

Financial Performance of Pilgrim Christian Community Consumers Cooperative in Cagayan de Oro City, Philippines



Dr. Fausto S. Abella¹, Dr. Wilson C. Bation², Ms. Marilou O. Carumba³, Dr. Fernando B. Balmocena⁴, Mr. Duane Roger L. Eduave – II⁵, Dr. Neilson D. Bation⁶

^{1,2,3,4,5,6} Pilgrim Christian College, Cagayan de Oro City, Philippines

ABSTRACT: Financial performance is an important component in considering the start-up and decision-making processes for beginning cooperative members. This study focused on the financial performance of Pilgrim Christian Community Consumers Cooperative in Cagayan de Oro City, Philippines. A descriptive research design was used in this research. Interview of the selected members and officers was the source of the primary data and annual report of the cooperative was the source of the secondary data. Findings revealed that there was a continuous increase in the number of members of the cooperative with 50% increase in 2014 and 176% increase in 2015 based on the 2013 data. In addition, there was also an increase in the total assets of P1.6 M or 31% based on 2014 record. Furthermore, the increase in share-capital or members' equity was also favourable from PHP3 M in 2014 to P3.7 M in 2015 or 23% increased based on 2014 data. Results further revealed that the total revenue of the cooperative amounted to PHP722 thousand in 2014 and became PHP1.4 M in 2015. The net income or net surplus of the cooperative was PHP669 thousand in 2014 and increased to PHP1.2 M in 2015. In conclusion, the cooperative was doing well in the operations with strong perseverance, good management, honesty, and transparency. The cooperative grew in number of members and increased in the amount of: assets, equity of members, revenues, and net surplus. Recommendations are: the management should continue its endeavour in pre-orientation seminar to have a massive increase in the number of members, the cooperative-store operations manager should adopt new marketing strategies in distributing and selling of consumer products, and the Board of Directors should have a strong plan for business expansion, specifically the Multi-purpose cooperative.

KEYWORDS: Financial performance, share-capital, assets, members' equity, revenues, net surplus, Philippines

I. INTRODUCTION

Financial performance is an important component in considering the startup and decision-making processes for beginning cooperative members. One of the indicators of sustainability is the financial performance of the firm or cooperative (Bation, 2016). Financial statement analysis is beneficial because it highlights a firm's or cooperative's strengths and weaknesses. Financial performance of any organization gives, at a glance, how well or poor an organization is performing in an industry and over a period of time (Fujo, 2016). Data from a cooperative's financial statements reveal the union's or cooperative's financial condition (Dayanandan, 2012).” This study determined the financial performance of Pilgrim Christian Community Consumer's Cooperative (PCCCC) from 2014 to 2015.

Financial performance is any of many different mathematical measures to evaluate how well a company or a cooperative is using its resources to make a profit or surplus. Common examples of financial performance include operating income, earnings before interest and taxes, and net asset. In a cooperative, performance is crucial and financial performance is an indicator of business expansion and sustainability. Sustainability is the ability of the firm to be sustained thru the financial performance which is one of the factors in achieving sustainability especially in showing its financial health (Aronson, 2003). Financial study also involves a thorough coverage of all the monetary information of the enterprise.

Nowadays, development and reformation of national economy is determined by transformation caused by economic, social and financial changes, influenced by global crisis (Fuior, 2012). Cooperative is the most effective weapon to attain unity, fight poverty, achieve peace and order, and enhance sustainable growth and development. Seeing the concept of poverty, cooperativism has an important part to play in the alleviation of poverty. It encourages self-reliance, the use and generation of local resources, and the pooling and sharing of these resources among the members of the community. Cooperatives carry a special purpose in helping disadvantaged groups in a society to obtain greater influence in market transactions by improving the purchasing power of the members and by providing cost advantage through elimination of unnecessary middlemen (Salvosa, 2016).

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In Pilgrim Christian College, Cagayan de Oro City, the Faculty and Staff of the school organized a consumer cooperative in 2013 which is known as “Pilgrim Christian Community Consumers Cooperative” with 40 members and fully operated in year 2014 with 60 members. The cooperative applied respectable cooperative management and direction, members’ concern and cooperation, and good leadership for its operations. The cooperative from 2014 to 2015 in this institution continued its experiences in fronting great challenges which contribute to its strong commitment in progressing economic and social development to its members.

II. METHODOLOGY

A descriptive design was used in this research in describing the financial performance of Pilgrim Christian Community Consumer’s Cooperative (PCCCC). It also used the convenience sampling in selecting the respondents and used structured questionnaire during interview to gather the necessary information needed for the evaluation of responses toward the objective of this study.

The respondents of this research were 10 percent of the co-op members considering the total number of members of the cooperative which was 111 based on 2015 annual report. These respondents were included in getting the primary data on their perceptions of the financial performance of PCCCC.

The instrument employed was a researcher-made questionnaire consisting on co-op related data. There were 5 selected members of other cooperatives in Cagayan de Oro were asked to participate in the pre-test of interview. These individuals were excluded in the final administration of the questionnaire in an in-dept interview. A guide questionnaire intended for an interview of the selected co-op officers and members of PCCCC was used.

III. RESULTS AND DISCUSSION

What is the background of Pilgrim Christian Community Consumer’s Cooperative (PCCCC) with regards to its:

1.1 Membership Growth

The cooperative was informally organized in 2013 by 40 Faculty and Staff of school with a capital contribution of PhP1,000 per member. With the strong perseverance, good management, honesty, and transparency, the cooperative grew in number of members.

Table 1. Comparative Performance of PCCCC on Membership Growth

Indicators	2013	2014	2015
Members	40	60	111
Increase/Decrease		50%	177.50%

Table 1 shows the comparative performance of PCCCC on membership growth. The members of the cooperative were 40 in 2013, 60 in 2014, and 111 in 2015. Considering 2013 as the base year, it had an increase of 20 members or 50% in 2014 and 71 or 177.50% based on 2013 data. This increase was due to the continued pre-orientation seminar and additional number of employees in the institution.

Management on Financial Operations

Administration of PCCCC is accountable for preparation and fair presentation of its financial statements for the years ended December 31, 2014 and 2015, in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements such as Financial Conditions (Balance Sheet), Statement of Operations (Income Statement), and Cash Flows Statement. The financial statements have been prepared in conformity with the Financial Reporting Standards applicable to cooperatives registered with the Cooperative Development Authority (CDA) in the Philippines that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are accompanying reasonable in the circumstances.

On the other hand, the operations of the cooperative were headed by the Board of Directors (BOD) aided by the different committees such as Education, Ethics, Mediation and Conciliation, and Audit Committee. In addition, the cooperative had a Co-op Store Manager or Store-in-Charge for the smooth operations of the PCCC Cooperative.

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What is the financial performance of PCCCC in terms of its:

2.1 Assets

A cooperative needs cash, equipment, and other resources in order to operate. These resources are its assets. Assets are valuable resources owned by an entity (Anthony, 2011). These are economic resources, such as inventory or store fixtures, owned or controlled by the by the firm as a result of past transactions or events (Garovillas, 2009).

Table 2. Comparative Performance of PCCCC on Assets from 2014 to 2015 (in Pesos)

Indicators	2014	2015	Increase / Decrease	Percent
Assets	5,270,446	6,899,174	1,628,728	31

Table 2 depicts the comparative performance of PCCCC on total assets from 2014 and 2015. There was an increase in total assets amounted to P1.6 M or 31 percent. The great increased in assets amount were due to the increase in receivable-grocery of consumer items and other financing transactions. These assets also included the current assets of the cooperative. Current assets are short-term assets that are expected to be converted into cash during the fiscal year (Mayo, 2015) or short-term assets, expected to be converted into cash within one (1) year or less (Gitman & Zutter, 2013).

On the other hand, the increase in assets signified and highlights how successful the cooperative management was in deploying both short-term and long-term assets. Interview revealed that the cooperative is dependable and growing in terms its assets.

2.2 Total Liabilities

Current liabilities are shot-term liabilities, expected to be paid within one (1) year or less (Gitman & Zutter, 2013).

Table 3. Comparative Performance on Liabilities of PCCCC from 2014 to 2015 (in Pesos)

Indicators	2014	2015	Increase / Decrease	Percent
Liabilities	1,459,539	2,065,600	570,061	38

Table 3 depicts the performance on liabilities growth of PCCCC from 2014 to 2015. Data describe that from 2014 to 2015, there was a change in total liabilities amount from P1.5 M in 2014 to P2 M in 2015. The increased in liabilities signified that the members of the cooperative continued in supporting and in patronizing the consumer goods through the co-op store, thus, there was 38 percent increase in total liabilities. This increase was due to the special deposits and interest income received by the cooperative.

Current ratio

Formula: $\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$

Current ratio is a ratio which is calculated by dividing current assets by current liabilities. It indicates the extent current liabilities are covered by those assets expected to be converted to cash in the near future. Current assets include cash, marketable securities, accounts receivable, and inventories. Current liabilities consist of accounts payable, accrued wages and taxes, and short-term notes payable (Brigham & Houston, 2013).

Table 4 . Comparative Performance on Current Ratio of PCCCC from 2014 to 2015

Indicators	2014	2015	Increase / Decrease	Percent
Current Assets	5,270,446	6,899,174	1,628,728	31
Current Liabilites	1,495,539	2,065,600	570,061	38
Current ratio	3.52	3.34		

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Table 4 illustrates Comparative Performance on Current Ratio of PCCCC from 2014 to 2015. In 2014, the current ratio of the cooperative was 3.52 which means that for every P1.00 of current liability, the cooperative had P3 or P4 of current assets which answered the current obligations of the cooperative. The cooperative is liquid based on the current ratio and interview from the selected BOD and officers of the cooperative.

2.3 Share Capital

The comparative performance on share capital of PCCCC from 2014 to 2015. A cursory look in this two years of operations, the increased of share capital rounded to P709 thousand or 23 percent increase based on 2014 data. It implied that the members did their obligations and participated financially in the capital structure of the cooperative. Increased was due to the increase in share capital (Additional investment of members).

2.4 Sales Revenue

Total revenue will have a linear relationship to output (Stevenson, 2009). In this Cooperative, the sources of revenue were from the store sales. The amount that a firm takes in from the sale of its product (Case, 2013).

Table 6. Comparative Performance on Revenues of PCCCC from 2014 to 2015 (in Pesos)

Indicators	2014	2015	Increase / Decrease	Percent
Total Revenue	722,106	1,379,977	657,871	91

Table 6 illustrates the comparative performance on sales revenue of PCCCC from 2014 to 2015. There was an increase in sales revenue from P722 thousand in 2014 to P1.4 M in 2015. The increase amounted to P658 thousand or 91 percent based on the data in 2014. This implied that the members of the cooperative kept on patronizing the consumer goods provided by the co-op store which resulted to an increase in total revenue. Increased due to the interest income in financing transactions.

2.5 Net Surplus or Net Income

Table 7. Comparative Performance on Net Surplus or Net Income of PCCCC from 2014 to 2015 (in Pesos)

Indicators	2014	2015	Increase / Decrease	Percent
Net Surplus	668,922	1,206,122	537,200	80

Table 7 displays the comparative performance on net surplus of PCCCC from 2014 to 2015. A cursory look from 2014 to 2015, the increased of net surplus amounted to P537 thousand or 80 percent based on the 2014 performance. This implied that the cooperative had enough funds to provide the dividends and patronage refund for the members. The Cooperative's net surplus or net profit during the year was distributed in accordance with the provisions of its By-Laws and RA 9520.

Ratio Analysis

Ratios help us evaluate financial statements (Brigham & Houston, 2016). In this study ratio analysis covered only the *Asset Management Ratio* and *Profitability Ratio*

$$\text{Total Assets Turnover} = \frac{\text{Sales}}{\text{Total Assets}}$$

Total asset turnover refers to the ratio of sales to total assets and it is a measure of total assets required to generate sales. It also measures how many assets are used to generate sales (Mayo, 2015).

The comparative performance on the total assets turnover of PCCCC from 2014 to 2015. In 2014, the total asset turnover of the cooperative was 13.70 percent which indicates that PCCCC needs P1.00 in assets for every P.14 generated in revenues. The total asset turnover in 2015 was 20 percent which means the cooperative needs P1.00 in assets for every P.20 generated in revenues.

Return on Total Assets (ROA)

$$\text{Formula: Return on Total Assets} = \frac{\text{Net Income or Net Surplus}}{\text{Total Assets}}$$

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Return on assets (ROA) is a measure of profit per peso of assets (Ross et al.,2010). It measures the overall effectiveness of management in generating profits with its available assets and it is also called the (ROI) return on investment (Gitman & Zutter, 2013).

Comparative Performance on Return on Assets of PCCCC from 2014 to 2015. The return on assets in 2014 was 12.69% which indicates that the cooperative earned 12.69 centavos on each peso of asset investment. In 2015, the ROA was 17.48% which also means that PCCCC earned 17.48 centavos for every peso of asset investment.

Return on Equity (ROE)

Formula: Return on Equity = $\frac{\text{Net Income or Net Surplus}}{\text{Members' Equity}}$

Return on equity (ROE) measures the return earned on the members' equity investment in the cooperative (Gitman & Zutter, 2013).

The comparative performance on return on equity of PCCCC from 2014 to 2015. The return on equity in 2014 was 21.96 percent which signifies that the cooperative earned 21.96 centavos on each peso of members' equity. In 2015, PCCCC had 32.12 percent of return on equity which again indicates that the cooperative earned 32.12 centavos on each peso of members' equity.

Net Profit Margin on Sales

Formula: Profit Margin on Sales = $\frac{\text{Net Surplus or Net Income}}{\text{Sales}}$

Net Profit Margin measures the percentage of each sales peso remaining after all costs and expenses are deducted (Gitman & Zutter, 2013).

The comparative performance on net profit margin on sales of PCCCC from 2014 to 2015. The net profit margin is a commonly mentioned measure of the firm's or cooperative's success with respect to earnings on sales. "Good" net profit margins differ considerably across industries. A net profit margin of 1 percent or less would not be unusual for a grocery store, whereas a net profit margin of 10 percent would be low for a retail jewelry store (Gitman & Zutter, 2013).

Liquidity Ratios

The liquidity ratios help answer the question: Will the firm be able to pay off its debts as they come due and thus remain a viable organization? A liquid asset is one that trades in an active market and thus can be quickly converted to cash at the going market price (Brigham & Houston, 2013).

What interventions or ways can be proposed to attain its business expansion of the Cooperative?

Table 12. In-Depth Interview Results of Co-op Members and Officers

Questions:	Answers:
1. Was the Cooperative growing in terms of its Assets?	As one of the officers of the PCCC, I noticed that our co-op was growing based on its Assets.
	I am one of the members of the PCCC, I can say the our co-op was good in its Assets as compared from the start of its operations.
2. Was the net surplus or net income of the cooperative enough to answer the annual dividends for the members?	As the one of the Officers of the PCCCC, I can testify the our co-op was able to distribute the intended dividends and patronage refund to the members.
	As a member of this cooperative, I received the dividends and patronage refund intended for me.
	When I received dividends and patronage refund, I was able to provide the needs of my family and education of my children.
3. Is the PCCCCooperative ready for business expansion?	I had been in the cooperative since the start until today, with the assets we have now, I can say that PCCCC is 32
	ready for its business expansion based on our assets which are more than P6 M.

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	As an Officer of the PCCCC, I strongly believe that at this moment, the cooperative is ready for its business expansion, from consumer co-op to “Multipurpose Cooperative”.
4.What interventions can be proposed to attain its business expansion of the Cooperative?	The cooperative should comply the requirements established by the CDA and maintain an on time submission of the annual reports.
	Actively participate all the activities of the PCCCCooperative and remain vigilant in for the association.
	The BOD and other Officers of the association should invest in a feasible and viable business not only inside the campus but extending outside of PCC.
	Members and Officers of PCCCC should maintain a strong perseverance, good management, honesty, and transparency in all transactions.

CONCLUSIONS

The researchers concluded that the cooperative started with 40 members in 2013 and gradually reached more than 100 members in 2015 which provided the following results:

- 1.The Assets of the Cooperative from a small beginning grew and amounted to P6.9 Million in 2015. PCCCC is liquid based on current ratio which is 3.52 in 2014 and 3.34 in 2015.
- 2.The members of the cooperative shown their cooperation and participation reflected in the share capital which created an amount of P3.8 Million in 2015.
- 3.The revenues of the cooperative shown a substantial increase which answered the expenses incurred during the operations with an average of 91 percent increased per year.
- 4.There was also a favorable result in the net surplus or net income with an average of 80 percent increase per annum.
- 5.PCCCC was able to provide the necessary and favorable dividends and patronage refund intended for the members which were distributed during the general assembly.

In short, the cooperative was doing well in the operations with strong perseverance, good management, honesty, and transparency. The cooperative grew in number of members and increased in the amount of: assets, equity of members, revenues, and net surplus. Lastly, the cooperative is liquid based on the current ratio and had a strong capacity to answer the current obligations.

RECOMMENDATIONS

From the conclusion drawn, the following recommendations are offered:

- 1.The Officers and members of the cooperative should continue in monitoring the assets and should plan properly of using it in business expansion.
- 2.The members of the cooperative should double their efforts in increasing the share capital or members’ equity in order that the cooperative could engage in a bigger business opportunity.
- 3.The cooperative-store operations’ manager should adopt new marketing strategies in distributing and selling of consumer products to double or triple the increase in revenues of the cooperative.
- 4.The cooperative management should closely monitor the necessary expenses of the cooperative to maintain the substantial and in achieving an excellent performance of net surplus or net income.
- 5.The Board of Directors of the cooperative should have a strong plan for business expansion, specifically the Multi-purpose cooperative.

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