

AN ANALYSIS OF THE GROWTH AND DEVELOPMENT OF THE  
PHILIPPINE NATIONAL COOPERATIVE BANK

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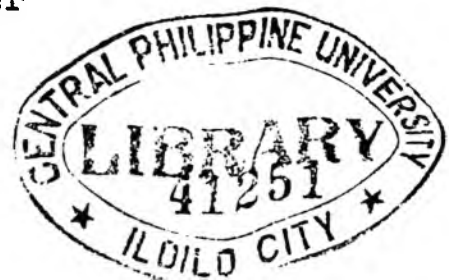
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by  
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AN ABSTRACT OF THE THESIS

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The most serious and pervasive problems of the Philippines since the last decade have been economic.

The aforementioned ills and depressing economic situations prompted the passage of Republic Act 2023, otherwise known as the Philippine Non-Agricultural Cooperative Act on June 22, 1957 and the establishment of the Philippine National Cooperative Bank on February 20, 1960.

After a decade, the Philippine economic setting has hardly changed. A reassessment of the growth and development of the Philippine National Cooperative Bank is, therefore, timely.

This study attempted to trace the growth and development of the Philippine National Cooperative Bank (PNCB). It was also the purpose of this study to find out how far the PNCB has achieved its objectives, in the opinion of the PNCB Board of Directors and of the PNCB Branch Managers. Different analyses were done to ascertain the need to amend, repeal or change the PNCB law; the percentage or average rate of growth or regression of the bank resources, loans and advances, investments, deposits, paid-in capital; results of operations; personnel and cooperative membership; management of the Filipino Retailers' Fund; trends as indicated by the records of the last nine years; bank policies or practices that should be retained or improved and those that should be discarded or changed; and the effect of the establishment of the PNCB on the cooperative movement.

The historical and descriptive methods were used. The subjects were the seven Branch Managers and thirteen Board of Directors of the PNCB.

The findings were:

1. For 1960 to 1968, the average rate of increase in resources was 30 per cent, which means that the rate of growth is not very encouraging.

2. The study of the loans and advances of the PNCRB revealed that for 1960 to 1968, the average rate of increase was 87 per cent.

3. For 1962 to 1968, the average rate of increase of investment was 32 per cent.

4. For 1960 to 1968, the average rate of increase in deposits was 547 per cent.

5. The average rate of increase of paid-in capital for 1960 to 1968 was 24 per cent.

6. The average rate of increase of loans of the Filipino Retailers' Fund for 1961 to 1968 was 38 per cent.

7. For 1961 to 1968, the average rate of increase of gross income was 61 per cent. The average rate of increase of operating expenses for 1961 to 1968 was 56 per cent.

8. The total personnel of the bank increased in 1961, 1962, 1963, and 1964. In 1965, 1966, 1967, and 1968 the total personnel decreased.

9. The average rate of increase of cooperative members for 1961 to 1964 was 15 per cent, while the average rate of increase for 1965 to 1968 was 6 per cent.

10. The analysis of the opinions and observations of the branch managers and board directors revealed the following:

a. Eleven of the thirteen board members believed that there are objectionable provisions in the PNCRB law that tend to hamper the operations of the bank. Ten members believed that the capitalization provision of the said law is hampering the operations of the bank. Five considered the CAO provision as objectionable. All of the board members were of the opinion that the Retailers' Loan Fund should not be abolished. They all suggested that the bank adopt strict collection policies and require additional securities before granting loans. All the thirteen members of the Board of Directors cited the following policies which did not contribute

to the growth of the bank: personnel policies, loan policies and managerial policies. They all suggested the following remedies: revamp of top offices, more government financing and borrowing, passing a law to compel cooperatives to use the facilities of the PNCB as a depository bank, and formulating of better loan and personnel policies.

b. Six of the seven PNCB branch managers believed that there are objectionable provisions in the PNCB law. All seven of the branch managers said their branches did not have enough capital resources. Also seven expressed the opinion that the Retailers' Loan Fund should not be scrapped though there had been losses in its management in the past years.

c. The majority of the PNCB branch managers expresses the opinion that the bank partially accomplished all of its eleven objectives.

The predominating opinion of the Board of Directors and the Branch Managers in regard to the accomplishment of PNCB Objectives is that the bank partially accomplished its objectives.

Under "fully accomplished" the members of the board of directors listed the objective "to discount bills and promissory notes issued and drawn by affiliated cooperative." Under "partially accomplished" they listed the objectives "to carry on banking and credit business for affiliated cooperatives" and "to issue drafts on demand to facilitate the activities of affiliated cooperatives." Under "failed" they listed the objectives "to issue debentures with the approval and under the conditions and guarantees to be prescribed by the government" and "to supervise the lending and collection of funds by the provincial cooperative banks."

Under "fully accomplished" the branch managers listed "to discount bills and promissory notes issued and drawn by affiliated cooperatives." Under "partially accomplished" they listed "to carry on banking and credit business for the affiliated cooperatives." Under "failed" they listed "to receive financial aid from the government," "to act as a balancing medium for the surplus funds of cooperatives and federations of cooperatives," "to supervise the lending and collection of funds by the provincial cooperative banks," and "to issue debentures with the approval and under the conditions and guarantees to be prescribed by the government."

d. The majority of the Board members and branch managers gave the following reasons why the PNCB objectives were only partially accomplished namely, lack of capital,

conflicting bank policies, mismanagement of bank resources, more employees than necessary, failure to compete successfully with other banks, lack of extensive advertisement.

e. The branch managers believed there are policies that do not contribute to the growth of their branches; namely, loan and personnel policies, policy on CAO, and obstructive managerial policies. They all suggested the following measures: (1) passage of a law compelling all cooperatives to use the bank as a depository bank, (2) revamp of top bank offices, (3) a more effective and aggressive management, (4) enhancement of employee's morale, and (5) certification of cooperative loans not exceeding five thousand pesos to be done only by the CAO provincial officials.

From the findings of this study, the following conclusions can be drawn:

1. The provision in PNCB law (R.A. 2023) that the PNCB should service only non-agricultural cooperatives is inimical to its growth and development. The PNCB management for example is continually hampered by this provision which limits the bank's operations to servicing only non-agricultural cooperatives and individual members.

2. The PNCB was a losing venture as shown by its decreasing resources, net income, and membership, especially in view of its increased operations cost and poor collection. The financial position of the PNCB for 1960 to 1968 showed a downward trend.

In the light of the above findings and conclusions the following recommendations are presented:

1. The government should release immediately the balance of the unpaid subscription of the national government amounting to ₱1,581,024. This amount would increase the capital resources of the bank.

2. There should be an extensive campaign by the bank personnel for a more effective collection of the bank's outstanding loans extended to affiliated cooperatives and individual clients.

3. The bank personnel should be carefully chosen by the personnel department.

4. Policies on loans should be reviewed by the Board of Directors.

5. The CAO should encourage the establishment of PNCB provincial cooperative banks as provided for in R. A. 2023 by converting the existing branches into independent primary units.

6. Cooperative and banking acumen should be developed among cooperatives and cooperators. Consequently, the government should withdraw its appointees and leave the cooperative bank in the hands of cooperative leaders.

7. The government should initiate moves to increase the bank's capital resources through legislation.

8. Extensive promotions should be authorized by the bank's Board of Directors.