

## Members' loyalty and participation: Their impacts on the cooperative governance in Samarica, Occidental Mindoro

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### **Abstract**

This study aimed to identify the determinants of members' loyalty and to test the influence among members' participation, members' loyalty and cooperative governance in San Jose, Magsaysay, Rizal and Calintaan (SAMARICA) of Occidental Mindoro. The researcher used mixed sequential exploratory method and it employed statistical treatment such as Thematic analysis, Structural Equation Modeling (SEM) and Confirmatory factor analysis. The data were drawn from 287 respondents of members of cooperative in selected 10 multi-purpose of cooperatives in SAMARICA area. This study found out that ethical values and duties and responsibilities of the members are the indicators of members' loyalty. The study also found out that members' loyalty has a moderate positive effect to the cooperative governance; members' loyalty has a moderate effect to the members' participation and members' participation slightly affects the cooperative governance. Based on the findings, the study concludes that the more loyal the members are, the more they can evaluate and see the performance of the BODs and the more they can participate in the activities of cooperatives. Therefore, this study recommended to the BODs to give more appreciation to those who are loyal members and make a meaningful reason on why the members need to participate in different activities of cooperatives. Also, it is relevant for the BODs and managers of cooperative to broaden their knowledge on how to manage, lead, decide and do their duties and responsibilities to retain their members and to establish proper governance system that would help the cooperatives to attain its goals and objectives.

**Keywords:** member's loyalty, member's participation, cooperative governance, structural equation modeling, thematic analysis

## **Members' loyalty and participation: Their impacts on the cooperative governance in Samarica, Occidental Mindoro**

### **1. Introduction**

An act amending the Cooperative Code of the Philippines was signed on February 17, 2009, by President Arroyo, to be known as the Philippine Cooperative Code of 2008 or Republic Act No. 9520. The act stated that every cooperative shall conduct its affairs in accordance with Filipino culture, good values, and experience. Since 1884, many types of cooperatives have been established worldwide to meet their members' common economic, social, and cultural needs. The progress of the Cooperative Code and the establishment of the Cooperative Development Authority depends on the number of registered cooperatives in the country. Approximately 94% of cooperatives in the Philippines are multi-purpose cooperatives that perform two main and integrated tasks, namely, financing and marketing (Perilla, et al., 2013).

The Philippine Cooperative Code of 2008 defines cooperatives "as autonomous and duly registered association of persons with a common bond of interest" and having a common goal joining together for the achievement of their social, economic, and cultural needs by making equitable contributions, patronizing their own products and services, and accepting a fair share of risks and benefits. Competition is not the only basis of threats in the success of the cooperatives but also it depends on the overall performance of the cooperatives in terms of their actions and programs implemented by considering values practice in day-to-day operations (Davis, 2013), marketing performance (Amene, 2017), financial performance and cooperative governance. Furthermore, Mahazril, et al. (2015) suggested that the aspects of corporate governance can also affect the performance of the cooperatives.

Presently, one of the principal challenges which the Philippine Cooperatives is facing is establishing proper governance system. The issue of corporate governance of cooperative has become an increasing interest to the cooperatives all over the world, as it is one of the weakest areas in the industry (Ngugi, 2014). Governance problems that plague co-operatives also account for their poor reputation and neglect by policymakers. Among the most significant governance problems that participants identified are those of confusion on the role and mission of cooperative, weak oversight and control mechanisms, and lack of clear rules on how to adapt strategic objectives (Capaul & Fremond, 2002).

CDA mentioned some of the problems encountered by different cooperatives, such as: no formal strategic planning and management processes, no clear understanding of the actual duties, responsibilities, accountabilities, and liabilities of the board of directors as body and as individual directors; knowledge, experience and training of directors are not business related, no free exchange of ideas and opinions and too many meetings and discussions without anything getting resolved. These problems according to Spear, et al., (2013), belong to the issues of cooperative governance.

Good governance can improve the performance of the cooperatives and help assure its long-term survival. However, the cooperative faced many problems and challenges that needed to be addressed by the cooperative themselves and the government. For many years, the issues, such as lack of cooperation among the members of cooperatives, lack of cooperation between cooperatives in the field of business, training, education and facilitating services, lack of managerial talent and lack of integrity among the management and the members in some cooperatives are contributing to the inefficient performance of cooperatives (Deriada, 2014). It is believed that the main cause of those issues is due to absence of practicing good cooperative governance that may affect the stability, growth, and development of cooperative movement (Mohamad et al., 2013).

A good cooperative governance practice should be based on the performance of their members in terms of their loyalty and participation in the activities of cooperatives (Shaw, 2015). To lessen the said issue, Keping (2018)

added that the management and the board of directors need to get the attention of their members to participate in the different activities of the cooperatives. He also added that through the loyalty and active participation of the members, the cooperative will continue to practice their good cooperative governance that will bring them success. Therefore, the purpose of the study is to help the cooperatives build good relationships among the board of directors, management, and the cooperative members through which the objectives are decided and the means for achieving them, and monitoring performance are determined. Also, this study will help the management of cooperatives to have a clear understanding of planning and decision-making that are needed to sustain the good governance of cooperative.

Cooperatives in SAMARICA district are active in different industries. Service-providers and production-based operations exist and continue to grow with economic growth of the province. Although growth in the number of cooperatives is becoming noticeable, the mortality of cooperatives is also a concern. As of the statistics of the Cooperative Development Authority in 2016, there are 10 medium-sized cooperatives, 25 small-sized cooperatives, 16 micro-sized cooperatives and 1 large-sized cooperative operating in SAMARICA area but not necessarily originating from the district. The large-sized is based in Semirara Island and only extends its operations in SAMARICA. Most of the numbers above are under the type of multi-purpose cooperatives. Multi-purpose cooperatives are the largest in the population even in the whole region. Some of them started in agricultural operations and later diversified their operations through serving more than one agricultural product and additional services, most common additional service offered is the lending or credit to its members.

### *1.1 Statement of the Problem*

The aim of the study is to identify the determinants of members' loyalty in cooperative activities and to test the influence among member's loyalty, member's participation and cooperative governance in San Jose, Magsaysay, Rizal and Calintaan Area. Specifically, the researcher sought to answer the following questions: (1) What are the determinants of members' loyalty in cooperative activities? (2) What is the general extent of cooperative members' characteristics in their: Loyalty, Participation and Cooperative Governance? (3) What characterizes cooperative governance in terms of Management Skills, Leadership Skills, Duties and Responsibilities, and Decision-making Skills? (4) Does the members' loyalty directly affect the cooperative governance? (5) Does the members' loyalty directly affect the members' participation in cooperatives? (6) Does the members' participation directly affect the cooperative governance?

### *1.2 Significance of the Study*

The researcher believes that the result of the study provides a basis for the stakeholders that they can use to ensure the success of the cooperatives. Therefore, this study can give benefits to the following primary and secondary stakeholders of the cooperatives: The results of the study can help the BODs and management in making economic decisions for the success of cooperative performances. It also provides information for them to have more insights about the constraints and opportunities of the members to actively participate in cooperatives. This study may also help the cooperatives to have a clear understanding of their actual duties, responsibilities and decision-making which are needed to sustain their successful operation.

This study may be found useful by concerned government agencies such as Department of Trade and Industry, Cooperative Development Authority and Bureau of Internal Revenue in formulating better and more appropriate regulatory measures in the formation of cooperatives and in monitoring its operation. The result of the study may be found useful by the members of cooperatives. It will help them understand the purpose of cooperatives, their obligations and rights and be aware of their duties and responsibilities as members for the success of cooperatives. The outcomes of the study may guide interested members in joining the cooperatives. Potential members and investors will be interested in wise good investment ideas. This study will help them to understand and evaluate the pros and cons of cooperatives. The result of the study may provide opportunities to business professionals to be open to the study of cooperatives and they can make techniques that can be applicable to their area of expertise.

The result of the study can be a reference for future researchers who want to pursue similar undertaking.

### *1.3 Scope and Delimitation of the Study*

This study focuses on identifying the determinants of members' loyalty in cooperative activities and on testing the role of members' participation in the relationship between members' loyalty and cooperative governance in SAMARICA area. Further, it was subjected only to the following limitations: First, the respondents of this study are limited to the regular members of cooperatives. Second, the type of cooperative included in the study is the multi-purpose cooperatives in SAMARICA area. This study utilized ten (10) multi-purpose cooperatives in SAMARICA area. Four (4) cooperatives in San Jose, two (2) cooperatives in Magsaysay, two (2) cooperatives in Rizal and two (2) cooperatives in Calintaan. Third, the study was limited to the cooperatives which have been operating for at least three years, duly registered in the Cooperative Development Authority and had received a certificate of good standing issued by the Cooperative Development Authority. A certificate of good standing is given to a cooperative that has complied with all the necessary reporting requirements enumerate the limitation encountered in the study was the rejection of some prospective respondents to participate in the study. However, the researcher did her best to cover the reasonable scope to improve the study.

## **2. Methodology**

**Research Design** - Mixed sequential exploratory research method was applied in this study. It is the combination of qualitative and quantitative research methods. Qualitative research method was used to identify the determinants of members' loyalty; however, quantitative method was used to test the relationship among members' participation, members' loyalty, and cooperative governance. The qualitative data is collected first, followed by collection and analysis of quantitative data. The purpose of this design is to develop an instrument, to develop a classification for testing or to identify variables (Berman, 2017). The qualitative research method was done through key informant interview, while quantitative research method was done through survey questionnaire.

**Sampling Procedure** - The proponent of this study requested the assistance of the Cooperative Development Authority (CDA) provincial officer and All for 1 federation of cooperatives to provide the list of cooperatives in SAMARICA area, operating for at least three (3) years and with good standing issued by CDA and has a record of full compliance. There are 36 cooperatives in the list of CDA. The study purposively selected ten (10) multi-purpose cooperatives from the list of CDA. A letter of request was sent to the 10 selected cooperatives to have the list of their members including the address. The study asked the help of 10 multi-purpose cooperatives for endorsement to the potential respondents.

**Respondents of the Study** - For qualitative research method, the respondents of the study were randomly chosen twenty (20) regular members of the selected cooperatives who were not included in the final administration of the questionnaire and for quantitative research method, the researcher got the sample size from the selected cooperatives. To identify the respondents from cooperatives, the proponent sent a request letter to the CDA Cooperative specialist to identify the cooperatives which possess the following characteristics: (1) operating for at least three or more years; (2) has a certificate of good standing issued by the CDA; and (3) has a record of full compliance. The proponent also sent request letters to the selected multi-purpose cooperatives for the list and background of their members. The type of cooperative included in the study is a multi-purpose one. The number of members of multi-purpose cooperatives ranged from 50 to more than 500. The length of existence is from three (3) years to 17 years. Out of 1,122 total members in SAMARICA Area, the sample size was 287. The sample size was taken from RAOSOFT with 5% margin of error and 95% confidence level.

The demographic profile of the two hundred eighty-seven (287) respondents who were members of various cooperative. Majority of them or one hundred forty-seven (147 or 51.52%) were five years or less members of the cooperative. Among these respondents, more than half or one hundred sixty-seven (167 or 58.2%) were female and one hundred fifty-five (155 or 54%) respondents are in the range of 42 or more years of age. Most of them or

two hundred seventeen (217 or 75.6%) were married and they were one hundred eighty respondents who were college graduate but only ninety-eight (98 or 34.1%) were employed.

**Research Instrument** - The data for the study was obtained from an interview guide and a self-constructed questionnaire and it is the main research instrument for the gathering of data. A set of research question consists of three (3) parts: Part I consists of demographic profile of the respondents in terms of name and location of cooperative, age, gender, educational background, occupation/source of income, marital status, and years of membership in cooperatives. Part II is for qualitative research method which consists of 3 items interview guide for identifying the determinants of members' loyalty. Part III is for quantitative research method consists of the questionnaire which dealt with the respondents' loyalty, participation, and their perception about the cooperative governance.

To validate the questionnaire, the researcher sought the help of six graduate school faculty for the content validity index. The comments and suggestions given by the experts were considered for the finalization of the questionnaire. The researcher-made instrument was tried out once to thirty-eight (38) respondents who were not included in the final administration of the questionnaire. The instrument underwent a pilot test and the computed Cronbach's alpha value of 0.875 for ethical value and 0.805 for duties and responsibilities which denoted a good and for member's participation having the Cronbach's alpha value of 0.745 which denotes an acceptable reliability of the instrument. Furthermore, under cooperative governance, Cronbach's alpha value for Management Skills (0.876), Leadership Skills (0.823), Duties and Responsibilities (0.875) and Decision-making skills (0.855) denoted a good based on the rule of thumb.

**Data Gathering Procedure** - Before gathering of data, permission to conduct a study to test the influence among members' participation, members' loyalty and cooperative governance was given first by Cooperative Development Authority for the list of cooperatives as respondents of the study. The researcher purposively selected ten (10) multi-purpose cooperatives. Request letters to conduct the study were approved by the adviser and endorsed by the selected cooperatives. The name and address of the members were requested from selected cooperatives. The researcher requested the managers of cooperatives to endorse her good character and intention to their members. The researcher was conducted an interview to the randomly selected 20 members of cooperative who were not included in the final administration of the study. The researcher analyzes the interview results and develop the thematic map for the finalization of the interview result. The researcher distributed and retrieved the validated questionnaires. A schedule for the date of distribution and retrieval of the questionnaire was discussed and set on mutually agreed date with the members of cooperatives. The questionnaires were administered personally by the researcher to ensure the accuracy and confidentiality of the results.

**Statistical Tools Used** - Thematic analysis was used for qualitative method to identify the determinants of members' loyalty in the activities of cooperatives. Furthermore, Structural equation modeling using the software WARP PLS version 5.0 was used for quantitative research method. A Warp partial least square-structural equation modeling (PLS-SEM) software was used for the analysis of collected data. It is one of the powerful software for data analysis and has an advantage of providing p values based on the structure of the research model (Roldan & Sánchez-Franco, 2012). Structural equation modeling is a statistical analysis technique used to analyze structural relationships. This technique is the combination of factor analysis and multiple regression analysis, and it is used to analyze the structural relationship between measured variables to test the role of members' participation in the relationship between members' loyalty and cooperative governance.

Confirmatory factor analysis is a type of structural equation modeling deals specifically with measurement models, that is, the relationships between observed measures or indicators and latent variables or factors. It indicates that, if the beta coefficient in confirmatory factor analysis is less than 0.70 it means that the constructs are the least indicators of the variables, however if the beta coefficient is greater than 0.70 it means that the constructs are significant, high and strong indicators of the variables. It also allows the researcher to test the hypothesis and relies on several statistical test to determine the adequacy of model fit to the data (Brown & Moore,

### 3. Results and Discussion

The result also tested and supported using the quantitative method design and got an overall mean rating of 6.92 interpreted as a very high extent of showing their ethical values and doing their duties and responsibilities as a sign of their loyalty.

**Table 1**

*Confirmatory factor analysis and Determinants of Cooperative Members' Loyalty Dimensions (n=287)*

	<b>Ethical Values</b>	<b>MEAN</b>	<b>β</b>	<b>I</b>
1.	I respect the management of my cooperative.	6.96	0.426	VHE
2.	I refrain from showing untoward behavior that will lead for cooperative to fail	6.92	0.748	VHE
3.	I feel good about my relationship with the cooperative and my co-member.	6.89	0.775	VHE
4.	I show honesty in my cooperative.	6.94	0.680	VHE
5.	I care for my cooperative's incoming challenges.	6.85	0.844	VHE
6.	I am afraid to do any bad actions that will affect my cooperative.	6.92	0.744	VHE
7.	I trust my cooperative.	6.93	0.376	VHE
<b>Duties and Responsibilities</b>				
1.	I follow the rules and policies set by cooperative.	6.90	0.799	VHE
2.	I follow the vision, mission, and goals of my cooperative with all my heart.	6.90	0.767	VHE
3.	I give feedbacks and suggestions in the activities of cooperative.	6.73	0.633	VHE
4.	I am aware of my financial obligations.	6.92	0.437	VHE
5.	I support the existing and new activities of my cooperative.	6.87	0.583	VHE
6.	I contribute my capital share regularly.	6.85	0.638	VHE
7.	I recommend my cooperative to others who want to be a cooperative member	6.76	0.642	VHE
<b>OVERALL MEAN</b>		<b>6.92</b>		<b>VHE</b>

*Legend: 6.14 – 7.00 Very High Extent (VHE); 5.29 – 6.13 High Extent (HE); 4.43 – 5.28 Moderate Extent (ME); 3.57 – 4.42 No Extent (NE); 2.71 – 3.56 Fair Extent (FE); 1.86 – 2.70 Low Extent (Le); 1.00 – 1.85 Very Low Extent (VLE)*

Based on the thematic analysis result, this study revealed that the determinants of members' loyalty in cooperative activities consists of two dimensions, namely ethical values and duties and responsibilities. The result also tested and supported using the quantitative method design and got an overall mean rating of 6.92 interpreted as a very high extent of the determinants of members' loyalty. It implies that the ethical values and duties and responsibilities of the cooperative members are the indicators of the members' loyalty.

On the level of intensity, members who respect the management of their cooperative got the highest mean score of 6.96. Two items registered in number 3 and number 7 under the dimension of duties and responsibilities are quite noticeable having the only mean score below 6.77. Although this is the lowest mean score, this may also mean that based on the knowledge action level of the members of cooperative, they are fully aware of their duties and responsibilities. The members of cooperative in SAMARICA proved that they care for the cooperative's incoming challenges. This implies that they show their support to the cooperative especially in the incoming challenges as a member and as an owner of cooperative.

It is also worth noticing that "members show honesty in their cooperative and they trust their cooperative" received a very high extent or a mean score of 6.94 and 6.93 respectively, closely following the highest mean score. It implies that honesty among members and trust in their cooperatives will be considered as their characteristics as members' loyalty and it will help the cooperatives to establish proper governance system. This is supported also by the conclusion of Feng et al. (2015) that trust has been set up to be a significant factor in building and getting the loyalty of the members and preserving long term relationship with the members of cooperative. It was agreed

by Liang et al. (2017) that members who show honesty and who trusted their cooperatives will be considered as he/she is loyal to their members, and it will bring them to actively participate in activities of cooperatives.

A very high extent of the determinants of members' loyalty pertaining to cooperative activities indicating a high knowledge of action level of the members in doing their duties and responsibilities and showing their ethical values in the cooperative, in the management and in their co members were noted. This study is similar with the study conducted by Yacob et al. (2016) that the members show their loyalty in cooperative through following and doing their duties and responsibilities and it is also supported by Mwaura (2015) that members who are loyal in their cooperative need to show their respect in the management of cooperative as well as in their co members. All the items fall under the category of very high extent. If translated to knowledge of action levels, it can be perceived that the members of cooperative are knowledgeable about how they show their ethical values in the cooperative, in the management and in their co members and how they do and follow their duties and responsibilities as a member of cooperative. This implies that the main task of the cooperative members for them to consider as loyal member, is to show their ethical values and do their duties and responsibilities, wherein the loyal members are the ones who contributed in the establishing of good governance system of cooperatives (Mazzarol et al., 2011).

Table 1 also shows the dimensions of the cooperative members' loyalty. Confirmatory factor analysis results revealed how significant are the seven constructs of ethical values and duties and responsibilities as a good indicator of loyalty. The highest indicator of the cooperative member's loyalty is the care for the cooperative's incoming challenges ( $\beta=0.844$ ), under the ethical values dimension. Following the rules and policies set by cooperative ( $\beta=0.799$ ) is the second-best indicator of loyalty under the duties and responsibilities dimension. This study proved that members care for the cooperative's incoming challenges, and they follow the rules and policies set by cooperative. This is supported also by the study of Khadka and Maharjan (2017) that members should follow the rules and policies set by cooperative to show their loyalty. This study concludes that members are the foundation of the cooperative. This is supported by the conclusion of Perilla et al. (2013) that the needs of the members are the reason for the existence of cooperatives. The member's support, through patronage and capital investment keeps the cooperatives economically healthy.

The least indicators of loyalty are found in the ethical value dimension. They are "I trust my cooperative" ( $\beta=0.376$ ), followed by "I respect the management of my cooperative" ( $\beta=0.426$ ), another construct that is not a good indicator is "I am aware of my financial obligations" ( $\beta=0.437$ ), under the duties and responsibilities. The least indicator of members' loyalty states that the members trust their cooperative. The result is contradictory in the conclusion of Kyazze et al. (2017) that trust among their members is considered as key factor to secure the members' loyalty in cooperatives. They also concluded that trust is the key on the relationship between cooperative and its members. It means that the operations of the cooperatives are set to serve the customers' interest. Trust tends to be somewhat like a combination of the cooperative management and transparency. Trust is widely held to be a good thing that can have a positive impact on organizations in general and cooperative organization. Most cooperatives invest resources to support efforts, to retain and satisfy members, which include, among other things, building trust among membership and management team (Kyazze et al., 2017). This study implies that trust among members build depends on how the cooperatives show their good management and affection among their members.

**Table 2**

*Characteristics of the Cooperative Members in terms of Loyalty, Participation and Cooperative Governance*

Attribute	MEAN	Verbal Description
Loyalty	6.92	Very High Extent
Participation	6.93	Very High Extent
Governance	4.84	Very High Extent

Table 2 shows the general extent of cooperative members' characteristics in their loyalty, participation and cooperative governance. Members' loyalty got an overall mean of 6.93, Members' participation got 6.93 and Cooperative governance got an overall mean of 4.84 interpreted as very high extent.

All of the items fall under the category as very high extent. If translated to knowledge of action level, it can be perceived that the members of cooperatives show their loyalty in two dimensions, namely ethical values and duties and responsibilities. Also, the members' participation can be perceived that the members of cooperative are actively participating in the different activities of cooperative in different ways. Lastly, cooperative governance can be perceived in four dimensions, namely management skills, leadership skills, duties and responsibilities and decision-making of the board of directors. It implies that in general a very high extent among three variables means that the loyal the members are, the more they can participate in the cooperative activities and as a result they can evaluate and see the performance of the board of directors.

**Table 3**

*Confirmatory factor analysis and Characteristics of Members towards Cooperative Governance*

<b>Management Skills</b>	<b>MEAN</b>	<b><math>\beta</math></b>	<b>I</b>
1. I observe that the board of directors has the skill in planning of different activities that will contribute to the success of cooperative.	4.78	0.633	VHE
2. I observe that the board of directors can organize the cooperative activities effectively.	4.81	0.862	VHE
3. I observe that the board of directors has the skill in selecting the best officers and manager that will contribute to the success of cooperative.	4.80	0.866	VHE
4. I observe that the board of directors can direct the cooperative effectively.	4.83	0.857	VHE
5. I observe that the board of directors can monitor the activities of subordinates to assure conformity to plan of the cooperative.	4.82	0.842	VHE
<b>OVERALL MEAN</b>	<b>4.84</b>		<b>VHE</b>
<b>Leadership Skills</b>	<b>MEAN</b>	<b><math>\beta</math></b>	<b>I</b>
1. I see that the BOD can lead the cooperative according to the members' needs and demands.	<b>4.82</b>	0.833	VHE
2. I clearly observe that the manager leads his employees with all respect.	<b>4.80</b>	0.765	VHE
3. I observe that the BOD can motivate his members to cooperate in the activities of cooperative.	<b>4.82</b>	0.813	VHE
4. I observe the teamwork inside the coop as developed by the BOD and/or the manager.	<b>4.88</b>	0.713	VHE
<b>OVERALL MEAN</b>	<b>4.80</b>		<b>VHE</b>
<b>Duties and Responsibilities</b>	<b>MEAN</b>	<b><math>\beta</math></b>	<b>I</b>
1. I observe that the board of directors is regularly attending the meeting.	<b>4.76</b>	0.806	VHE
2. I know that the BOD set goals and formulate short-term plans for the success of cooperative.	<b>4.83</b>	0.805	VHE
3. I observe that the board of directors and/or the manager protects members' interests.	<b>4.80</b>	0.826	VHE
4. I observe that the board of directors and/or the manager protects the asset of the cooperative.	<b>4.83</b>	0.842	VHE
5. I observe that the manager and/or the management does its best to help the cooperative have smooth day to day operations.	<b>4.84</b>	0.855	VHE
<b>OVERALL MEAN</b>	<b>4.81</b>		<b>VHE</b>
<b>Decision Making</b>	<b>MEAN</b>	<b><math>\beta</math></b>	<b>I</b>
1. I see that the decision of the BOD is aligned to the coop's vision, mission, goals/objectives.	<b>4.83</b>	0.845	VHE
2. I observe that the decision of the board of directors depends on the needs of their members.	<b>4.79</b>	0.841	VHE
3. I observe that the BOD solicits information from their members before he finally decides.	<b>4.82</b>	0.866	VHE
4. I know that the BOD set criteria on how to decide properly for the success of cooperative.	<b>4.80</b>	0.752	VHE
5. I observe that the board of directors evaluates alternative solutions before he finally decides.	<b>4.85</b>	0.783	VHE
<b>OVERALL MEAN</b>	<b>4.85</b>		<b>VHE</b>

*Legend: 6.14 – 7.00 Very High Extent (VHE); 5.29 – 6.13 High Extent (HE); 4.43 – 5.28 Moderate Extent (ME); 3.57 – 4.42 No Extent (NE); 2.71 – 3.56 Fair Extent (FE) ; 1.86 – 2.70 Low Extent (Le); 1.00 – 1.85 Very Low Extent (VLE)*

Table 3 presents the characteristics of cooperative governance in terms of management skills with a mean score of 4.84 interpreted as very high extent. The highest mean of 4.83 interpreted as a very high extent states that the board of directors can direct the cooperative effectively as observed by the members of cooperative. The result is also similar in the study conducted by Karunakaran and Huka (2018) that the importance of management skills is reinforced by examining likely changes in human resource profession. They pointed out that directing is said to be the heart of management process of leading and motivating employees and officers to meet the cooperative's vision, mission, and objectives.

All the items fall under the category of a very high extent. If translated to the level of agreement of the members of cooperative, it can be perceived that the members of cooperatives strongly agree that the board of directors, has the ability to monitor the activities of subordinates to assure conformity to plan of cooperative, has the ability to organize the cooperative activities effectively, has the skill in selecting the best officers and manager that will contribute to the success of cooperative and has the skill in planning of different activities that will contribute to the success of cooperation.

This is also supported by the conclusion of Dawson (2013) that the five main functions of management should be performed efficiently and effectively by the board of directors to bring them in a good cooperative governance that will help them to achieve its objectives. The study implies that the board of directors in SAMARICA area has the full capacity to manage the cooperative effectively and efficiently. Furthermore, table presents the characteristics of cooperative governance in terms of leadership skill with a mean score of 4.80, interpreted as a very high extent. The highest mean of 4.88 states that based on the observations of the members of cooperative, there are teamwork inside the cooperative as developed by the board of directors and/or the manager.

This is supported by the conclusion of Masango (2015) that one of the best characteristics of leader is to develop the teamwork inside the cooperative. Teamwork as explained by his study states that one of the qualities that managers try to instill in the people, they work with to ensure seamless and effective operations. It was also supported by Karunakaran and Huka (2018) that the manager should always maintain teamwork among their organization, in that way, they believed that the manager would exercise his/her leadership skills that will contribute to their good cooperative governance. They also added that leadership skill is an acquired talent that a person develops related to a specific task, which is like the result of the study.

All the items above fall under the category of a very high extent. It is translated that the members of cooperative strongly agree that they observed the manager and/or board of directors that has skill in leading their members and employees very well. It implies that the manager and/or the board of directors, can motivate his members to cooperate in the activities of cooperatives, can lead the cooperative according to the members' needs and demands, and leads his employees with all respect. It is also like the conclusion of Roberts and Rawson (2014) that leadership skills of the managers and/or board of directors enables effective operation and delivery of complex initiatives. They also point out that the good manager leads his/her employees with all respect and helping them rather than to push them.

Table 3 also shows the characteristics of cooperative governance in terms of duties and responsibilities with a mean score of 4.81 interpreted as a very high extent. The highest mean of 4.84 states that the manager and/or the management does its best to help the cooperative have smooth day to day operations. This is supported by the conclusion of USDA Rural Development as they enumerated the duties and responsibilities of the manager and/or the management and these are, he/she must be aware on what is happening inside the organization, and they need to do his/her best to maintain and control day to day operations.

All of the items above fall under the category of a very high extent. It is translated that the members of cooperative strongly agree that they observed the board of directors, the manager and the management do their duties and responsibilities very well. It implies that, the board of directors and/or the manager protects the asset of cooperative, the board of directors set goals and formulate short-term plans for the success of cooperative, the

board of directors and/or manager protects the asset of cooperative and the board of directors is regularly attending the meeting. This is supported in the conclusion of Adrian and Green (2013) that the board of directors and the managers together with the management need to perform their duties and responsibilities are assigned to them to achieve the cooperative's goals and objectives. The board comes together to set organizational objectives for upper-level managers, bears the responsibility for moving the organization in a productive direction, set goals and formulate short-term plans, protects the asset of cooperative and attend the general assembly meeting.

The characteristics of cooperative governance in terms of decision-making with an overall mean of 4.85 and interpreted as a very high extent. The highest mean of 4.85, as observed by the members of cooperative states that the board of directors evaluates alternative solutions before, he finally decides. This is supported by Sibertin-Blanc and Zaraté, (2015) that the board of directors needs to evaluate first the alternative solutions or the suggestions coming from their members before he finally decides. It shows that the board directors' decisions are aligned to the cooperative's vision, mission, goals and objectives, solicits information before he finally decides, set criteria on how to decide properly for the success of cooperative and decide depends on the needs of their members. In addition, the conclusion is also agreed by Condon, (1987) that members, boards, managers, and management of cooperative should always welcome each other opinions and decisions with all respect, for them to practice the good cooperative governance that will bring them to their success. It implies that the members of cooperative strongly agree that they observed the board of directors has the skill in deciding what is only needed by the cooperative and it is supported by Condon, (1987) that the level of information sharing between the members and the board are the most relevant respect to the nature of decision-making process in cooperatives.

Table 4 also shows the dimensions of the Cooperative governance namely, management skill, leadership skill, duties and responsibilities, and decision-making skill of the Board of Directors and/or the Manager and/or the Management. Confirmatory factor analysis results revealed that the four dimensions were good indicators with decision making skills and management skills having the strongest indicator effect, indicated by 0.876 and 0.872 respectively. It implies that the decision-making skills and management skills of the board of directors, observe by cooperative members have big impact on the establishing good governance of cooperative. This is supported in the conclusion of Sibertin-Blanc and Zaraté, (2015) that decision making is one of the important factors of cooperative governance and Roberts and Rawson (2014) revealed that management skills is key component in having good cooperative governance. According to Sibertin-Blanc and Zaraté, (2015), the participants in decision making process must exert their efforts and work towards a common goal and they must integrate multiple points of view which may not necessarily in the same place or the same time. The conclusion is like this study since it was proven and seen by the members of cooperative that the Board of Directors did their best and job to achieve the cooperative's goals and objectives.

The best indicator of the cooperative governance is that the member observed that the board of directors solicits information from their members before he finally decides ( $\beta=0.866$ ) under the decision-making skill and under management skill they observe that the board of directors has the skill in selecting the best officers and manager that will contribute to the success of cooperative ( $\beta=0.866$ ). Another good indicator of the cooperative governance is they observe that the board of directors can organize the cooperative activities effectively ( $\beta=0.862$ ), under the management skill.

While the two best indicators of cooperative governance are found in the management skill dimension, the least indicator is also under this dimension. The members of the cooperative observed that the board of directors has the skill in planning the different activities that will contribute to the success of cooperative ( $\beta=0.633$ ). The study is contradictory to the conclusion of Masango (2015) that planning in the part of board of directors is the key important aspect in the management skills of the BODs. This implies that the board of directors has the full capacity to manage and decide together with the suggestions of their officers and their members for the success of their cooperative.

**Table 4***Model Fit Indices*

Model Fit Indices	Model
Average path coefficient	0.379, P<0.001
Average R-squared (ARS)	0.302, P<0.001
Average adjusted R-squared (AARS)	0.298, P<0.001
Average block VIF (AVIF)	1.449, acceptable if < 5, ideally < 3.3
Average full collinearity VIF (AFVIF)	1.511, acceptable if < 5, ideally < 3.3
Sympson's paradox ratio	1.000, acceptable if > 0.7, ideally = 1
R-squared contribution ratio (RSCR)	1.000, acceptable if > 0.9, ideally = 1

To show the acceptability of the emerging model as compared to the hypothesized model, the table shows a list of model fit indices. The emerging model has an APC = .379, ARS = .302 and AARS = .298 which are all significant at .01 level and they indicate good model fit of the data. The said model also shows an acceptable AVIF = 1.449, AFVIF = 1.511 which is less than 5 indicates that there are no other latent variables that overlap in the meaning of the existing latent variables. Sympson's paradox ratio (SPR = 1.000) is greater than .70 indicates that there are no instances where path coefficient and correlation associated with a pair of linked variables having different signs. R-squared contribution ratio (RSCR = 1.000) is greater than .90 which indicates that there are no negative R-squared contributions in a model.

**Table 5***Path Coefficients and p-values*

Path	P-Effect	Effect Size	Interpretation
Members' Loyalty → Cooperative Governance	0.522<0.001	0.336	Large
Members' Loyalty → Members' Participation	0.395<0.001	0.156	Medium
Members' Participation → Cooperative Governance	0.219<0.001	0.112	Small

*\*\*0.02- small, 0.15 - medium, 0.30- large*

Table 5 shows the path coefficients and p-values of the study which were used to support the result on the emerging research model. This table corresponds to the inferential problems in the study. To test the influence among members' loyalty, members' participation and cooperative governance, the researcher examines the path coefficients (direct affects) and their probability values.

#### 4. Conclusions

Based on the findings, the following conclusions are drawn: This study concludes that the members of cooperative showed their ethical values in the cooperative, in the management and in their co members as sign of their loyalty. It was also concluded that, they also performed their duties and responsibilities in the cooperative activities very well as a sign of showing their loyalty to cooperatives. The study concluded that the highest indicators of members' loyalty are they care for the cooperative's incoming challenges, and they follow the rules and policies set by cooperative, however, the least indicators are; "I trust my cooperative", followed by "I respect the management of my cooperative" and last is "I am aware of my financial obligations" considered as not good indicator. The general extent of cooperative members' characteristics in terms of loyalty, participation, and cooperative governance. This study concludes that the loyalty of the members developed in two dimensions, namely, ethical values and duties and responsibilities. The study concluded that members avail loan from their cooperative to show their participation in cooperatives, while attending the meeting regularly is the least indicator

of cooperative members' participation. The four dimensions of cooperative governance namely: management skill, leadership skill, duties and responsibilities and decision-making skill of the board of directors concluded as the good indicators of cooperative governance. Furthermore, management skill and decision-making skill of the board of directors were having the strongest indicator effect.

Characterizes of the four dimensions of cooperative governance. This study concludes that management skills and decision-making skills of the board of directors are the strongest indicator of cooperative governance, while leadership skills is the least indicator. The best indicators of cooperative governance are found in the dimensions of management skills and decision-making skills of the board of directors; however, the least indicator was also found under the dimension of management skills. This study revealed that cooperative members' loyalty has a moderate positive effect to the cooperative governance. Therefore, hypothesis 1 must be rejected. This study concludes that the more loyal the members of cooperatives are, the more they can evaluate and see the performance of the cooperative's management, manager, and board of directors. It also revealed that the cooperative member's loyalty has a moderate effect to the participation of the cooperative members. Thus, hypothesis 2 must be rejected. This study also concludes that the more loyal the members of cooperatives are, the more that they actively participate in the activities of cooperatives. This study also revealed that members' participation slightly affects the cooperative governance. Therefore, hypothesis 3 must be rejected. The study concluded that the more active the members of cooperatives are, the more they can evaluate and see the performance of the board of directors and the less active the members of cooperatives are, the less they can evaluate and see the performance of board of directors.

## **5. Recommendations**

In relation to the conclusions derived from significant findings, the following recommendations are presented. Based on the knowledge of action level of the members of cooperative, the statement that "I am aware of my financial obligations" item number 4 under duties and responsibilities considered as not a good indicator of members' loyalty. The researcher recommends to the BODs for the additional seminar that will address the needs of the members of cooperative especially on their financial obligations that will give them clear understanding on how, when, and why they need to settle their financial obligations. The researcher encourages the BODs to evaluate the result of seminar from their members to know if they are already aware of their financial obligations and on their duties and responsibilities that they need to perform.

The least indicator of members' participation is "I attend the meeting regularly". The researcher recommends to the BODs that they need to provide meaningful agenda that will encourage the cooperative members to attend the general assembly meeting. The researcher also encourages the BODs to make policies and sanctions to those who were not able to attend the general assembly meeting, to avoid the poor attendance of the members in meeting and to build their participation in cooperative plans. The least indicator of cooperative governance is the leadership skills of the BODs and/or the managers. The researcher recommends to the BODs and/or managers to attend seminar and trainings that will help them build their leadership skills that will contribute to the success of their cooperative. Also, BODs need to focus on the cooperative members' needs and wants in planning of the different activities that will contribute to the success of cooperative. In this situation the BODs need to evaluate first and survey on what is needed in the cooperative, so that their members can easily observe that the board of directors can make a plan that is meaningful and useful for the success of cooperative.

The members' loyalty has a moderate positive effect to the cooperative governance. The researcher recommends to the BODs for them to maintain the good cooperative governance, they need to have and remain loyal member through, giving incentives to those members who have the highest capital share or top savers, showing respect among their members, touching the hearts and lives of their members, and welcoming them in all activities of cooperatives especially in decision making of cooperative plans presented in every general assembly.

The members' loyalty has a moderate effect to the participation of the cooperative members. The researcher recommends to the BODs to give more appreciation to those who are loyal members or the outstanding members,

because they are the ones who actively participating in the cooperative activities. The members' participation slightly affects the cooperative governance. The researcher recommends to the BODs to make a meaningful and useful reason on why the members need to participate in the different activities of cooperative. Also, BODs, need to give an early bird reward in every general assembly called for, and need to make sanctions for those who will not attending the general assembly to motivate the members to attend the meeting, because active members contribute to establishing good cooperative governance It is relevant for the BODs and managers to broaden their knowledge on how to manage, lead, decide and do their duties and responsibilities. Finding relevant education and training seminars for them would benefit the cooperative. Lastly, the researcher further suggests a focus study on the Internal Governance of cooperative.

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