

The Role of City Employees Credit Cooperative and Allied Services (CECCAS) on Improving the Household Income of Employees of the City Government of Cabanatuan

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Abstract. Credit cooperatives were essentially created to meet the basic human desire for borrowing and saving money without taking on too much risk or giving the money lender too much authority. Members of credit cooperatives attain socio-economic benefits through its products and services and understanding its effects is vital in improving its management. Most often, cooperatives do not visualize the impact of its services to its members due to lack of proper documentation and research focusing on them. This study examines how credit cooperatives specifically the City Employees Credit Cooperative and Allied Services (CECCAS) affects the household income of its members in terms of savings deposit, building of assets, and availment of loans. Using descriptive-survey approach, the study gathered information through survey questionnaires and interview sessions from the members of CECCAS. Results of the study showed that in terms of improving household income, savings/contributions and loan products significantly benefit the members of the cooperative. Availment of loan products help the members to finance their needs and buy assets but members have yet to engage in income-generating activities. Savings on the other hand, pave the way for members to have emergency funds, buying of assets, medical and study funds. This study examined the benefits of a credit cooperative in terms of improving household income of its members, variables such as membership growth, management styles, women's participation, and other socio-economic aspect may be applied to gain more understanding in this sector.

Keywords: City Employees, Credit Cooperative, Allied Services, Household Income

1. Introduction

Globally, cooperatives are seen as a viable instrument when it comes to achieving long-term development. Cooperatives are people-centered enterprises owned, controlled, and run by their members for them to realize their common economic, social, and cultural needs and aspirations. These groups are viewed as important tools for improving the living and working conditions of both women and men (Dogarawa 2005). They contribute to sustainable human development and have an important role to play in combating social exclusion (Levin, 2002).

Credit cooperatives are generally believed to be the most successful financial institutions operating outside Central Bank control (Relampagos et al., 1990). These are financial institutions that are similar to banks, except they are owned by the customers themselves and exist for their benefit as well. They have demonstrated self-reliance, depending strongly on members' savings with little external funding (Llanto, 1994). Through its common pool of funds, credit cooperatives provide financial assistance to their members for productive and provident purposes. A credit cooperative can offer a wide array of services for its members and non-members, making it more accessible than those conventional lending institutions (Castro & Castro, 2020). Generally, Credit cooperatives have been developed to meet the fundamental human need to find a way of saving and borrowing without taking risks and without handing over too much power to a money-lender (Birchall, 2004).

Credit cooperatives encourage savings habits in their members for a certain period to be qualified for loan services in the future. In studying the role of cooperatives in terms of loan services in improving the income generation of households in rural areas in Ogun State, Nigeria (Oluyombo, 2013), it was revealed that cooperative loan increases household income because such loan serves as an additional investment and therefore helps to improve the economic position for better living standard of the members. In another study by Oluyombo (2010) on the effects of savings and credit cooperatives on monthly income earners in Nigeria specifically teachers of higher learning institutions, research revealed that participation in savings and credit cooperative organized by monthly income earners increase their purchasing power and thus assisted them to purchase properties and household equipment. Members were also able to take advantage of loan facilities to engage in direct and indirect investment in business activities while still retaining their jobs.

Products and services of credit cooperatives are tailored to suit the members' needs, meant to improve the livelihoods of the members (Langat, 2016). In his study, the livelihood and household income of Imarisha SACCO members improved by enabling them to obtain loans with ease, providing them with a savings account, and sufficient loans to meet members' needs. Dividends at the end of the year are also allowed to be used as collateral which makes it more accessible.

Further studies confirm the effectiveness of credit cooperatives in improving household income because the cooperative model bridges the gap by opening their service to more people giving them cheap affordable credit and a chance to secure their future. In the study of Victor Kilenga in 2019, he mentioned the best way for improving the welfare of a household in urban and rural societies is through membership in a credit cooperative. Given with proper supervisory and regulatory environment, credit cooperatives could in time grow into financially stable and competitive financial institutions (Llanto, 1994).

Even during times of economic shock, being a member of a cooperative provides members with an additional layer of protection and extra emergency financial support (Hermanson, Lucas, Czachorska-Jones, & Holst, 2021). Especially when members are provided with proper training and skills development for managing their businesses. This was proven by Abocejo et al. (2012) proved in their study that cooperative microfinance programs positively benefited low-income households, especially after venturing into microenterprise activities wherein they earn additional income. Furthermore, in the study of Agutaya (2016), he found out that through proper policy formulation, implementation, and management of services, cooperatives can address the socio-economic needs of their members even in the most difficult times.

In the Philippines, cooperativism is constitutionally backed-up in the country as it is spelled out in the 1987 Philippine Constitution and even mandated the creation of an agency that will use cooperatives as instruments of social justice and economic development, the Cooperative Development Authority (CDA). The country's basic law envisions the promotion of cooperatives in various sectors of the economy, the expansion of the economic base, and the mobilization of the less privileged members of the society to actively participate in nation-building (Castillo & Castillo, 2017). Better guidelines for governance and management of cooperatives in the Philippines were established by the cooperative enabling law,

namely "The Philippine Cooperative Code of 2008," which updated the country's original cooperative code developed in 1990.

Further strengthening the cooperative movement is the recent passing of the Republic Act 11535 making the position of a cooperatives development officer (CDO) mandatory at the municipal, city, and provincial levels in the country providing accessible on-the-ground government support to our cooperatives and strengthening its presence across the nation. Through this Republic Act, CDOs will be able to reach communities in our most far-flung areas, and they will be able to deliver vital cooperative support even on the grassroots level.

According to a document released by the Cooperative Development Authority, there are several advantages members can get from credit cooperatives. Members can attain economic benefits through interest on share capital and patronage refund, loans at reasonable and low-interest rates, and developing the habit of thrift and savings. Annually during its general assembly, they are rewarded with dividends from their share capital.

The Cabanatuan City Employees Credit Cooperative and Allied Services (CECCAS) is a cooperative organized by the employees of the local government unit of Cabanatuan City which aims to encourage savings through systematic and continuous savings programs and wise use of money (Articles of Cooperation, CECCAS). Through the generated capital, it shall grant loans to each member for productive and providential purposes at a reasonable rate of interest. Usually, members apply for loans from credit cooperatives to start their business venture, build assets, or finance their needs.

Moreover, it seeks to provide answers to the following questions:

1. Were the members able to acquire assets after availing of loan products in the cooperative?
2. Does being a member of the cooperative significantly improved the respondent's income?
3. What policies are suggested by the members to improve the services of the cooperative?

Theoretical Framework

Three basic inputs generate productivity and economic benefits, Adler and Kwon (2002) bests describe them as physical capital, human capital, and social capital. Physical capital consists of financial assets and resources that help improve flows

of future income while human capital refers to the knowledge and skills of an individual to solve problems. In the study of Oluyombo (2013), he explained that social capital theory in a cooperative happens when the membership of an association or a group leads to an increase in the economic condition of the participant because of the lower cost of managing the common pool resources of the group. It leads to lower costs enhancing members' ability to borrow and use the loan to improve their household income. Social capital is the arrangement of human resources to improve the flow of information to generate future income (Ostrom, 1994).

Methodology

This study examines how credit cooperatives specifically the City Employees Credit Cooperative and Allied Services affects the household income of its members in terms of savings deposit, building of assets, and availment of loans.

The method used in this study was descriptive–survey to gather more information regarding the improvement of the household income of the members. Survey questionnaires was used to apply the quantitative aspect of the research study while interview sessions were used to gather additional relevant information from the research participants and represent the qualitative aspect of the research study. These methods ensure the validity and accuracy of information, and also provide a holistic understanding on the study to better explain the role of the cooperative in terms of improving its members household income.

Sampling Procedure

Purposive sampling was used to maximize the data collection. Qualified participants were chosen through the following criteria: (a) at least 1 year of membership and (b) has availed at least one (1) loan product from the cooperative from the previous years. The following criteria were used as it is deemed beneficial for the research study in terms of usefulness and timeliness.

Respondents

The Cabanatuan City Employees Credit Cooperative and Allied Services, cooperated in 1995, currently has 8 officers and 185 regular members who are employees of the City Government of Cabanatuan. A total of 38 respondents from the total population of 41 were handed out with survey questionnaires. The total population were chosen through purposive sampling. This approach was also used in the study on the role of credit cooperative in improving household income

in Mukono District, Uganda (Nnyanja, 2016) because according to the researcher it is easy to administer and its responses will generalize the other members of the population under study.

Representative sample or 30% of the total population were chosen as participants for the interview. The interview process was able to provide more inputs on the role of CECCAS in improving their household income in terms of assets, savings, and loans. The participants were asked with open-ended questions and in no particular order.

2. Results and Discussion

Table 1. Demographic profile of the Respondents

Factor	Total Sample	Factor Position in the	Total Sample	Factor	Total Sample
Gender	38	Cooperative	38	Civil Status	38
Male	47%	Member	97%	Single	50%
Female	53%	Officer	3%	Married	42%
				Widowed	8%
Age	38	Length of Membership	38	Dependents	38
19 to 29	37%	1 to 3 years	58%	0	29%
30 to 49	34%	4 to 6 years	24%	1 to 3	55%
50 to 59	24%	7 to 10 years	11%	4 to 6	16%
60 and above	5%	11 years and above	8%		

Presented in Table 1 are the demographics of the chosen research participants wherein 47% of the population was represented by male respondents while 53% were female respondents. The majority of the research participants were aged 19 to 29 years old which means most of the participants have been a member of the cooperative for at least 1 to 3 years (58%) as shown in the table above. In terms of dependents living in the household, the highest percentage recorded is 1 to 3 dependents at 55%. This shows that most of the research participants still lives in their parent’s home wherein they have declared their parents or their siblings as their dependents or they are a small family with 1 to 3 members.

As the researcher used purposive sampling in choosing his participants in terms of length of membership and availment of loan, the data above showed that the greater number of borrowers came from new members aging from 19 to 29 years old. This can be associated with their current wants and needs as we now live in a more technological world. In addition, it is also safe to assume that this bracket

is still in the process of building their homes, borrowing from the cooperative helps them to finance their household needs.

Table 2. Credit Information

How much is your monthly contribution/savings in CECCAS?				
Php 100	47%	Php 300	5%	
Php 200	45%	Php 500	3%	
How many times have you availed the loan services of CECCAS?				
Once	39%	Twice	37%	Thrice 11%
Four Times	5%	Above Four Times	8%	
Which of the following loan products have you applied for?				
Multi-purpose	42%	Rice Loan	24%	Motorcycle 5%
Emergency	13%	Appliance/Gadget	16%	

Table 2 shows data on credit information of the research participants. In terms of monthly contribution/savings, majority of the members contribute to the minimum share of Php 100.00 (47%) followed by Php 200.00 (45%). This can be attributed to the members which are within the 1 to 3 years length of membership wherein most of them are in the level 1 and level 2 positions in the city. While the remaining 8% are included in the senior level position in the city. As discussed in the previous paragraph, most of the borrowers came from the 19 to 29 age brackets, data revealed that majority of them availed the multi-purpose loan (42%) to finance their immediate household needs. This suggests that this loan product is very beneficial to the members of CECCAS. Second in rank in terms of loan products in the rice loan (24%) where it allows members to buy rice from the cooperative and pay it for 3 months. According to one research participant, consumable loans such as rice loan is beneficial to us members, not only that we don't need to go to the market anymore, we also gain patronage refund as we patronize our products. Lastly, the 16% on appliance/gadget loan can be attributed to the members who doesn't own laptops or personal computers. During the imposition of community quarantines due to the Covid-19 pandemic, the City Government implemented the work-from-home scheme, some members decided to avail of appliance/gadget loans to finance their work needs.

Table 3. Impact of Savings on the Improvement of household income

		SA	A	N	D	SD	WM	Verbal Description
1. My savings in CECCAS allowed me to have an emergency fund	F	26	11	1			4.66	Strongly Agree
	%	68%	29%	3%				
2. My savings in CECCAS allowed me to generate more income through dividends	F	15	15	8			4.18	Agree
	%	39%	39%	21%				
3. My savings in CECCAS allowed me to buy assets	F	9	19	10			3.97	Agree
	%	24%	50%	26%				
4. My savings in CECCAS allowed me to start/operate a small business	F	13	7	18			3.87	Agree
	%	34%	18%	47%				
5. Overall, my savings in CECCAS improved my household's income	F	14	15	9			4.13	Agree
	%	37%	39%	24%				

Legend: 4.25 to 5.00 Strongly Agree; 3.50 to 4.24 Agree; 2.75 to 3.49 Neutral; 2.00 to 2.74 Disagree; and 1.00 to 1.99 Strongly Disagree

Data shows that 68% of the respondents strongly agree that their contribution to savings allows them to have emergency funds in the future, this strongly suggests that indeed savings help in one's emergency needs, it is represented by the 4.66 weighted mean. According to the respondents, emergency funds are most often used for home repair, education, and healthcare purposes. In terms of dividends, the weighted mean 4.18 transcribes to "agree", however, the 21% who answered neutral suggests that year-end dividends don't give a strong impact in terms of improving household income. According to one of the respondents, there are years wherein they did not receive any dividend or just the bare minimum the reason why many of them haven't increased their monthly contributions. The cooperative should focus more on building income through other business models so that a strong dividend payout during the end of the year can be realized. When asked if their savings allowed them to buy assets, data revealed that members "agree". It can be said that whenever needed, members of the cooperative can withdraw a part of their savings for them to buy assets that will be beneficial to them these include cell phones, home appliances, and even electric bikes. The same result was found in the study of Mallya (2020) wherein members of SACCOS were able to increase assets through livestock purchases and household appliances.

Overall, the weighted mean shows "agree" meaning that the members' household income improved upon joining the credit cooperative. It is clear that savings positively affects household income through different modes such as emergency

fund, dividends, and assets. In terms of business or investments, 18 out of 38 respondents answered “neutral” This can be explained by a possible lack of interest and time. Take note that the members are government employees which means they render eight (8) hours of their time in the office or doing fieldwork. Thus, this is an opportunity for CECCAS to assist their members gain interest in venturing into small business or investment through seminars or training to improve their entrepreneurial skills.

Table 4. Impact of Loans on Improvement of household income

		SA	A	N	D	SD	WM	Verbal Description
1. The loan I availed from CECCAS helped with my emergency needs	F	27	9	2			4.66	Strongly Agree
	%	71%	24%	5%				
2. The loan I availed from CECCAS helped me generate more income through investments	F	10	14	14			3.89	Agree
	%	26%	37%	37%				
3. The loan I availed from CECCAS helped me gain assets	F	12	16	10			4.05	Agree
	%	32%	42%	26%				
4. The loan I availed from CECCAS helped my small business	F	10	13	15			3.87	Agree
	%	26%	34%	39%				
5. Overall, my loan in CECCAS improved my household's income	F	13	17	8			4.13	Agree
	%	34%	45%	21%				

Legend: 4.25 to 5.00 Strongly Agree; 3.50 to 4.24 Agree; 2.75 to 3.49 Neutral; 2.00 to 2.74 Disagree; and 1.00 to 1.99 Strongly Disagree

Table 4 assesses the impact of loan products of CECCAS in improving the household income of their members. Item 1 seeks to know whether availment of a loan helps during emergency times. A total of 27 out of the 38 respondents answered “strongly agree” which shows a strong and positive relationship between the two variables in this case. The same can be found in the study (Oluyombo, 2013) in Ogun State, Nigeria. One of the benefits of being a member of CECCAS is the availability of loan products that they can apply for and utilize to finance their emergency needs such as medical, study, household, or work-related. As seen in Table 4, in terms of loan impact on business or investments, data suggest a low turnout of variables. Entering into investments or business

ventures is not a very typical option for the research participants, hence, this is a good opportunity for the cooperative to focus on improving.

In terms of asset gains, a total of 28 respondents answered “strongly agree” and “agree” which resulted in a weighted mean of 4.05 or “Agree”. It is safe to assume that members have utilized their borrowed money in buying assets such as household items, vehicles, gadgets, and many more. One research participant even took a loan to buy a motorcycle so that he can save more on transportation expenses due to the distance from his home to the office. On a separate occasion, several members availed loan products to buy laptops and cell phones for their children during the imposition of community quarantines for them to attend their classes online. Overall, data shows a weighted mean of 4.13 which translates to “Agree”, indicating a positive response when asked if their loan helped in improving their household’s income.

When asked if they will continue to avail of loan products of CECCAS, some of the research participants answered yes due to the following reasons: accessibility, salary deduction, part of interest going back to share capital, low-interest rate compared to other financing institutions, and no collateral needed. However, some complaints were raised including overpayment of loans and slow processing of loans.

3. Conclusion and Recommendations

In light of the findings, it is therefore concluded that in terms of improving household income savings/contributions and loan products greatly benefits the members of the cooperative. The availability of multiple loan products enabled the members to choose which particular product will best suit their needs. Furthermore, as some members opt not to borrow money, the easy withdrawal of savings/contributions allows the member to use it for different purposes such as emergency funds, buying of assets, medical funds, and study funds.

The majority of the respondents avail of loan services of the cooperative to finance their needs and buy assets, however, most of them have yet to venture into income-generating investments or businesses which will further increase their household income.

Moreover, a little percentage of the respondents of the credit cooperative have decided to increase their monthly contribution above the minimum of Php 100.00, recognizing the potential benefits of the cooperative. As noticed by the

researcher, increased awareness regarding the benefits of being a member of the cooperative should be cascaded to the members for them to be encouraged to increase their contributions.

To further enhance the impact of the cooperative in improving the financial capability of its members, the researcher suggest providing skills training/seminars which will enhance the capability of the members and encourage them to venture into manageable businesses. Subsequently, the cooperative may identify successful business owners who are members and tag them as “big brothers” which will guide would-be entrepreneurs who are tagged as “small brothers” to fast-track the setting up of their business projects efficiently and effectively.

Currently, there are at least 1000 permanent employees in the City Government of Cabanatuan. The researcher suggests that the cooperative focus on increasing its membership through campaigns. Credit cooperatives increase their capital through members' contributions. The officers of CECCAS should also consider benchmarking with other credit cooperatives. This should assist them in planning and management which could help them create more sustainable products for their members such as insurance products, deposit products, social services, and many more.

The cooperative may seek assistance from national government agencies to better serve its members. Some national agencies like the Department of Trade and Industry, Department of Agriculture, LandBank of the Philippines, and Development Bank of the Philippines provide both technical and financial assistance to cooperatives at a minimum rate. Another option to increase the income of the cooperative is by venturing into additional businesses like a coop grocery/sari-sari store

Further research may be conducted in terms of membership growth, loan repayments, management styles of the officers, women's participation, and other socio-economic aspects to determine different kinds of interventions to improve the services of the cooperative.

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