

OPERATIONS MANAGEMENT AND FINANCIAL PERFORMANCE OF COOPERATIVES IN THE PROVINCE OF QUIRINO***Reagan P. Buyucan**

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Abstract

This study is focused on credit cooperatives and how they address most aspects of economic and social activities in the province of Quirino. Specifically, it sought to evaluate the profile of the sixteen (16) credit cooperatives, operational management of cooperatives, factors affecting the operational performance of cooperatives and the problems encountered by the cooperatives in their operations. The descriptive -correlational research design was utilized with the use of questionnaire which was answered by Sixteen (16) managers, thirty-two (32) Board of Directors and eighty (80) members. Additionally, an interview was conducted to explore the problems encountered by the respondents, through an interview to verify and confirm the answers of the respondents in the questionnaire. To find out any significant relationship on the factors affecting the operations management of cooperatives as perceived by the respondents, ANOVA was used. Findings include the following: 1.) Cooperatives are self-sustaining as evident in their good financial performance indicated by their assets, profitable ratio, cost of business per volume, liquidity, deposits to liabilities and institutional strength; 2.) There is no significant relationship on the operations management and factors affecting the operation of cooperatives as perceived by the respondents; and 3.) Problems encountered by the respondents are related to marketing strategies, lapses in management, limited loan services and dividends, share capital management and operating expenses. The result of the study serves as basis for a development plan for cooperatives to adopt and enhance their present condition. It may also be used by future researchers to confirm or contravene the present findings.

Keywords: Cooperatives, Cooperative operations, Financial performance, Operations management.

INTRODUCTION

The influx of new technologies today has a great impact to the operations management and financial performances of cooperatives in the Philippines. These changes the operations management of cooperatives in the rural areas. The old operations management style has been improved with several transformations under the dictate of factors such as, the present pandemic and other natural considerations. The implementation of efficient and effective timely policies, system and procedures by the cooperative officers and management are necessary for their safe and sound operations and crucial in the attainment of good financial performance. The manifestation of good governance, effective and efficient practices and healthy financial conditions of cooperatives in the province of Quirino are the well-defined policies, systems and procedure are continuously growing in members and membership. Despite of these growth rate and good performances of cooperatives, it has been noted that their growth are not the same. Some are growing faster and some are left behind, and it is on this premise that the researcher delved into the study to assess the operations management and financial performance of rural cooperatives in Quirino province. Primarily the study worked on provincial-based cooperatives management, human resource management, cooperative culture, risk management and competitive strategy which are parts of operations management system. It further assessed the performance of cooperative societies in the delivery of effective marketing services to its members and ascertains the marketing functions towards effective operation and performance.

The study is dedicated to provide substantial result on the status of cooperatives in Quirino province specifically on their operations management and financial performance to enhance their competitive advantage prior to the enhancement of management sustainability development for the improvement of quality of life of the locals in the province. It further aimed to propose a development plan for adoption and implementation. Specifically, the study focused on determining the: (1) operations and financial management practices and performance of rural cooperatives, (2) factors affecting the operation of cooperatives, (3) problems encountered related with marketing strategies, management, loan services and dividends, share capital management and operating expenses. With the findings, cooperative authorities may be deemed necessary to enhance and develop their services and be of help to the community people, the members financially and socially. Further, it may encourage future researchers to venture on other financial areas for economic development.

METHODOLOGY

This study used descriptive- correlational method of research. Research studies that seek to present static images of circumstances and establish the relationship between various variables employ descriptive correlational design (McBurney & White, 2009) which is used in describing the profile of the 16 local cooperatives-respondents and assessing the factors that affect the operations of the cooperative in terms of member's participation, strategic planning, structural capital, human capital, relational capital. The design seemed appropriate since the purpose of this of this inquiry was to describe and analyze the competitive advantage of financial performance on cooperatives' operations management.

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This study utilized a questionnaire to suit the respondents and nature of the study as its main gathering instrument. The questionnaire is categorized into three (3) sets: The first set of questionnaire is designed to gather information from the sixteen (16) Managers, the second set is to collect data from the thirty-two (32) Chairman of the Cooperatives' Board of Directors and the third set is to obtain information from the eighty (80) Members of Cooperatives. The questionnaire is sectioned into five (5) parts for the managers and three parts for the Board of Directors and Members. The first part is designed to gather the background information of the cooperative, the second part is used to gather information on the operational management of the cooperative, the third part is designed to gather information on the financial performance of the cooperative, and the fourth part is used to gather information on the factors affecting the operational performance of cooperatives and the last part is designed to get information on the problems encountered by the cooperative in their operation. While the questionnaire for the Board of Directors and Members is sectioned into three (3) parts. The first part is used to gather information on the operational management of the cooperative, second part is designed to get operational performance of cooperatives, and the last part is used to gather information on the problems encountered by the cooperative in their operation. Moreover, an in-depth interview with the respondents was also conducted as a secondary instrument to obtain additional substance on the information gathered thru the questionnaire. This will also allow the respondents to share facts in their own dialects or tongues and are useful in gathering a well detailed information through understanding and social process. This is also convenient for respondents who does not have the ability to write responses in the questionnaire.

RESULTS AND DISCUSSION

Frequency and percent distribution of respondents in terms of type; years the cooperative have existed; number of branches established; category of the cooperative; services/programs offered; loans provided; benefits given; and objectives were presented in table 1. There was a total of 16 cooperatives from the province who were involved in the study.

Table 1. Profile of the cooperatives

Type of Cooperative	f	%
Multipurpose Cooperative	14	87.50%
Agrarian Reform Cooperative	2	12.50%
Total	16	100.00
Year Established	f	%
1981 - 1990	2	12.50%
1991 and above	14	87.50%
Total	16	100.0
Number of Branches	f	%
1 - 5 branches	13	81.25%
6 - 10 branches	1	6.25%
11 - 15 branches	0	0%
16 and above	2	12.5%
Total	16	100.0
Category of Cooperative	f	%
Large	5	31.25%
Medium	7	43.75%
Small	3	18.75%
Micro	1	6.25%
Total	16	100.0

Type of Cooperative

Out of 16 cooperatives within the locality of the study, 14 or 87.50 percent were belonged to a multipurpose cooperative

while 2 or 12.50 percent were belonged to agrarian reform cooperative. This result implies that multipurpose cooperatives have large number of functions to discharge especially that most of the members comprising the cooperatives are farmers whose needs varies from agricultural inputs to credit services.

Year Established

There were 14 or 87.50 percent were established within the year 1991 – above, while 2 or 12.50 percent were established within the year 1981 – 1990. This indicates that more cooperative had expanded its operation within the year 1991 and above which resulted in the growth of establishments to accommodate the increasing needs of its members and the larger society. Cooperative are likely to use and cater to a large number of people in the community and because of their connection to the place where they are operating, they do stay in the particular area and take advantage using their inherent ability to merge people, resources, and equity capital to encourage the community and economic progress that is very significant. Cooperative have the power to remain in the industry, interest, and ability no other type of business organization can do.

Number of Branches

It can be seen that 13 or 81.25% of the cooperatives had established 1-5 branches since its establishment; 1 or 6.25% cooperative was able to establish at least 6-10 branches while 2 or 12.5% of the cooperatives were able to established 16 and above branches since its establishment. This indicates that the establishment of branches in the locality would mean there is an economic growth through continuity of operations which is evident in the number of branches opened in every municipality in the province, it can be noted that 1-5 branches have the highest percentage which means it is the ideal and in consonance with the number of municipalities within the province, since the province is composed of six (6) municipalities. The existence of branches of cooperative in the province gives ease of access to the financial services of the cooperative.

Category of Cooperative

The medium category of cooperatives in the province of Quirino comprised the largest population comprising 43.75% of the total cooperatives' population. It is followed by large cooperatives at 31.25% then small cooperatives contributing 6.25% while there's only one (1) existing micro cooperative. This data demonstrates that the number of businesses has not been considerably rising for each size. This indicates that most of the cooperatives in the province of Quirino are newly organized and have not been increasing significantly. However, according to *Maksimovic (2015)*, small businesses in developing nations create more jobs than large businesses.

Operation management of cooperative

Management

The operation management of the cooperatives namely management, human resource management and system and mechanism. The management indicator obtained an overall weighted mean 3.69 which was verbally described as "strongly agree."

Table 2. Factors affecting Operation Management

Factors affecting Operation Management	Manager		BOD		Members	
	Mean	Verbal Interpretation	Mean	Verbal Interpretation	Mean	Verbal Interpretation
A. Management						
1. Functions, duties and responsibilities of officers are well-defined, segregated and duly approved.	3.69	Strongly Agree	3.72	Strongly Agree	3.48	Agree
2. Development / strategic plan, annual plan, and budget are prepared / reviewed and endorsed to the GA for approval.	3.69	Strongly Agree	3.69	Strongly Agree	3.59	Strongly Agree
3. Policies formulated and implemented are in accordance with the Bylaws, laws, rules and regulations.	3.81	Strongly Agree	3.56	Strongly Agree	3.44	Agree
4. Existing policies, laws, rules and regulations adhered by the officers.	3.50	Agree	3.53	Strongly Agree	3.40	Agree
5. Composition of officers is in accordance with the approved Bylaws of the cooperative.	3.69	Strongly Agree	3.63	Strongly Agree	3.44	Agree
6. Continuing education for officers is included in the cooperative training program.	3.50	Agree	3.53	Strongly Agree	3.46	Agree
B. Human Resource Management						
1. Functions, duties and responsibilities of management are well-defined, segregated and duly approved and implemented.	3.44	Agree	3.59	Strongly Agree	3.48	Agree
2. Policies on personnel are manualized.	3.44	Agree	3.22	Agree	3.18	Agree
3. Policies are duly approved by the BOD	3.81	Strongly Agree	3.47	Agree	3.60	Strongly Agree
4. Performance appraisal is conducted atleast once a year.	3.13	Agree	3.50	Agree	3.36	Agree
5. Cooperative is compliant to labor law.	3.75	Strongly Agree	3.63	Strongly Agree	3.41	Agree
6. Recognitions, incentives and benefit packages are given to employees.	3.44	Agree	3.41	Agree	3.21	Agree
C. System and Mechanism						
1. There are separate books of accounts per business activity.	3.69	Strongly Agree	3.63	Strongly Agree	3.65	Strongly Agree
2. Books of account are updated.	3.63	Strongly Agree	3.56	Strongly Agree	3.58	Strongly Agree
3. Business activities of the cooperative are responsive to the needs of members.	3.75	Strongly Agree	3.56	Strongly Agree	3.44	Agree
4. Provision of capital build-up program is implemented.	3.56	Strongly Agree	3.44	Agree	3.36	Agree
5. Penalties for unpaid subscription are imposed to members.	2.75	Agree	2.91	Agree	2.86	Agree
6. Major decisions including annual plans, budget, election of officers and development plans are approved by the general assembly.	3.75	Strongly Agree	3.63	Strongly Agree	3.49	Agree

1.0– 1.50 = Strongly Disagree; 1.51 – 2.50 = Disagree; 2.51 – 3.50 = Agree; 3.51 – 4.00 = Strongly Agree

The highest mean in this indicator was “Policies formulated and implemented are in accordance with the Bylaws, laws, rules and regulations with a mean of 3.81 which was described as “strongly agree,” while the item got the lowest mean was “Existing policies, laws, rules and regulations are adhered by the officers,” and “. Continuing education for officers were included in the cooperative training program,” both got a mean of 3.50 both verbally described as “strongly agree.”

This indicates that the cooperatives’ day-to-day activities is implemented in accordance with the by-laws, rules and regulations. Policies of the cooperative are generated and in congruence with the by -laws, rules and regulations as agreed by the general assembly as the governing body of the cooperative. This is a fact that no policies or programs shall be formulated outside the by-laws of the cooperative. This also mean that there is a strict adherence of the cooperatives activities with regards to its limitations on the exercise and observance of its policies which also serves as a means of internal and external control of all the endeavors of the organization and members.

Human resource management: The human resource management indicator obtained an overall weighted mean 3.50 which was verbally described as “strongly agree.” The highest mean in this indicator was “Policies are duly approved by the general assembly with a mean of 3.81 which was described as “strongly agree,” while the item got the lowest mean was “Performance appraisal is conducted at least once a year,” which got a mean of 3.12 which is verbally described as “agree.” This indicates that the general assembly is the policy making body and the structure provided by the Cooperative Development Authority (CDA) is the general assembly is the

highest policy making body. There’s no such policy created or formulated without the approval of the general assembly. While there are also some employees that couldn’t meet the designated office targets where it affects the performance of employees as to the promotions and increase in salary.

System and mechanism: The system and mechanism indicator obtained an overall weighted mean 3.52 which was verbally described as “strongly agree.” The highest mean in this indicator was “The business activities of the cooperative are responsive to the needs of the members and Major decisions including annual plans, budget, election of officers and development plans are approved by the general assembly with a both mean of 3.75 which was described as “strongly agree,” while the item got the lowest mean was “Penalties for unpaid subscription are imposed to members,” which got a mean of 2.75 which is verbally described as “agree.” This indicates that there is transparency in the formulation of major decisions, budget and annual plans as evidenced by the seal of transparency awarded to the cooperative. This would also mean that all activities undertaken by the cooperative are presented during the annual general assembly which is held once a year to inform all the members about the over-all status or condition of the cooperative. It is in this way that a cooperative can built trust among its members as a key to built a more productive organization. The over-all result indicates that the operation management of cooperatives in Quirino is in good shape. The cooperative’s operational management role, which includes management, human resources, and system mechanisms, has been effectively executed. The study of (Kyazze *et al.* (2017), attested to these findings as they concluded that cooperative governance was a good predictor of social performance.

Table 3. Significant Relationship between the profile and factors affecting operation management of the cooperatives

Profile Variables	Operation Management	Manager		BOD		Members	
		F	p-value	F	p-value	F	p-value
Type	A. Management	.477	.501	9.263	.005*	.778	.381
	B. Human Resource Management	1.313	.271	2.257	.143	14.701	.000*
	C. System and Mechanism	.972	.341	.718	.403	3.502	.065
Number of Years	A. Management	.477	.501	1.250	.272	.159	.691
	B. Human Resource Management	1.313	.271	3.250	.081	9.264	.003*
	C. System and Mechanism	.972	.341	2.083	.159	.312	.578
Number of branches	A. Management	.366	.701	4.679	.017	.666	.517
	B. Human Resource Management	.956	.410	1.757	.190	.621	.540
	C. System and Mechanism	.762	.487	2.496	.100*	4.072	.021*
Category	A. Management	.653	.596	.582	.632	3.056	.033*
	B. Human Resource Management	2.731	.090	1.165	.340	16.051	.000*
	C. System and Mechanism	1.775	.205	1.748	.180	2.555	.062
Services	A. Management	.762	.487	2.115	.139	1.477	.235
	B. Human Resource Management	2.438	.126	6.545	.005*	10.014	.000*
	C. System and Mechanism	.456	.644	3.776	.035*	.445	.643
Loans	A. Management	1.045	.380	.462	.635	4.102	.020*
	B. Human Resource Management	3.656	.055	3.265	.053	29.515	.000*
	C. System and Mechanism	1.480	.264	1.450	.251	3.490	.035*
Benefits	A. Management	.773	.482	3.699	.037*	1.855	.163
	B. Human Resource Management	2.480	.122	6.603	.004*	17.257	.000*
	C. System and Mechanism	1.732	.215	1.569	.225	2.923	.060
Objectives	A. Management	1.422	.276	2.553	.095	2.314	.106
	B. Human Resource Management	.029	.971	.291	.749	8.758	.000*
	C. System and Mechanism	.410	.672	.269	.766	.679	.510

p-value of 0.05 and below is significant and above 0.05 is not significant

Similarly, (Roza *et al.*, 2021) conducted research, which was one of the studies that came before this one. They studied operational management, particularly in the service industry, and came to the conclusion that operational management needed to effectively handle the quality of service in this scenario in order to increase the output quality. The amount of customer satisfaction with the products and services is inversely correlated with operational management quality. The findings of (Sampurna and Miranti, (2022). investigation into operational management led to the same conclusion: operational management has grown to be a crucial part of the business. A corporation has a better probability of success the better its operational management. Research on operational management, particularly in the area of human resource management, demonstrates the need for employees who are responsible and disciplined in working on and completing their tasks in accordance with guidelines established by the organization (Putra *et al.*, 2017). Table 3 presents the Areas of Operational Management as Perceived by the Respondents. To summarize the respondents' perception on the operation management of the cooperatives, it can be seen from the table that most of the respondents agreed in almost all the indicators of the operations. Thus, it can be concluded that there is no significant relationship among the perceptions of the respondents. This indicates that the operational management functions of cooperatives in the province of Quirino had been well implemented in the areas of management, human resource management and systems and mechanisms. Apparently, managers, board of directors and members perceived the variables under the areas of operational management invariably. Management is the most forward-looking indicator of condition and a key determinant of whether a firm possesses the ability to correctly diagnose and respond to financial stress. The management component provides examiners with objective, and not purely subjective, indicators. An assessment of management is not solely dependent on the current financial condition of the firm and will not be an average of the other component ratings. Reflected in this component rating is both the board of directors' and management's ability to identify, measure, monitor, and control the risks of the credit union's

activities, ensure its safe and sound operations, and ensure compliance with applicable laws and regulations. Management practices should address some or all of the following risks: credit, interest rate, liquidity, transaction, compliance, reputation, strategic, and other risks. (Karagu, J. M., & Okibo, B. (2014)

Financial performance of the cooperatives

Financial performance, as determined by capital sufficiency, liquidity, solvency, efficiency, leverage, and profitability, is the achievement of the company's financial performance during a given time period, including the collecting and distribution of cash. the ability of the company to manage and allocate its own resources. Table 4 presents the cooperatives rate of profitability from 2015 to 2019. It can be interpreted from Table 5 that Rate of Interest on Shared Capital garnered an overall mean of 3.25; Profitability Ratio got a 2.725 mean; Earnings per Share got a mean of 2.29; while Asset Efficiency Rate got a mean of 2.25 while the Profitability Growth Rate scored an overall mean of 1.4933. This indicates that majority of cooperatives has the ability to earn profits from the capital used. It is determined by the level of profitability, which is a company's ability to generate profits for a certain period. According to (Miriti, (2014), financial performance is a description of the accomplishment, implementation of an activity, program, or policy in realizing the organization's goals, objectives, mission, and vision. A list of what needs to be accomplished can be stated in the formulation of an organization's strategy. In addition, performance is an accomplishment the organization achieves within a specific time frame.

Profitability indicator ratio: The profitability indicator ratio gauges a business's ability to generate revenue regarding transactions, assets, and value. These ratios assess a company's capacity to produce benefits, money streams, and income in relation to some measurement, often the amount of money donated. They describe how A company's benefit is adequately monitored (Tulsian, 2014).

Table 4. Distribution of cooperatives rate of Profitability

	2015	2016	2017	2018	2019	Over all mean
A. Profitability Ratio	2.53*	2.625	2.625	2.9375	2.9375	2.725*
B. Earnings per Share	2.27*	2.125	2.1875	2.625	2.25	2.29375*
C. Profitability Growth Rate	1.27*	1.375	1.5625	1.5625	1.5625	1.4933*
D. Asset Efficiency Rate	1.9333*	2.0625	1.1825	2.125	2.25	2.25
E. Rate of Interest on Shared Capital	2.87*	3.25	3.25	3.375	3.375	3.25

*Excluding Cooperative 1 in 2015

Table 5. Distribution of respondents according to Institutional Strength

	2015	2016	2017	2018	2019	Over all mean
A. Net Institutional Capital	3.20*	3.50	3.50	3.625	3.75	3.5125*
B. Adequacy of Provisioning	2.40	2.46875	2.4375	2.46875	2.65625	2.475

*Excluding Cooperative 1 in 2015

Earnings/Share: This indicates that the cooperative has the capacity to generate income, benefits, and revenue streams in relation to some measurement, often the amount of cash contributed and one of the important aspects that investors should consider when assessing the financial health of the company is earnings per share. Regular instances of profitability ratios incorporate earning per share (EPS). These proportions show how well a company is performing at creating benefits (Hirdinis, (2019). An MSME's financial success can speak to its expansion. As stated by (Prawirodipoero *et al.*, 2019), financial performance is a gauge of how well assets generated through its company operations and income creation.

Profitability growth rate: The report suggests that MSMEs review their plans for boosting profitability and use data on financial performance to influence important choices. In order for businesses to continue to play a significant part in the expansion of the economy, they should link financial performance to the larger external environment of the business (Prawirodipoero *et al.*, 2019). Profitability is a fundamental metric to determine whether a company is fulfilling its financial objective using its revenue. Generally, the most frequent way to ascertain the financial performance of an entity is through its profits (Sulehri, 2022).

Asset Efficiency Rate: This indicates that a lower ratio indicates that the company is not using its assets as efficiently. It serves as a gauge of how well a business uses its resources to generate money. As a result, asset turnover ratio can be used to gauge a business' performance. The performance of the company improves as the ratio rises. This also means that the cooperative is spending less to generate income. A higher ratio is favorable, as it indicates a more efficient use of assets.

Rate of Interest on Shared Capital: This indicates that some cooperatives offered a higher rate of interest to encourage members and prospective members to invest more and increase savings. The real interest rate should decrease when there is more money available through saves and less need for money for investments.

Consistently low interest rates have significant effects on the monetary system policy. There could have been other economic variables involved in response to the drop in real interest rates. One such element might be the enduring or even a long-term slowdown in productivity expansion, which with changes in the population's demographics, including aging and a drop in labor, force participation, which can result in a sluggish increase in potential GD (Fernald 2015).

Institutional Strength

The areas in which your company thrives and those where you lag behind the competition are your strengths and weaknesses. They could be anything, such as your product, procedures, supply chain, or corporate culture. They may also alter as your company develops and the market changes. Table 5 presents the distribution of respondents according to Net Institutional Capital of each cooperative-respondents from 2015 to 2019. From the table, it can be interpreted that Net Institutional Capital obtained the highest overall mean score of 3.5125. Adequacy of Provisioning garnered a mean score of 2.475. This indicates that the stronger the overall capital position, the easier it is for the cooperative to deal with future uncertainties such as asset losses and adverse economic cycles such as this will provide a base for future growth; · enable the cooperative to meet competitive pressures as they arise; · provide protection against operating losses. The most accurate gauge of credit union profitability is institutional capital growth. A cooperative with greater potential for growth than one with a lesser percentage is one with higher growth in this capital. Institutional capital's stagnant or declining growth patterns typically signal worse earnings or lower growth potential. These findings suggest that venture capital is one of the elements that significantly influences the amount of income a corporation will generate. An increase in MSME income will be encouraged by the sale of more product varieties and the resulting increase in consumer traffic (Surya and Agung, 2021).

Net Institutional capital: Capital provides a cushion to fluctuations in earnings so that firms can continue to operate in periods of loss or negligible earnings. It also provides a measure of reassurance to the members that the organization will continue to provide financial services. Likewise, capital serves to support growth as a free source of funds and provides protection against insolvency. While meeting statutory capital requirements is a key factor in determining capital adequacy, the firms operations and risk position may warrant additional capital beyond the statutory requirements. Maintaining an adequate level of capital is a critical element. Firms that are less than "adequately capitalized" must operate under an approved net worth restoration plan. (Karagu and Okibo, (2014). According to the study of (Wijayasinghe, 2019), the firm's capital structure, or choice of financial leverage, should be analyzed for the ratio of debt to equity affect the market price of it. The firm's debt to equity ratio may have a significant impact on the firm's value and cost of capital. The corporation uses more loan capital in the capital structure in order to maximize shareholders' value as the interest paid

reduces the debt's effective cost and is tax deductible. According to (Diaz, 2019) and (Singh and Bagga, 2019), capital structure does affect a company's profitability, and the best level of capital structure should be used to get the desired degree of business efficiency. Contrarily, financial leverage has no effect on the firm's financial performance metrics of ROA, according to Chadha and Sharma's (2016) research. Retained earnings, donated capital, and other sources of capital outside saving and share capital are all considered institutional capital. It is calculated by deducting the members' share capital and savings deposits from the total assets. The most accurate gauge of credit union profitability is institutional capital growth. A cooperative with greater potential for growth than one with a lesser percentage is one with higher growth in this capital. Institutional capital's stagnant or declining growth patterns typically signal worse earnings or lower development potential (Ndiege, 2020). Because improving profitability is required for the long-term viability of the company, the relationship between capital structure and profitability cannot be overlooked. Debt will be added to the capital structure because interest payments are tax deductible, which will increase the firm's profitability. To make wise capital structure decisions, it is crucial to test the correlation between capital structure and business profitability (Le *et al.*, 2020).

Adequacy of Provisioning: This indicates that Cash and current assets are sufficient assets and the effective management of them practically influences whether a firm will succeed or fail. Ample working capital is crucial for the proper operation of any business. Efficiency in this area can aid in making profitable use of fixed assets, ensuring their long-term performance, and achieving the overarching goal of maximizing shareholder wealth. A business has to keep enough working capital on hand to operate efficiently. A company's profitability and general health will be harmed by both excess and insufficient working capital. While a business can live and endure without generating a profit, it cannot do so without sufficient operating capital. An organization may be considered "sick" if it is not making a profit, but its inability to raise working capital could result in its failure (Kovelskiy, 2015).

Structure of assets

Asset structure, which generally refers to the proportion of fixed investment, securities investment, and liquidity investment, is the distribution of various assets within an enterprise's total assets.

Table 6 presents the cooperatives structure of asset from 2015 to 2019. It can be interpreted from Table 8 that Rate of Non-earning Asset garnered the highest mean with an overall mean of 4.2075; Receivable to total assets got a 3.775 mean; External borrowings got a mean of 3.25; while Members' equity to total assets got a mean of 2.90625 as the lowest mean. This indicates that the cooperatives performance responds positively to an increase in equity. The result is consistent that cooperative are expected to have a better performance credibly transmits this through higher capital structure which supports the members equity and receivable to total assets. This may imply that a significant amount of the capital given by cooperative members is in conflict with the new capitalization system, which emphasizes institutional capital and deemphasizes individual contributions. Cooperaives earnings are not significantly impacted because

the assets are financed with cost-free capital. This is one of the compelling justifications for capitalizing all net earnings: to replace dated construction and outdated machinery. The only effective means of preserving asset values is through robust, rapid asset growth, backed by ongoing profitability. Asset structure is thought to be important in determining an enterprise's profitability. The availability of heavy assets can help an enterprise's profitability to some extent. Furthermore, one aspect of business operation that is frequently overlooked is ownership, which is fundamental to industrialism. Financial instruments based on the value of shares would have to capitalize on ownership (Michie, 2022). Structures, processes, and associated arrangements constitute effective governance structures. Because the structure allows monitoring of any party's improper behavior, an appropriate effective governance structure can regulate opportunistic behavior by supply chain partners (Fauziah and Sari, 2019) To protect the interests of all parties, cooperative enterprises should implement some incentive, restraint, and control mechanisms to prevent individual enterprises from engaging in opportunistic behavior as a result of partner failure Because the partner enterprise's opportunistic behavior affects transaction costs and cooperative willingness, eroding the foundation for bilateral cooperation and effective governance is one method of controlling opportunism behavior. It may have an impact on transaction cost and willingness to engage in value-added activities are important in establishing relational rents. Effective governance can lower transaction costs, promote knowledge transfer among enterprises, particularly tacit knowledge transfer, and boost productivity alliance partners' value creation.

Operational strength

The ability of these cooperatives to properly understand and manage the purposes for which they were created is crucial to their success. The efficacy and efficiency of every organization can be evaluated using its operations management. Management is actually thought to be the link to improving the economy. The four components of management organizing, leading, and controlling help an organization use its resources effectively and efficiently to achieve its goals.

The table 7 presents the relationship between the profile and the operational strength of cooperatives. The table shows that the number of years of existence of the cooperative proved to be significant on liquidity, this indicates that the longer of years of operations means they have more connections or linkages, experience which enable them to easily turn their assets into cash, and likewise the number of branches proved to be significant on volume of business and administrative efficiency, this indicates that growth of the cooperatives affects the capacity of the organization to produce desired results with minimum expenditure on time, energy money and personnel. Category of cooperative variable proved to be significant on volume of business, solvency, cost per volume of business and turnover ratio, this indicates that the higher asset turnover ratio operates more efficiently as compared to other organization with low turn-over ratio. However, findings revealed that the profile of the cooperative has no significant effect on the operational strength of the cooperative. Financial ratios were utilized as tools to pinpoint cooperatives' strong points and weaknesses. Financial ratios allow comparisons to be made between financial standing of the cooperative over time or in comparison to other cooperatives.

Table 6. Cooperatives Structure of Asset

	2015	2016	2017	2018	2019	Over all mean
A. Non-earning Asset	4.20	4.1875	4.3125	4.3125	4.375	4.2875
B. Members' equity to total assets	3.1333*	2.90625	2.90625	2.78125	2.875	2.90625*
C. External borrowings	3.20	3.25	3.1875	3.3125	3.1875	3.25
D. Receivable to total assets	3.73	3.8125	3.625	3.8125	4.0625	3.775

Table 7. Relationship between the profile of the cooperative and operational strength

Operational Strength	MEAN					
	2015	2016	2017	2018	2019	Over all mean
A. Volume of Business	2.80	2.8125	2.6875	2.75	2.875	2.775
B.Solvency	2.067	2.25	2.125	2.4375	2.375	2.2625
C.Liquidity	3.30	3.28125	3.65625	3.4375	3.50	3.434375
D.Cost per volume of business	4.067	4.0625	4.0625	4.0625	4.125	4.0625
E.Administrative efficiency	4.60	4.4375	4.1875	4.50	4.5625	4.453125
F.Turnover ratio	3.00	3.3333	3.00	3.3333	3.00	3.1333

* Relationship is significant at 0.05 level. NS-No Significance relationship, S-There is a significant relationship

If a cooperative wants to continue to be a successful business, it must have sufficient funds on hand to satisfy its obligations as they become due. Examining the link is necessary to establish whether this is the case between the current assets and current liabilities of a cooperative. The cooperative's ability to provide enough cash to conduct business over the coming months can be quickly assessed using liquidity ratios. The findings are in consonance with the study's findings of (Ndlovu and Masuku, 2021) whomade it clear that even though some cooperatives operate without proper management, monitoring, and evaluation techniques, the cooperatives still significantly contribute to the local food nets and the local economy. The operations of cooperatives heavily depend on the primary activities associated with them as well as other various operational events like funds, human resources, and raw materials. This study demonstrates that, despite the cooperative's modest growth, financial performance was strong despite the cooperative having reached maturity in its life cycle. It demonstrates that it is able to sustain its operations because it is financially viable. In the study of (Shisanya, 2019) suggests that the cooperative has a highly solid financial position along with its business operations, as seen by the fact that it is able to make the most use of its assets for its ongoing operations. The findings also demonstrate that the cooperative still has enough assets to liquidate funds and is more than capable of meeting its maturing debt commitments.

Table 8. Mean of the financial performance and the factors affecting the operations of the cooperatives as perceived by the respondents

Respondents	Cooperatives Financial Performance	Operations of the cooperatives
Managers	3.56	3.5
Board of Directors	3.51	3.4
Members	3.41	3.24
Total	3.49	3.38

Table 8 presents the average mean of the financial performance and the factors affecting the operation of the cooperatives as perceived by the respondents. Using weighted mean, the means yielded a result of 3.38 which shows the financial performance and the factors affecting the operations of the cooperatives. The results obtained show that cooperative managers, board of directors and members were in agreement with the statements measuring financial performance in relation to the operations of the cooperative.

Thus, the financial performance of cooperatives affects the operations of the cooperatives from the perspective of the managers, board of directors and members. The results corroborate with (Mutuma, K. G. (2020) who emphasized that when multi-purpose cooperatives are properly managed, financial records and reports are up to date and are made available to members. The results corroborate with findings by (NAKKIRAN, S. (2020) that cooperative members were constrained with poor management by officials, inadequate training and inadequate capital.

Table 9. Factors Affecting the Operational Performance of Cooperatives

Factors	Mean	Verbal Interpretation
Members Participation		
Regular attendance to cooperative meetings	3.44	Greatly affect
Patronizing cooperative business	3.75	Greatly affect
Participation in election and voting process	3.19	Moderately affect
Regular savings and contributions	3.50	Greatly affect
Timely loan repayment	3.62	Greatly affect
Participate in interpersonal activities.	3.06	Moderately affect
Strategic Planning		
Setting of Vision, Mission, and Goals	3.62	Greatly affect
Environmental Analysis	3.44	Greatly affect
Strategy Formulation	3.19	Moderately affect
Strategy Implementation	3.62	Greatly affect
Strategic Evaluation	3.50	Greatly affect
Strategic control	3.44	Greatly affect
Structural Capital		
Assets	3.75	Greatly affect
Databases	3.31	Greatly affect
Organizational charts	3.38	Greatly affect
Process manuals	3.38	Greatly affect
Strategies	3.38	Greatly affect
Routine charts	3.19	Moderately affect
Human Capital		
Competence	3.50	Greatly affect
Education	3.50	Greatly affect
Innovativeness	3.50	Greatly affect
Skills	3.56	Greatly affect
Knowledge	3.50	Greatly affect
Experience	3.56	Greatly affect
Relational Capital		
Corporate image	3.56	Greatly affect
Customer loyalty	3.62	Greatly affect
Customer satisfaction	3.44	Greatly affect
Interactions with suppliers	3.44	Greatly affect
Customer services	3.50	Greatly affect
Corporate social responsibility	3.62	Greatly affect

Table 9 presents data on Factors Affecting the Operational Performance of Cooperatives. It can be seen from Table 11

that among the indicators of Members' Participation, "Patronizing cooperative business" topped the list of those indicators greatly affecting the operational performance of cooperatives as it obtained the highest mean of 3.75. It is followed by "Timely loan repayment", "Regular savings and contributions" and "Regular attendance to cooperative meetings" as indicators of members' participation factors greatly affecting the cooperation of cooperatives with their respective means of 3.62, 3.50 and 3.44. Meanwhile, indicators "Participation in election and voting process" and "Participate in interpersonal activities" moderately affect the cooperatives' operation under members' participation obtaining a mean of 3.19 and 3.06 respectively. As shown in table 8 that the category of cooperatives is related to members' participation and strategic planning and that benefits given by cooperatives is also related to members' participation. Further, services offered and kinds of loans provided by cooperatives are related to human capital and relational capital but as a whole there is no significant relationship between the profile of cooperatives and the factors affecting the operations of cooperatives. It can be seen further in table 11 that on the strategic factors affecting the operation of cooperatives, the "Setting of Vision, Mission and Goals" and "Strategy Implementation" top the list of indicators both obtaining the highest mean of 3.62 while "Strategic Evaluation" with a mean of 3.50 and both "Environmental Controls" and "Strategic control" with a mean of 3.44 came next. On the other hand "Strategy Formulation" moderately affects the operation of the cooperatives obtaining a mean of 3.19.

Moreover, data on table 30 reveals that among the Structural Capital factors affecting the operation of cooperatives, "Assets" top the list of greatly affecting indicators obtaining a mean of 3.75. It is followed by "Organizational chart", "Process manuals" and "Strategies", all with a mean of 3.38 and "Databases" with a mean of 3.31. The indicator "Routine chart" with a mean of 3.19 moderately affects the cooperatives operation along structural capital. Table 9 data also reveals that all the Human Capital indicators greatly affect the operation of the cooperatives, however, topping the list are "Skills" and "Experience" with the highest obtained mean of 3.56 followed by "Competence", "Education", "Innovativeness" and "Skills" all with a mean of 3.50.

Lastly, Table 9 reveals that all indicators along Relational Capital greatly affect the cooperatives' operation with 3.62 as the highest mean score and 3.44 as the lowest mean score. Thus, it can be concluded from the interpretation of data on Table 9 Human Capital and Relational Capital factors greatly affect the operation of the cooperatives while most of the Strategic Planning and Structural Capital factors greatly affect the cooperatives' operation as there at least one indicator of both factors that is moderately affecting the operation. Also, most of the indicators along Members Participation factors greatly affect the cooperatives' operation and at least two (2) indicators moderately affecting it. According to (Dorgi, 2017), members' participation is an important issue to be considered in the cooperative sector A strong membership base is the foundation for the success of a cooperative (Korsa, 2021). Found that participation from members is vital for the growth of cooperatives in Malaysia. (Tadesse, 2020) both supported this by stating that the new perspective of cooperative movement in strong membership contributes to the growth of cooperative performance.

Additionally, (Othman and Othman, 2019) found that the success of the cooperatives not only rely on the efficiency and effectiveness of the governance and management, but also on the members' participation. This is because members play a key role in the failure or success of the cooperatives since members are those who contributed financially and supported the activities of the cooperatives. Study conducted among cooperatives in Malaysia produced two main elements that reflect the members' participation which; one is participation in the policy making process through the attendance at annual general meeting and second is patronage the cooperatives products and services offered by their cooperative (Ahmad and Buchanan, 2015)

Similarly, according to (Buthelezi, 2020) stated that member's participation include regular attendance at cooperative meetings, patronizing cooperative business, participate in governance and control of the society, participation in election and voting process, prompt payment of fines and dues, regular savings and contributions, capital and equity contribution, timely loan repayment, staff/employees of the society, participate in interpersonal activities, rendering ideas and opinion for society business and participation in social activities.

Table 10. Checklist on the Problems Encountered by the cooperatives in their Operation

Areas of Concern	Management	Members
Marketing	✓	
Management		✓
Technical	✓	✓
Loan Services	✓	✓
Dividends		✓
Share capital	✓	✓
Operating Expenses	✓	

Table 10 presents a checklist on problems encountered both by the management and members of the cooperatives. It is evident from Table 12 that members encountered problems along almost all areas of concern except for marketing and operating expenses. On the other hand, management encountered problems along mentioned areas of concern except for management and dividends. It can be interpreted further that, the management and members though seem similar in some aspects in the identified areas where they encountered problems, they somehow differ in areas where they encountered no problems. An organization's ability to succeed depends on its top management and executives adapting organizational strategy and leadership philosophies to the environment. Leading is still an art corporate structure. With the application of organizational strategy, leadership has become one of the organizational issue's for performance effectiveness that has received the most research. This indicates that in the area of management there is a problem on the part of management due to lack of experience of managers in running the cooperative since they came from other lending institutions which are not cooperatives in nature and functions. While in the area of dividends, management automatically treat the dividends as additional share capital of the members. Members were not able to withdraw and get their dividends. Previous studies have shown that information, functional, financial, human resources, and technology are the key challenges that MSMEs confront. Along with assistance from the government and company development services, marketing infrastructure also includes the outside environment.

Conclusion

In consideration to the findings, it is therefore assessed that:

1. The operations management and financial performance of cooperatives in the Province of Quirino are stable as perceived by cooperative managers, BODs and members.
2. In Quirino province the cooperatives offer agricultural and business loans while others offer commercial and salary loans. Only a few offer industrial and real state loans.
3. The cooperatives operation and the factors affecting the operation of the cooperatives are closely related.
4. There are problems on marketing, management, loan services operating expenses and share capital.

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