experience and engagement. These challenges may include inadequate communication regarding policies and procedures, limited access to resources, and difficulties in navigating the cooperative's services. Such obstacles can hinder members' ability to fully participate in cooperative activities and access the benefits available to them.

Table 6 reveals that the members have a positive opinion of the credit services provided by LACE-MPC. The data reflected in the table further serve as an affirmation that the cooperative indeed adheres to its credit policies. Furthermore, all the indicators listed were perceived as fair or reasonable as indicated by their descriptive value “agree”.

However, despite their satisfaction it was identified that one of the primary challenges encountered by the members is the lack of clarity regarding loan policies and procedures. Many members expressed confusion about the requirements for loan applications which led to frustration when their requests are denied. This highlighted the need for improved communication and transparency regarding the cooperative's lending criteria, ensuring that members are well-informed before they apply.

Table 6: Policy Issues and Challenges Encountered by LACE-MPC Members in the Cooperative’s credit business

Indicators	Weighted Mean	Descriptive Value	Rank
The full authority granted to the cooperative to deduct the full amount of loan from his/her shares without due notice is fair and reasonable.	2.38	Agree	1
The annual 10% interest on availment of regular loans, emergency loans, educational loans, multi-purpose loans, calamity/midyear loans & year-end bonuses is fair and reasonable.	1.99	Agree	2
The cooperative strictly observes the schedule of the evaluation and approval of loan applications.	1.95	Agree	3
The percentage allotted to loan protection plan or rate of insurance charged to all loans granted by the cooperative to its members is not excessive.	1.85	Agree	4
The cooperative strictly observes the schedule of the processing of Loan applications.	1.84	Agree	5.5
The policy on loan renewals requiring settlement of at least 50% of its existing loans is equitable.	1.84	Agree	5.5

The cooperative strictly observes the schedule of the receiving of loan applications.	1.81	Agree	7
Members are informed of whom to contact if they wish to avail of any of the loans offered by the cooperative.	1.80	Agree	8.5
The responsible person/s are present on the scheduled days of processing, approval, and releasing of loans.	1.77	Agree	8.5
The types of membership and criteria along with the number of loan windows available are clear to me.	1.77	Agree	10
The loans provided by the cooperative help improve their standard of living.	1.76	Agree	11
The cooperative strictly observes the schedule of the issuing of Loans.	1.65	Agree	12

Legend: 1.0-1.49-SA; 1.50-2.49-A; 2.50-3.49-NA nor ND; 3.50-4.49-D; and 4.50-5.00-SD

Another significant issue is the perceived rigidity of the cooperative's credit policies. While it is essential for LACE-MPC to maintain sound lending practices, members have indicated that the strict adherence to these policies can sometimes overlook individual circumstances. For instance, members facing temporary financial difficulties may find it challenging to meet the standard requirements for loan approval. The study suggests that the cooperative could benefit from adopting a more flexible approach, allowing for case-by-case evaluations that consider the unique situations of members. This could enhance member satisfaction and foster a stronger sense of loyalty to the cooperative.

Killian's "Innovative Lending Practices: How Credit Unions Support Entrepreneurs and Startups" (2018) emphasizes the importance of clear communication to prevent borrower frustration and foster trust. Similarly, Killian's advocacy for flexible, personalized lending approaches resonates with LACE-MPC members' concerns about strict credit requirements that overlook individual circumstances.

3.4. Future Outlook

The future outlook of the Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC) credit business is shaped by its financial performance, the policy issues and challenges it faces, and the opportunities available for diversification into other types of businesses. Analyzing the financial performance indicators from the past five years reveals a generally stable credit business, characterized by a consistent loan portfolio and manageable levels of delinquency. However, to ensure sustainable growth, LACE-MPC must address existing challenges and leverage potential opportunities.

One of the primary challenges identified is the need for improved operational efficiency in loan processing and collections. Delays in loan approvals and collections can hinder the cooperative's ability to maintain a healthy cash flow, which is crucial for its ongoing operations and member services. By adopting technology-driven solutions, such as online loan applications and payment systems, LACE-MPC can streamline its processes, enhance member satisfaction, and ultimately improve its financial performance. Research indicates that cooperatives that embrace digital transformation experience increased efficiency and member engagement, leading to better financial outcomes.

Moreover, the cooperative's credit policies must evolve to become more flexible and responsive to the needs of its members. As highlighted in the study, a rigid approach to lending can alienate members, particularly those facing temporary financial difficulties. By implementing a more adaptive lending

framework, LACE-MPC can foster stronger relationships with its members, encouraging loyalty and timely repayments.

In addition to enhancing its credit business, LACE-MPC has opportunities to diversify into other types of businesses that align with the needs of its members. For instance, exploring ventures in retail, agriculture, or community services could provide additional revenue streams and create more value for members. Engaging in market research to identify the interests and needs of the cooperative's members can guide these diversification efforts, ensuring that new initiatives are well-received and sustainable.

In conclusion, the future outlook for LACE-MPC's credit business is promising, provided that the cooperative addresses its operational challenges, adapts its policies to better serve its members, and explores diversification opportunities. By focusing on these areas, LACE-MPC can enhance its financial performance, strengthen member relationships, and secure its position as a vital community resource. Embracing these strategies will not only benefit the cooperative but also contribute to the overall economic well-being of its members and the community at large.

4. Conclusions

In conclusion, this study has provided an in-depth examination of the Ligao Association of City Employees Multi-Purpose Cooperative (LACE-MPC) and its credit business operations from 2017 to 2021. The findings reveal that LACE-MPC has effectively served its members by offering essential financial services that address their immediate needs, thereby reinforcing the cooperative's role as a critical support system within the community. The analysis of the cooperative's financial performance indicates a well-managed credit portfolio, characterized by sound practices that mitigate risks and enhance member trust. Moreover, the findings indicate that while the cooperative has successfully maintained a positive perception among its members regarding its credit services, there are opportunities for improvement that can enhance operational efficiency and member satisfaction.

Furthermore, the study highlights the cooperative's diverse business engagements, illustrating its adaptability and commitment to improving the quality of life for its members. By focusing on the credit business, which has been the foundation of LACE-MPC since its inception, this research underscores the importance of such institutions in fostering economic stability and empowerment among their members. Overall, this study contributes to the broader understanding of cooperative dynamics and their impact on community development. It emphasizes the significance of financial assessment in identifying strengths and areas for growth, ultimately reinforcing the value of cooperatives in promoting sustainable economic practices. The insights gained from this research not only enhance the knowledge base surrounding LACE-MPC but also serve as a reference point for other cooperatives aiming to strengthen their operations and member services.

5. Recommendations

The following recommendations are made in light of the findings and conclusions:

1. Continually promote or market the services available to members and other clientele;
Consider re-opening LACE-MPC businesses, particularly the catering business and the rental of tamboli that ceased operation;
3. The BODs and Officers should call for a meeting with the Credit Committee and officers to discuss and plan ways for the improvement of the profitability of the credit business and how to engage the participation of more members in the cooperative's activities;

4. Hire full-time staff to manage credit-related tasks like entertaining queries of members; updating of members' passbooks; and addressing other credit-related concerns;
5. Revisit the Manual of Operations then amend the policies based on the current trends and needs;
6. Continue and sustain collection efforts currently being practiced and adopt online payment facility as another option for collecting outstanding loan balances;
7. Ensure that every member granted loans from the cooperative would receive a hard copy of the Schedule of Loan Amortization for transparency purposes which shall likewise reflect the amount of monthly deduction due, the credit term, and the expected final date of settlement;
8. The BOD must continually monitor the financial performance of its credit business. It must be flexible to be able to cope with the changes in circumstances. However, being flexible does not mean that the cooperative should lower the existing interest rates and extend credit terms; and
9. Venture on other business engagement such as establishment of a review center for City Government of Ligao employees who wish to pass the Civil Service Examination.
10. Consider the following recommendations for future research: Financial Performance of LACE-MPC Gasoline Business Financial Literacy of members and officers of LACE-MPC Feasibility Study on the viability of a CSE/LET Review Center Compliance Analysis of Multi-Purpose Cooperatives offering Credit Services to PESOS Standard The Credit Practices of Ligao Credit Cooperatives Replication of this study in other cooperatives

6. Conflict of Interest

The researcher affirms that there are no conflicts of interest associated with this study. This research adhered to the ethical standards of research, ensuring that all practices were conducted in a responsible and transparent manner. Prior to the submission of this study for publication, the researcher secured permission from the Dean of the Graduate School of Business and Management of Divine Word College of Legazpi. Additionally, data privacy was meticulously maintained throughout the study, with all respondents' information treated with confidentiality and used solely for the purposes of this research. The rights and privacy of the participants were prioritized, in accordance with ethical research guidelines.

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