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## **THE PINILI DEVELOPMENT COOPERATIVE -The Shining Star among Credit Cooperatives of the Philippines**

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### **Introduction**

SOME of the essential attributes leading to the success of a cooperative institution in the light of the universally-accepted Principles of Cooperation and general principles of management of an organisation, among others, are: unflinching faith in the concept and philosophy of Cooperation; participation of members in the affairs of the institution – organisational and business; good governance including professionalisation; harmonious relationship among the management staff and leaders and with the members; transparency in accounts and business; and cordial relationship with the government, of course, cooperatives not being subordinates to the government. Other contributing factors are: enlightened members of the managing committee; democratic management; continuous interaction with the members; delivery of efficient services; dedicated and honest leadership; and continuous education of members and training of leaders and employees. It is well-recognised that cooperative institutions are not the government agents or departments – these are autonomous institutions and they are the active and equal partners of government in various social and economic development programmes.

The four main concepts of cooperatives are categorised into: [01] Social, [02] Socio-political, [03] Legalistic, and [04] Economic. The economic concept which is at present recognised as the dominant concept of cooperation accentuates and highlights the scope and purpose of cooperation. The concept gears cooperative towards business efficiency and social improvement. It considers the organisation and operation of cooperatives as a means to a 'richer life' and a 'higher plane of living'. 'Efficiency' in conducting the business of the cooperative is the chief aim of this concept and 'social improvement' in life is its ultimate goal.

The Statement of Cooperative Identity propagated by the International Cooperative Alliance [ICA] defines a cooperative thus: *"A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise."*

The definition emphasizes the following characteristics of a cooperative: [a] The cooperative is *autonomous* – it is as independent of government and private firms as possible; [b] It is an *association of persons*. Cooperatives are free to define 'persons' in any legal way they choose – individual and or legal persons/entities; [c] The persons are united '*voluntarily*'. Membership should not be compulsory. Members should be free to join or to leave; [d] Members of a cooperative '*meet their common economic, social and cultural needs*'; [e] The cooperative is a '*jointly-owned and democratically-controlled enterprise*'. The dual

characteristics of ownership and democratic control are particularly important in differentiating cooperatives from other kinds of organisations. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. These values are the foundations on which the Principles stand.

### **The Pinili Development Cooperative [PDC]**

The history of credit and cooperative institutions has been rich and old In the Philippines. The great leader of the country, Jose Rizal, had formed a farmers' organisation based on cooperativism in 1896 which gave birth to various institutions e.g., credit cooperatives, cooperative rural banks, marketing cooperatives, service cooperatives and consumers cooperatives. The vibrant cooperative sector of the present-day Philippines is dominated by credit and multipurpose cooperatives with savings and lending components. According to a Cooperative Development Authority [CDA] 2004 report, 'the national average savings mobilized by cooperatives as of the end of 2003 alone amounted to more than 113 billion Pesos'.

**Historical Background:** The term 'pinili' in the Philippines is understood as 'chosen' or 'selected'. It is a positive term which is assigned to something good, progressive and precious. The Pinili Development Cooperative [PDC], a multipurpose credit cooperative, established in 1993 in Publacion county of New Lucena municipality, Iloilo province, is now a household term for an outstanding, self-sustaining and self-propelled cooperative institution which fulfils a wide range of aspirations of 1,600 full members [1,100 women] and their families. At the start there were mere two part-time employees, and at present there are 17 of them. The original share capital contributed by the members was 6,000 Pesos [1US\$=40 Pesos] while at the end of 2007 it was an impressive amount of 10 million Pesos – the value of one share being 100 Pesos. The total assets of the Cooperative are 28 million Pesos with a liability of 16 million Pesos [consisting of outstanding funds on rotation]. The Cooperative, has, at any time, not borrowed any funds from any financing institution for its operations. The Cooperative has never suffered any losses since its establishment.

**Objectives of the Cooperative:** As per the constitution of the Cooperative, the *objectives* are stated as follows: to encourage thrift and savings mobilisation among members for capital formation; to create funds in order to grant loans for production and providential purposes of its members; to engage in the purchase and sale of commodities primarily for members; to undertake supply of production inputs to member-producers and actual marketing of their products; to promote the cooperative as a way of life for improving the social and economic well-being of the people; to do any related activity for the members' self-government, improve social and economic well-being under a truly and just democratic society; to work with the Cooperative Movement, non-government and government organisations/entities in the promotion and development of cooperatives and in carrying out government policies; and, to undertake other activities for the effective and efficient implementation of the provisions of the Cooperative Code of the Philippines.

**Activities of the Cooperative:** In order to achieve the stated objectives of the Cooperative, the following *activities* are performed in accordance with the policies laid down by the Members General Assembly and approved by the Board of Directors: to ensure that the policies laid down by the General Assembly are implemented after being converted into implementable plans of action; to ensure there is a proper two-way communication between the members and the Cooperative; to ensure that the business activities and financial

transactions are transparent; to ensure that all decisions are taken democratically and with the participation of the General Manager and other committees; to constitute subject-matter committees to ensure the participation of members and to serve them properly and efficiently; to ensure that there is a harmonious relationship with the concerned government agencies and local authorities.

The Cooperative offers a wide spectrum of loans to the members. These are: Rediscounting loans which are extended to members working in the government; Pensioners' loans extended to retirees; Loans extended to officials; BOMVAY loans [Business Opportunity for Market Vendors and You] extended to members who are market vendors and with business; Entrepreneurial loans extended to all trisikad, jeepney, tricycle drivers, and income-generating projects; ARLENE [Assistance Relevant to Livelihood and Economic Needs Extended] loans extended to members with small businesses in daily remittances; RATA [Representation Allowance and Transportation Allowance] loans extended to members who are receiving RATA; Bonus loans extended to members with bonuses; Emergency loans extended to all officers, management and staff; and Agricultural Production loans extended to farmer-members of good standing. The Cooperative also extends loans for insurance and supplemental feeding to malnourished children.

As has been clearly stated in the objective of the Cooperative, members who are generally government employees need funds for various activities – household, farming and trading. For this purpose, the Cooperative has established a mechanism to assess the needs and requirements of members. The Credit Committee of the Cooperative, therefore, receives and analyses loan applications and recommends for approval and quick disbursement. In the same way to ensure a professional and democratic management of the Cooperative, a range of committees have been formed e.g., Election Committee, Audit and Inventory Committee, Mediation and Conciliation Committee, and an Education Committee.

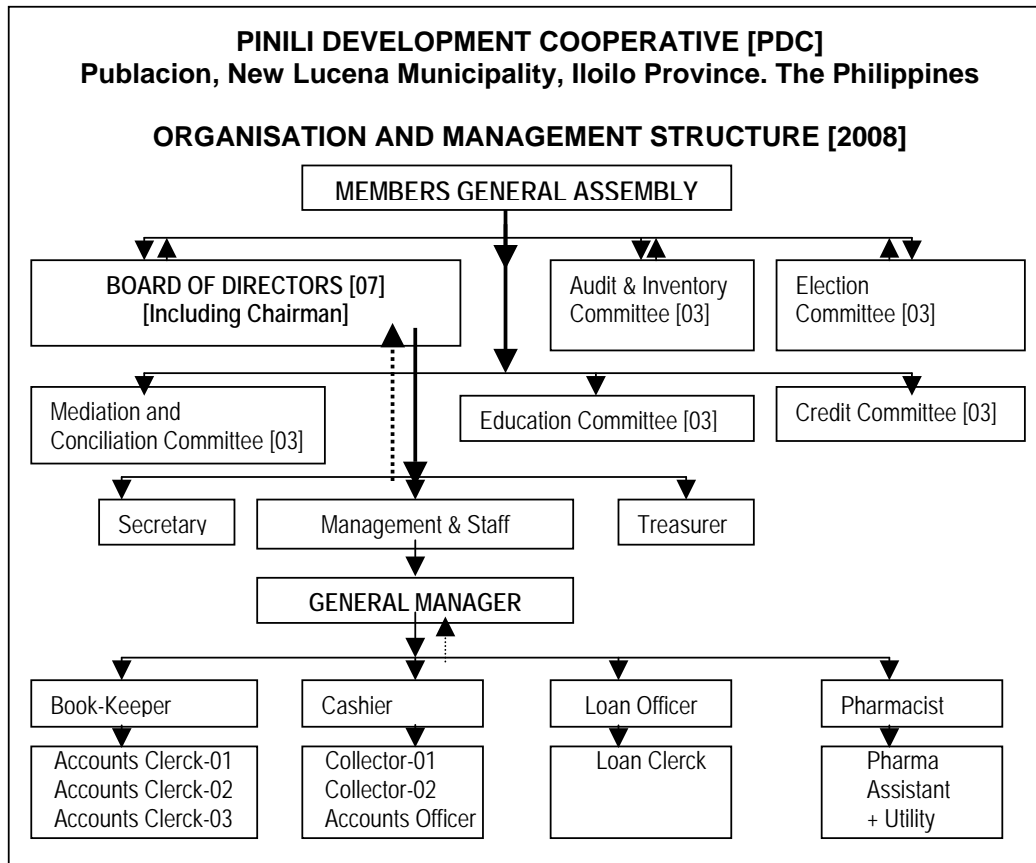
**Organisational Structure of the Cooperative:** The Pinili Development Cooperative [PDC] is a democratic autonomous institution established by the members on their free-will and with their own financial resources.

The General Assembly of members consists of those members [men and women] who have contributed their share capital in full and are entitled to vote – 'One Member-One Vote' basis. It is the supreme policy and decision-making organ and enjoys powers to elect its own 7-member Board of Directors, including a Chairman, and other committees. The General Assembly meets twice a year, but the elections are held after two years. The General Assembly elects the following 3-member committees [answerable to the General Assembly]:

- 01 Board of Directors [7-members including the Chairman];
- 02 Audit and Inventory Control Committee;
- 03 Education and Documentation Committee;
- 04 Credit Committee;
- 05 Election Committee;
- 06 Mediation and Conciliation Committee.

The constitution of the Cooperative provides a framework to ensure that members have full control over the affairs of the Cooperative and that all decisions are taken by consensus. The constitution also provides a system to hold meetings and manage the affairs in a democratic manner. Rules and procedures to be followed by all functionaries and organs are specifically laid down in the constitution. The General Assembly enjoys the powers to make amendments in the constitution.

The organisation and management structure of the Cooperative is given below:



The General Manager [Mr Wilfredo **Labaro**, working since 2003] being the focal point of the Cooperative and responsible for all day-to-day operations is consulted on all business issues by all Committees before taking a final decision. Final business decisions are taken by the Board of Directors which are later ratified by the General Assembly through the medium of an Annual Report together with the Audit Report. The audit of the Cooperative is carried out internally and also by external auditors who are approved by the government audit agency. The management of the Cooperative ensures that there are proper communication and control mechanisms within the structure for purposes of a constant interaction with the members and the management. The General Manager of the Cooperative is, therefore, the principal focal point. He is appointed by the Board of Directors.

**Relevance of Pinili Development Cooperative:** The Cooperative being the single rallying point for the government officials and their household in the community of Publacion County meets the credit requirements effectively through a well-designed programme in which all members participate willingly. Credit, rather micro-credit, is the prime need of the people in the present times for the people of limited means. Millions of poor people have used micro-credit to fund a new tool, a machine, or a shop in the marketplace, with surprising success. Studies in India, Kenya and the Philippines found that the average annual return on investments by micro-businesses ranged from 117 to 850%. People suffer from lack of capital. Poor people have no money to get started, or have to borrow from loan sharks who charge exhorbitant rates. The 'Pinili' is a source of strength for the community in New Lucena. It does not give high value loans.

The 'Pinili' not only lends money to the members but also offers various services and products through a multi-products shop [handling pharmaceutical products, nourishment supplements, baby food, household consumer goods, school supplies etc.] which is located in the municipal market right in the heart of the town and which is frequented by the people on all working days. The Cooperative enjoys full support of the New Lucena Municipality authorities in all its social and economic programmes – which is the result of a harmonious relationship established by the functionaries of the Cooperative. The PDC accepts deposits at the rate of 5-6% per annum and lends at the rate of 20-24% per annum. No deposits are accepted from non-members. No loans are given to non-members.

**Member Awareness Programmes:** In order to encourage members to appreciate and make use of the services, the Cooperative carries out an intensive and more regular programme of member education for which special financial provisions are made in its budget. The objectives and functions of this programme are: Holding pre-membership education seminars; Members re-orientation seminars; Identification and conduct of training needs of officers and members with a view to make all members aware of the real meaning of Cooperation and the Cooperative Principles and to make members adept and articulate on Cooperative Movement of the country. It sponsors its employees for participation in refresher and on-the-job training programmes which are offered by various cooperative development institutions. Employees and Board/Committee members are encouraged to update their knowledge on cooperative practices from time to time. The leaders and employees are often seconded to participate in programmes offered by the Regional Cooperative Development Council of Iloilo Province. They are also sent on study visits to successful cooperatives.

The success and popularity of the Cooperative can be gauged from various angles: participation of members in General Assembly meetings [almost 90%], Education Committee classes [almost 80-85% participation], social events [90-95% participation] and visits to Cooperative's multi-product shop. Members are kept informed through an in-house newsletter about the activities; annual and Audit Reports together with the Agenda Notes and Meeting Notices and sent to members ahead of time of meetings; Members ask questions and make valuable suggestions during the Members General Assembly meetings; Members are advised how to file loan applications; Cooperative leadership makes regular contacts with the members at their homes and workplaces; Members are encouraged to make suggestions to improve services etc.

**Role of PDC Leadership:** Twenty-seven [27] members of the Cooperative have served on the Board of Directors from time to time. A list of persons who had been the members since 1993 and served on the PDC Board is given below:

Sr. No.	Name	Times Served	Remarks
<b>Board Members</b>			
01	Rufo Somblingo	12	1993-2008
02	Jocelyn Espia	10	Current Chairman [1993-1998, 1999-2003, 2005-2008]
03	Edmundo Zabal	10	1996-2000, 2002-2008
04	Angeles Marfita	09	1998-2003, 2004-2008
05	Ms Luisa Armentia	06	2000-2006
06	Clodualdo Parreno	05	2002-2004, 2005-2008
07	Ma. Nela Fernandez	05	2003-2008
08	Felix de Ramos	04	1993-1999

09	Penuel Macaya	04	1996-2000
10	Inocencia Soldevilla	04	1996-2000
11	Edmundo Zabal	10	1996-2000, 2002-2008
12	Lourdes Marañon	02	1996-1998
13	Elisa Espinosa	02	1997-1999
14	Arlene Emboltura	01	1998-1999
15	Angeles Marfito	09	1998-2003, 2004-2008
16	Margarita Sinoy	02	1999-2001
17	Celina Hembra	02	2000-2002
18	Buen Mondejar	01	2000-2001
19	Levi Meneleo Lorea	02	2000-2002
20	Ma. Luisa Armentia	06	2000-2006
21	Clodualdo Parreño	05	2002-2004, 2005-2008
22	Bienvenida Suyo	03	2002-2005
23	Susana Grio	02	2003-2005
24	Ma. Nela Fernandez	05	2003-2008
25	Ma. Cristina Realá	02	2006-2008
26	Isabelo Acollador	02	2006-2008
27	Thelma Lorea	01	2008
<b>Managers</b>			
01	Jorge Sombilla	03	
02	Arlene Emboltura	01	
03	Teresita Arancillo	05	
04	Wilfredo Labaro	-	2003-Until present

The Board converts the Members General Meeting policies into implementable plans of action. The Board members are well-aware of the needs of the area and are acquainted with the individual members and their households. The present Board of Directors consists of the following: Ms Jocelyn P. Espia, Chairman; Rufo Somblino, Vice Chairman; Members of the Board; Isabelo Acollador, Angeles Marfito, Ma. Nela Fernandez, Thelma Lorea and Dr. Ma. Cristina Realá.

The moving spirit behind the popularity and success of the Cooperative can be attributed to the hard and dedicated work being done by its current Chairman [since 2000], **Ms Jocelyn ESPIA**, who has been associated with the Cooperative since its inception. She is a full-time employee of the New Lucena Municipality where she works as Municipality Agriculturist. While still a Board member, she had participated in the 12th ICA-Japan Management Programme, an international training programme of 6-months duration during 1997-98 which was conducted by the International Cooperative Alliance Regional Office for Asia-Pacific [ICA ROAP], in India, the Philippines and Japan. The training programme laid emphasis on the techniques of management of agricultural cooperatives. The programme enabled her to study the working of a large variety of cooperative institutions in Japan and India. At the invitation of the Rural Development and Management Centre-India she had also participated in a FAO-sponsored ASEAN regional orientation workshop on Case Writing held in Bangkok, Thailand, in February 2008.

The experience of successful cooperatives, whether small or large, has demonstrated the crucial role of an effective leadership. Leadership is desperately needed to build up a cooperative with a strong culture, whose individual members adhere to common values and work together as a coherent team in pursuing common goals and objectives. An effective and natural leader should be able to motivate and stimulate all the sectors in a cooperative towards superior performance, excellent service quality, and sustained loyalty and support of members. Without leadership, a cooperative is bound to operate below its potential, and go out of business and collapse sooner or later. From the theoretical perspective as well as practical, the biggest single factor responsible for the success of cooperatives is strong membership support. An association must have the unqualified loyalty and support of its members; otherwise it is doomed to fail.

**Success Factors of the PDC:** A large number of studies carried out on the success factors of cooperative institutions came to a unanimous conclusion that if elements of possible failures are eliminated, the cooperative can serve its members well. These failure factors enumerated by the studies included: lack of capital; inadequate volume of business; lack of loyal membership support; vested interest and corruption among cooperative leaders; weak leadership and mismanagement; and, lack of government support.

During the 16 years of its existence, the PDC, has, however, never experienced any situation which could stop it from gaining success heights. According to Chairman, Jocelyn Espia, the consistency in PDC successful operations can be summed up in one sentence: *'Democratic management and active member participation'*. She elaborated the success factors in the following phrases:

- Faith in Cooperative Philosophy;
- Efficient Delivery of Services;
- Active Participation of Members;
- Regular Meetings;
- Self-generated Funds;
- Harmonious Relationship with Government;
- Cordial and Active Coop-Member relationship;
- Continuous Member Education Programmes.

Self-generated funds for credit business have been the most rewarding experience because the PDC had never to knock on the doors of any financing institution or donors. The Cooperative succeeded in maintaining cordial and most harmonious relations not only with the local government but also with the community leaders.

The credibility and goodwill of the PDC is high in the Iloilo Province. It invites well-known experts, researchers and outstanding managers to its meetings and on special occasions to deliver talks and share experiences with the local cooperative leaders. To observe the 16th Foundation Day held at New Lucena on September 20, 2008, Dr Daman Prakash, Director, Rural Development and Management Centre and former Director, ICA ROAP, New Delhi, India, was invited by PDC Chairman as a Chief Guest.

Based on its extra-ordinary and sustained success the PDC has been given awards of excellence by various institutions e.g., Cooperative Development Authority, Provincial Cooperative Development Office of Iloilo, Regional Cooperative Development Council, Western Visayas Chamber of Cooperatives, New Lucena Municipality etc. The awards are based on these criteria: Organisation and management [30%], Business aspects – user satisfaction level [40%]; Social impact and responsibility [30%]. The awardee-cooperative is

given a "Certificate of Appreciation" as well as a cash prize. The awards are a recognition of credibility, efficiency and goodwill of the institution.

**Problems and Future Plans:** Success of a cooperative depends on harmony, interaction, mutual understanding and not conflict. It is a wrong notion that governments are the enemies of cooperatives. The government provides a legal framework for the cooperative, and cooperatives are expected to operate within that frame. Cooperatives are, however, not charity institutions. These are members' own business houses and all services are to be paid for.

Some of the *problems* faced by the Cooperative are: limited workplace for its affairs; inadequate capacity building opportunities; inadequate funds for expansion of credit operations; and, limited management and support personnel. These are planned to be solved in the near future. *Future plans* of the Cooperative, besides strengthening the existing services, are: Opening of more income-generating projects such as agricultural products store, rice/paddy trading, rent-to-own, restaurant, local transport service, consumer store, medical consultation services etc.

### **An Overview of the Cooperative Movement**

The history of the Cooperative Movement in the Philippines can be divided into three stages: 1895-1941 introduction of Raiffeisen-type agri-based cooperatives by American missionaries and teachers which featured the principles of self-help and self-reliance; 1941-1986 post-Second War rehabilitation efforts, introduction of non-agricultural cooperatives, and politicization of the Cooperative Movement; and 1986 onwards saw the emergence of the Cooperative Movement as a potent political force as it allies with the NGOs and trade union movements in pursuit of empowerment and strengthening of civil society sector. The Pinili Development Cooperative is the product of this phase.

The Philippines with a population of nearly 90 million has 42,000 registered cooperatives with over 7 million members. Major sectors in which cooperatives are involved are: Paddy, Sugar, Forestry, Fisheries, Tobacco, Horticulture and Livestock. Credit cooperatives are a significant component of the Movement.

The Code of Cooperatives [RA-6938] of 1990 freed cooperatives from government control. The Cooperative Development Authority [CDA] is the nodal agency to promote and guide cooperatives. Other organisations dealing with cooperatives are: Cooperative Union of the Philippines, National Confederation of Cooperatives, Philippines Cooperative Centre, and the Agricultural Credit and Cooperative Institute of the University of the Philippines. Being autonomous, cooperatives do not get any patronage from the government. There is no specific cooperative financing institution in the country.

### **Conclusion**

The 1,600 member-strong Pinili Development Cooperative, established in 1993, is an exceptionally strong, self-sustaining, vibrant and successful institution which is run and operated by a democratically elected 7-member Board of Directors and without depending upon external borrowings. The Members General Assembly, the supreme policy and decision-making body elects five other 3-member committees to look after audit, elections, credit, education and conciliation activities. All committees are answerable to the General Meeting. The Board appoints a General Manager who looks after the day-to-day activities and advises the Board on various business and organizational matters.



The Cooperative owns assets worth 28 million Pesos. It engages 17 paid employees and operates a multi-product shop in the heart of the city of New Lucena. Some of the success factors of the Cooperative, among others, are: Faith in Cooperative Philosophy; Efficient delivery of Services; Active Participation of Members; Regular Meetings; Self-generated Funds; Harmonious relationship with Government; Cordial and active Coop-Member relationship; and Continuous member education programmes. It is the only Cooperative which offers multipurpose loans. Chairman Espia says: 'Institutions like the PDC are the only remaining alternative vehicles for the poor to fight poverty that helps alleviate their social and economic conditions. Gains from interest earned are employed in strengthening current services and improving the capacity of our staff. Making profit is not our only aim.'

It is well-understood by the members that Cooperatives are community enterprises - cooperatives keep economic benefits within a community; Cooperatives promote democracy - cooperative members own their business, they provide capital, elect a board, receive the benefits, and patronage refunds are based on use; Cooperatives build open markets - cooperatives spread economic power and encourage competition, help drive down unfair prices; Cooperatives raise human dignity - cooperatives help people escape poverty, empower individuals by letting them participate in decision-making; Cooperatives are systems for development - local cooperatives benefit from larger business volume, operating efficiency and professional management. Realising its social responsibilities, the PDC participates in several social development programmes implemented in the county together with the New Lucena Municipality and other governmental and non-governmental organisations.

The PDC was selected in 2008 as the Most Outstanding Cooperative from among all cooperatives in Iloilo Province. It enjoys a comfortable credibility and respect within the Iloilo Provincial Cooperative Movement. The Pinili Development Cooperative, because of its performance and user-satisfaction point of view, is worthy of qualification as nation's best multipurpose credit cooperative. It is regarded even now as the "Shining Star" of the Credit Cooperative Movement of the Philippines.

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*Dr Daman Prakash is the Director of the Rural Development and Management Centre, New Delhi, India; Since 2003 Senior Consultant of the IFFCO Foundation, a public trust promoted by the Indian Farmers' Fertiliser Cooperative Limited, world's major producer of urea and DAP. Dr Prakash served the International Cooperative Alliance Regional Office for Asia and the Pacific [ICA ROAP] since 1962 in various capacities and retired from there as Director. He had served in Indonesia as Chief Technical Advisor of the ILO/UNDP Projects on Rural Cooperatives [KUD] Management Development, Training and Education [1981-88], and later, as Senior Consultant to the JA-Zenchi-Japan/JICA Study Mission on Development of Rural Cooperatives in Indonesia [1996-98]. He had also served in Sri Lanka as Senior Consultant to the ICA/SCC-Sweden Cooperative Teachers' Training Project [1978-81]. He has been a Senior Consultant on Japanese Survey Missions in Cambodia, Indonesia, Laos, Mongolia and Uzbekistan. Also works as Consultant and Resource Person to the Food and Agriculture Organisation [FAO], Network for the Development of Agriculture Cooperatives in Asia [NEDAC/FAO], UN/ESCAP, MAAF-Japan, Asian Productivity Organisation [APO] etc. He can be reached at: <damanprakash@yahoo.co.in>.*