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The Implementation of Working Capital Management among Cooperatives: A Case of Cooperatives in La Trinidad, Benguet, Philippines

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Abstract

Working capital management (WCM) is a core management function that should be fully implemented to ensure accuracy and adequate control of short-term assets and liabilities. This study aims to determine the level of implementation of working capital management among cooperatives. The study was conducted among cooperatives in La Trinidad, Benguet, Philippines. The study used a survey questionnaire using a 4-point Likert scale among 66 cooperatives. The result shows that the cooperatives almost implemented WCM indicating that they give importance to managing their current assets and liabilities. This implies that modern managers of cooperatives are concerned about their business flow and ensure that the resources entrusted to them by the members are properly managed. The cooperatives are models for good WCM practices wherein they ensure enough capacity and turnover of their current assets to pay their obligations on time. This gives a favorable prospect that cooperatives are continuously improving in business, and their leaders and managers are becoming proficient in business management.

Keywords: *Working capital management, cooperatives, current assets, current liabilities*

Introduction

Cooperatives have brought economic contributions and societal development. They have demonstrated self-reliance and solid social bonds to meet their members and non-member customers' needs. However, they are also confronted with demands and pressures brought by competitive environments. As they grow and operate in a larger arena, sophistication is expected in effectively implementing WCM. WCM is imperative in the success or failure of the cooperatives due to its direct effect on profitability and operating efficiency (Gatawa, 2022).

Moreover, cooperatives are confronted by fast-paced technological changes, cost pressures, growing financing requirements, and shifts in customer preferences due to complex global and local changes. Cooperatives strive for survival, and the implementation of working capital management (WCM) can also be complex. For instance, inventories and receivables may need to increase to support expanding sales. By doing this, internal funds may need to be more adequate, and external funding may be needed to meet operational requirements.

Like any other business, cooperatives need to implement WCM and upgrade the proficiency of their leaders and managers. WCM plays a significant role in the success or failure of any organization since it affects its liquidity, growth, and profitability (Gatawa, 2022). Implementing WCM allows the firm to generate cash and minimize its cost while ignoring it could negatively impact its liquidity risk and operating performance (Kroflin & Kratz, 2015). From a financial perspective, liquidity is about maintaining revolving cash in which inventories must be converted into cash to meet recurring expenses and repay their maturing debts. Cooperatives can also grow if they sell their inventories at reasonable markups. They can procure more inventories in the future (Mazreku et al., 2020). Profitability also goes with selling and restocking inventories. WCM also ensures the accuracy and control of current assets and liabilities (Bragg, 2012). By implementing WCM policies, the managers are guided, and an internal control can be implemented in every type of current asset and liability. Members will also have means of rechecking the activities of their leaders and managers to determine whether they are working in the best interest of the members.

The study intends to assess the WCM of cooperatives in the Philippines since the country views them as important institutions that can contribute to the economic growth of the citizens. Through its agency, the Cooperative Development Authority (CDA), the government encourages their creation since they are viable partners in bringing social and economic justice. As defined by law (e.g., RA 9520), cooperatives are recognized as autonomous institutions registered and created with a common bond of interest that voluntarily join to achieve their social, economic, and cultural needs and aspirations. To operate, they make equitable contributions to the capital required, patronizing their products and services and accepting a fair share of the risks and benefits of the business following the universally accepted principles of cooperatives. In as much as the Philippine government sees the importance of cooperatives, it is still necessary to ensure that cooperatives adopt appropriate WCM policies and procedures to realize the government's vision for them and, most importantly, to let cooperatives attain their collective aspirations.

There have been several changes in the Philippines as a response to shifting government policies, regional integrations, and expanding global business operations. Cooperatives in the Philippines are not exempt from its effect. They have to respond to stiff competition, modernization of technologies, innovations in global communication, and the need for complex knowledge to meet global requirements. Aside from this, liquidity is not guaranteed, and stakeholders are well-informed and sensitive to their self-interest. This now becomes a challenge among cooperatives since they have to implement WCM and, at the same time, consider stakeholders' interests.

Cooperative studies in the Philippines are limited. Studies are focused on their current and historical statuses. Additionally, this study utilized a survey method that directly assesses cooperatives' WCM compared to studies that utilized financial ratios generated from financial statements. Financial statements reflect the result of the management's activities, while the survey method allows us to understand daily internal information. Most often, information is only shared within the cooperatives, problems are resolved internally, and there are few reliable references that cooperatives can access to improve their business operation. This study considers the case of the Municipality of La Trinidad, Benguet, Philippines, because their developments and their growth in number are remarkable. Their lines of business are also noteworthy because they were established to address and support communal needs. They are engaged in financial intermediation, agriculture, horticulture, water refilling, organic farming, home-based bakery, transport, merchandising, manufacturing, utilities, services, and multi-purpose cooperatives. The municipal local government unit has provided avenues for some of these cooperatives, like putting up trading posts and marketing sites to help out cooperatives.

Although the research is limited to a municipality, the study can impact cooperatives globally. This paper aims to:

(1) Awaken the consciousness of managers on the importance of implementing WCM;

(2) Contribute to the attainment of the Philippine government's aspirations about cooperatives; and

(3) Determine the level of implementation of WCM among cooperatives that could influence not only those cooperatives involved in the study but also those cooperatives with similar situations regardless of their geographic areas.

To meet the aims of this paper, the study explores the implementation of WCM in terms of (1) current asset management along cash, receivables, and inventory; and (2) current liabilities management along accounts payable, trade payable, and short-term loans.

Review of Related Literature

Besley and Brigham (2013) claimed that working capital originated with the old Yankee peddler, who would load up his wagon with goods and then go off on his route to peddle his wares. The merchandise was called "working capital" because it was what he sold, or "turned over," to produce his profits. The wagon and horse were his fixed assets. He generally owned the horse and wagon, financed with "equity" capital. However, he borrowed funds through working capital loans to buy merchandise, which had to be repaid after each trip to demonstrate to the bank that the credit was sound. If the peddler could repay the loan, the bank would make another loan, and banks that followed this procedure were said to be employing sound banking practices.

In any organization, sound working capital management must be implemented. Working capital management involves the relationship between a firm's short-term assets and liabilities (Bragg, 2012). The basic goal of working capital management is to ensure that a firm can continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. Working capital management involves managing cash, inventories, accounts receivable, accounts payable, and short-term loans. Effective execution requires managing and coordinating several tasks within the company, including managing short-term investments, granting credit to customers and collecting on this credit, managing inventory, and managing payables (Gao & Wang, 2017). Also, effective working capital management requires reliable forecasts and current and accurate information on transactions and bank balances.

Bragg (2012) explained that working capital management involves the management of gross working capital and net working capital. Gross working capital refers to the cooperative's investment in current assets. Current assets can be converted into cash within an accounting year or an operating cycle. Examples of current assets are cash, accounts receivables, and inventories. Current liabilities are those claims of external creditors, which are expected to mature for payment within an accounting year, including accounts payable, utilities payable, and short-term loans payable. Net working capital, on the other hand, refers to the difference between current assets and current liabilities.

Considering their importance to society, cooperatives must implement sound working capital management to stay long in the business. The cooperatives are seen to be an important organization in the Philippines. It is democratically controlled and operated by its members, who benefit from it in proportion to their patronage of the cooperative's business. Members own the cooperative and have that voice over the operation of the business. The managers of cooperatives are accountable to their members. The members patronize their cooperative, expecting the managers to work well to meet their demand for goods and services. The managers must implement sound working capital management to attain the cooperative's purpose and objectives.

Working capital management in cooperative business is concerned with managing the current account, which encompasses current assets and liabilities management (Dayanandan, 2010). If the cooperative cannot maintain a satisfactory working capital level, it will likely be bankrupt. The current asset should be large enough to cover its current liabilities to maintain a reasonable margin of safety. Management of working capital is one of the most critical factors in the overall attainment of the goals and objectives of cooperatives.

Current asset management would include cash management. According to Brigham (2012), cash is the oil that lubricates the wheels of business. Machines grind to a halt without adequate oil, and a business with inadequate cash will do likewise. On the other hand, carrying cash is expensive; since it is a non-earning asset, a firm that holds cash beyond its minimum requirements is lowering its potential earnings. Thus, cash management aims to minimize the amount of cash held by the firm without adversely affecting its business activities.

Cash is one of the current assets of a business, and it is always needed to keep the business going (Kaur, 2012). A business should always keep sufficient cash to meet its obligations and operational expenses. A supply of cash will hamper the operations, and any excess will be unproductive, so cash management is the most important function and has a significant contribution to the dynamic management of business affairs. Cash management is concerned with managing cash flows into and out of the firm. Strategies with the facets of cash management are cash planning, managing the cash flows, maintaining an optimum level of cash, and investing surplus cash (Garrison et al., 2012). Cash planning is a technique to plan and control the use of cash. It protects the firm's financial condition by developing a projected cash statement from the forecast of expected cash flows for a given period.

Along with cash planning is preparing the cash budget that provides a quantitative plan for acquiring and using resources over a specified period. It is a summary statement of the firm's expected cash inflows and outflows. Cash management of a cooperative involves the preparation of a yearly budget at the beginning of the calendar. The cash budget usually includes preparing a statement of expected cash receipts classified by sources and cash disbursements classified by functions, responsibility, and form, and the resulting cash balance at the end of the budget period.

Cash management is multifaceted in that it involves every aspect of the cooperative and requires an understanding of the inflows and outflows of cash. Although this may vary daily, the goal is to ensure that the net cash position is not negative. Ideally, the cooperatives' daily cash inflows and outflows should be equal, but this is rarely the case. Without the reliability of matching these flows, cooperatives must avoid negative balances because the cost of gathering daily funds by issuing debt or borrowing from the bank or financial institutions is very costly. Firms can manage cash in virtually all operations areas involving using cash. According to Smart and Megginson (2012), managing cash flows is to maintain a positive cash position and ensure no negative net cash position. Daily, the management must determine the amount of funds to be collected, move balances to appropriate accounts, and fund the projected disbursements.

Holding cash has a rationale; according to Brealey et al. (2011), businesses have four (4) motives: transaction, precautionary, speculative, and compensating. Transaction motive refers to providing funds needed for daily recurring business transactions. Firms hold cash to create products or provide services and to satisfy payment of routine cash outflows. Precautionary motive refers to holding cash for an emergency fund for the firm. If unexpected cash inflows are not received as expected, cash held on a precautionary basis could be used to satisfy short-term obligations. Speculative motive refers to holding cash for the firm to take advantage of special opportunities that, if acted upon quickly, will favor the firm. Lastly, compensating balances must be kept in the banks to compensate the banks for their services or to satisfy agreements with the bank.

An inclusive and important part of cash management is storing excess cash in a financial asset that earns a return, like marketable securities, and selling them as needed (Hawawini & Viallet, 2011). In this way, marketable securities are substitutes for cash. A firm may buy securities when inflows exceed outflows and sell marketable securities when cash inflows are less than outflows. Therefore, marketable securities serve as temporary investments. Aside from the uneven cash flows, marketable securities may also be a convenient way of storing funds for planned expenditures. In addition, Besley and Brigham (2013) stressed that cash management involves maintaining an optimum cash conversion cycle wherein inventories are processed and sold faster, receivables are collected for a short period, and payment of payables is delayed. The inventory and receivables turnover should be quick, and the payables turnover should be low. The effect of this would be a better cash conversion cycle.

Cash is so attractive because of its liquidity and is susceptible to theft and misappropriation. Because of this, they stressed that effective cash management requires controls to protect cash from loss through theft and fraud. Thus, they recommended that cash management measures such as segregation of duties for handling cash and recording cash transactions, imprest system, voucher system, internal audits at irregular intervals, and periodic reconciliation of bank statement balance and cash balance in the company's record. These measures can significantly reduce the chances of theft, loss, or inadvertent errors in cash management.

One of the benefits of cooperation among societies is that they provide support and assistance to their members in need. A cooperative could be instrumental to the development and progress of any society. The simplest and most basic benefit of cooperatives is the creation of an avenue for members to borrow money or goods at a minimal interest (Kassali et al., 2013).

Cooperatives are established to meet this purpose and, at the same time to earn profit to ensure the growth of the cooperative and improve the lives of its members. Because cooperatives are important to society, managers should ensure their continuity and implement effective receivables management practices to ensure that the receivables of the cooperative will be collected and reinvested in the cooperative.

Receivables management is an important aspect of working capital and current asset management. Receivables represent the amounts collectible from customers. Accounts receivable is the total credit extended by a firm to its customers. Receivables management includes establishing a credit and collection policy. Poor receivables management may hinder cash flow, erode profits, and cause the company to incur bad debts.

On the other hand, cash flow can be significantly enhanced if the receivables are collected faster. A business that grants credit has an important task and responsibility not only for business reasons but also for economic society. For this reason, there are both pressing and compelling needs to conduct a proper, thorough analysis and evaluation of the credit risk of applicants for credit. It is necessary and important that sources of information be tapped to the fullest extent and placed under careful examination. The manager would then evaluate the pertinent costs and benefits of credit extension. He needs to ensure the continuity of the firm's operation while investing in credit or receivables.

Effective receivables management is extremely important because more investment in receivables is needed, and administration costs may be necessary to maintain accounts receivable. On the other hand, too little credit could result in the loss of profitable sales. Carrying receivables has both direct and indirect costs, but it also has an important benefit, such as granting credit can increase profits. Thus, the management must effectively manage the firm's credit activities (Besley & Brigham, 2013). Implementing an effective receivables management system involves assigning duties and responsibilities, delegating authority, establishing procedures and controls, and providing periodic progress reports and evaluations. Firms extending credit must establish and employ a collection policy providing guidelines and ensuring payment of receivables through a customer-friendly payment scheme. Hence the BODs and management of cooperatives need to have regular meetings to plan for monitoring schemes and strategies to monitor receivables, review policies, and ensure their implementation.

In granting credit, considering and taking the major factors affects the decision as to whether credit should be granted or denied. Policies during the initiation process must be formulated, such as screening, selection, level of credit to be granted, and approval of credit. A firm may implement a restrictive policy regarding its credit terms and the customers to whom it will extend credit. This will result from having a lower investment in receivables, lower bad debt losses, and lower sales volume. On the other hand, a firm may provide easier credit terms and sells on credit to poorer credit risk.

After granting credit, a systematic means of collection procedure must be followed. Collection policies must be implemented to avoid credit losses. Cabo & Rebelo (2012) suggests that a firm should be careful and precise before making a credit decision. Standard established criteria should be met, and any deviation must be given proper attention. Credit losses emerge when the business is too lax and lenient that customers can abuse its credit facility. Therefore, a timetable for sending a statement of account, a reminder letter, and a stronger demand letter should be determined. She also added that in granting credit, the business must establish the credit term that the business will follow. Finally, she cited that it a must also that the level of receivables should be monitored and managed so that firms will stay within their planned level of receivables.

The basic risk associated with receivables is that the firm cannot collect the accounts receivable from its customers. The real risk arises from the possibility that many of the firm's customers may suddenly face financial difficulties. Due to risks associated with investment in receivables, managers must continuously monitor accounts receivable investments. The manager would be concerned with the actual payment habits of customers. The slower the customers pay, the more prominent the firm's investment in accounts receivable will be. Therefore, a company must analyze the applicant's credit and determine if the company falls above or below the quality standard. A firm can also use the aging of accounts receivable and monitor its average collection period, which calculates the average number of days customers take to pay. The aging of receivables also gives an idea of which receivables are moving and which are not. It is also a reasonable technique for estimating doubtful accounts expenses (Besley & Brigham, 2013).

Besley and Brigham (2013) further added that receivables monitoring is imperative. Receivables monitoring refers to the process of evaluating the credit policy to determine whether a shift in a customer's payment pattern has occurred. Firms can monitor their receivables using day sales outstanding (DSO) and aging schedules. The DSO represents the average time it takes to collect credit accounts. Another way to identify delinquent accounts is to use an aging schedule. An aging schedule is a breakdown of a firm's receivables by the age of the account. Besley and Brigham (2013) elaborated that receivables should be properly monitored and matched with the firm's overall profitability. Receivables are good revenue sources, increasing sales; however, they should be appropriately managed and controlled. A firm should have an efficient billing system such as bill completeness, error-free statement bills, and timely sending.

Follow-ups, such as sending reminder letters, demand letters, visitation, and others, should also be taken. A firm may also employ collection agents such as availing of the services of banks, having collection centers, depository transfer checks, and direct sends.

Another important consideration in current asset management is inventory management. One of the largest assets held by a firm is inventories. Inventories are a firm's assets held for sale in the ordinary course of business, which can be classified into raw materials, work-in-process, and finished goods. Managing these inventories can be challenging for most managers because they have to implement the most effective and efficient strategies to optimize investments in inventories. Managers also face tradeoffs in inventory management because excessive stocks can place a heavy burden on the firm's cash resources, while insufficient stocks can result in lost sales, customer delays, dissatisfaction among customers, and so forth. Inventory problems may exist when a firm runs out of stock or carries excessive inventories. An understocked firm decreases the invested capital on inventory but increases the frequency of ordering and the risk of running out of stock. On the other hand, an overstocked firm requires higher invested capital on inventory per period but fewer occurrences of shortages and placement orders. This is why inventory management control is an important part of business operations.

Inventory management involves determining what inventory quality, quantity, timing, and location should be to meet future business requirements. Effective inventory management should provide adequate stocks to meet the requirement of the business while at the same time keeping the required investment to a minimum. Bragg (2012) mentioned that inventory control represents an important management function that should be dealt with. Controlling a company's investment in inventory requires considerable knowledge of the ordering, receiving, storage, picking, production, and shipping processes. Managers should improve their internal inventory-related systems and plan and project inventory purchases and issuances. Also, there must be an adequate system to monitor inventory turnover, such as identifying how many times an inventory would revolve for a period. Along with inventory management techniques to be adopted, Garrison et al. (2012) explained that employees must be trained, educated, and properly oriented on how to implement inventory policies and procedures.

Due to the expanding business operations and the need to invest in receivables, this may defer the cash receipt. However, business operations should continue despite of lack of cash. For this reason, managers would incur current liabilities to support their operation or defer payments while waiting for payments from customers. While incurring liabilities could make firms successful, it may have some drawbacks and risks that should be carefully addressed. This requires now managers to manage their current liabilities. Debt financing has long been used to increase the earnings of business owners, and it could help businesses to expand operations (Şamiloğlu & Akgün, 2016). Many risks are involved, but if it is used well, the benefits outweigh those risks. If a business wants to be successful, monitoring and controlling current liabilities is a must. Managing current liabilities requires a careful plan and provides some standards to measure the amount of current debt.

One part of current liability that should be carefully planned and managed is accounts payable. These are liabilities from purchasing goods, materials, supplies, or services on an open charge-account basis. Effective payables management can enhance a company's short-term cash flow position by designing optimal timing of payments to suppliers. Accounts payable management refers to the set of policies, procedures, and practices employed by the firm concerning managing its trade credit purchases. They consist of seeking trade credit lines, acquiring favorable purchase terms, and managing the flow and timing of purchases to control the firm's working capital efficiently. Purchasing inventory, raw materials, and other goods on trade credit allows a firm to defer its cash immediately outlays while accessing resources. When managed appropriately, it can contribute to effective working capital. A firm that employs best practices in payables management can realize the benefits of stable operating cycles that provide a stable source of operating cash flows and place it in a good liquidity position.

Bragg (2012) stressed that proper management of the accounts payable function is critical to the well-being of a firm, for without proper investigation and authorization of payments, an organization can experience significant and unnecessary increases in its expenses. Managers should look for approaches to enhance the efficiency and effectiveness of accounts payable flow. The employment of accounts payable is an important tool to finance inventory needs. A firm may have a large volume of sales which would also require a high level of inventory, but it may restrict the firm from selling more of its inventory because of the unavailability of cash. However, with the aid of suppliers willing to lend, a firm may benefit from these grants from suppliers. A supplier may also want to encourage a higher volume of purchases and may sell at a maximum, and they may encourage customers to prompt payment so they give discounts. A firm may take these opportunities to obtain a high volume of inventory and may take a discount after careful evaluation.

In addition, Brealey et al. (2011) discussed that the scheduling of purchases on account of suppliers should be matched with the current asset. For instance, the due date of payment for accounts payable should be matched with cash availability and the receipt of cash from customers. Hence, scheduling payments to suppliers is necessary. After entering into purchase agreements with a supplier, the firm is responsible for fulfilling its payment obligations. The management is accountable for this function and performs tasks such as communicating with suppliers, sending payments, reconciling bank records, and updating and performing related accounting entries. Aside from these, the performance of payables management should be evaluated. An appropriate balance of accounts payable should be monitored, whereby the advantage of deferring cash outlays using trade credit is weighted against the risk of excessive short-term credit. It is, therefore, important to maintain optimal utilization of credit lines and timing of payments and create a balance between the need for cash, working capital, and liquidity. Several metrics and short-term financial ratios can also be used to evaluate the performance of payables management. The management can use metrics such as payables turnover, payable days, net working capital, current and quick ratio, and cash conversion cycle (How the Market Works.Com, 2015).

Accounts payable management can enhance cooperatives' performance. According to Brealey et al. (2011), having a line of credit with suppliers is a best practice and a less expensive source of short-term financing for cooperatives. It can also contribute to the cooperatives' profitability by decreasing interest paid through higher loan rates, and it can provide larger net profits for the cooperatives that would result in larger dividends for the members.

Another part of current liability management is the management of accrued payables. These involve meeting payments of expenses incurred on electricity, power, water, and other services being utilized (Smart & Megginson, 2012). Similar to accounts payable, the goals should be: meeting payments of utility services, matching utilities payable with current assets, planning and budgeting, minimizing utilities payable, and ensuring that there should be a sufficient amount of assets to absorb penalties in case the firm is in default.

A firm may desire to raise additional funds by utilizing short-term loans. Garrison et al. (2012) examined the importance of planning and budgeting for short-term financing. Managers should plan the short-term loans by month, quarter, or year. This can be accomplished after planning for the various asset levels (cash, receivables, inventories, etc.) are planned and when the operational plans (sales, manufacturing expenses, direct labor, direct material, and selling expenses, general and administrative) are completed.

Framework

Working Capital Management

A. Current Asset Management
- Cash Management
- Receivables Management
- Inventory Management

B. Current Liabilities Management
- Payables Management
- Accrued Expenses Management
- Short-term Loans Management

→ Level of Working Capital Management of Cooperatives

Methodology

The study used primary data through a survey questionnaire personally administered to officers and managers of 66 cooperatives. The study targeted the total population of cooperatives in La Trinidad, Benguet, Philippines; however, 66 cooperatives responded out of 78 registered cooperatives at the Cooperative Development Authority (CDA). These registered cooperatives had 35,473 active members and 720 total employees as of 2017 when this study was conducted.

Data Gathering Tool

A survey questionnaire was designed to answer specific problems of the study. The respondents were asked to choose from indicators using a four-point scale: 1= = rarely implemented; 2 = often implemented; 3 = almost implemented; and 4 = fully implemented. The first part of the questionnaire consists of the profile of the respondent cooperatives (as shown in Table 1), and the second part contains questions to determine the implementation of current asset management, such as cash, receivables, and inventory. The third part contains questions to determine the implementation of current liabilities such as accounts payable, accrued expenses, and short-term loans. The fourth part contains questions to determine the implementation of net working capital, such as investment policies and liquidity management.

Questionnaire validity and reliability test

The questionnaire was validated by four (4) experts: (1) a federation president of cooperatives; (2) a cooperative officer; (3) an academic professor; and (4) a statistician. The validity test using Aiken's V Coefficient is 94 %, indicating that the questions can reliably determine the implementation of WCM in cooperatives. The questionnaire was further subjected to a reliability test wherein it was pre-tested among sixteen (16) cooperatives in Baguio City (nearby the municipality). Cronbach's alpha result is 0.90, indicating that the questionnaire provides good consistency; thus, the instrument is reliable.

Treatment of Data

After administering and retrieving the questionnaires, data were manually tabulated and subjected to descriptive statistics. The study primarily used weighted mean to determine the implementation of WCM in cooperatives. A statistical limit was used to provide descriptive interpretations such as 1.00-1.75 = rarely implemented (RI); 1.76-2.50 = often implemented (OI); 2.51-3.25=almost implemented (AI); and 3.26-4.00 fully implemented (FI). Afterward, the variables were ranked from highest to lowest.

Discussion of Results

The study determines the implementation of working capital management (WCM) of cooperatives in La Trinidad, Benguet, Philippines. WCM involves current assets, current liabilities, and net working capital.

Implementation of current asset management

Current asset management involves cash management, receivables management, and inventory management. Tables 2 to 5 present the level of implementation of current asset management.

Table 1

Implementation of Current Asset Management

Area of Current Asset Management	Mean	Descriptive Equivalent (DE)
Cash management	3.17	Almost implemented
Receivables management	3.20	Almost implemented
Inventory management	2.88	Almost implemented
Overall Current Asset Management	**3.08**	**Almost implemented**

Table 2

Implementation of Cash Management

	Indicator	Mean	DE	Rank
1	Maintaining cash records such as journals and ledgers.	3.86	FI	1
2	Maintaining a voucher system to control disbursements.	3.77	FI	2
3	Maintaining a sufficient amount of cash for current operations.	3.74	FI	3
4	Cash is intact in the bank.	3.53	FI	4
5	Maintaining of sufficient amount of cash for paying obligations as they come due.	3.50	FI	5
6	Maintaining petty cash funds to pay for small disbursements.	3.44	FI	6
7	Segregating duties for handling and recording cash transactions.	3.39	FI	7
8	Maintaining a positive cash position to having no negative net cash position.	3.36	FI	8
9	Conducting internal audits such as test checking and record keeping.	3.35	FI	9
10	Periodic reconciliation of bank statement balance and cash balance in the cooperative's accounting records.	3.30	FI	10.5
11	Establishment of accountability for cash receipts and provision of adequate safeguards until the funds are placed in the cooperative's depository.	3.30	FI	10.5
12	Planning for the cash budget, such as determining the future sources of cash and the allocation of this cash.	3.29	FI	12
13	Implementing a cash budget that is in line with the master budget.	3.15	AI	13
14	Matching of cash receipts with obligations as they mature.	3.11	AI	14

15	Maintaining an optimum cash conversion cycle where inventories are processed and sold faster, receivables are collected for a short period, and payment of payables is prolonged or delayed.	2.89	AI	15
16	Maintaining cash for contingency or emergency purposes.	2.86	AI	16
17	Maintaining bank balances, where appropriate, to support bank relations.	2.57	AI	17
18	Maintaining cash for special income or investment opportunities.	2.42	OI	18
19	Disbursements or payments are made through the issuance of checks.	2.40	OI	19
20	Excess cash is invested in other investments (aside from banks) to generate additional returns.	2.11	OI	20
	Overall Mean	**3.17**	**AI**	

Table 3

Implementation of Receivables Management

No.	Indicator	Mean	DE	Rank
1	Implementing policies for credit to customers, such as screening, selection, level of credit to be granted, and approval.	3.52	FI	1
2	Implementing policies for the collection, such as sending reminder or demand letters and imposing penalties for delinquent debtors.	3.42	FI	2
3	Regularly monitor the receivables' age to measure the collection's effectiveness and address "problem accounts."	3.23	AI	3
4	Maintaining accessible places for receiving payment and implementing other collection systems for receiving payment from customers, such as through banks, collection agents, and/or centers.	3.22	AI	5
5	Maintaining an optimum level of the accumulated amount of receivables.	3.22	AI	5
6	Monitoring receivables' position, such as ensuring they would not exceed a certain level.	3.22	AI	5
7	Ensuring the efficiency and effectiveness of collecting receivables, such as collection, is relatively inexpensive and the cost is minimal.	3.14	AI	7
8	Scheduling of collection of receivables	3.12	AI	8
9	Regular reviewing of credit policies to implement necessary changes or revisions on the policies.	3.11	AI	9
10	Monitoring and planning of receivables to match the overall profitability of the cooperative.	2.80	AI	10
	Overall Mean	**3.20**	**AI**	

Table 4

Implementation of Inventory Management

No.	Indicator	Mean	DE	Rank
1	Conduct physical inventory count, which includes setting up counting procedures and supervising the counting teams that check all quantities.	3.21	AI	1
2	Keeping inventory records and verification of inventory listed in the cooperative's record with the inventory stored in the warehouse.	3.20	AI	2
3	Maintenance of audit inventory controls ensures that all inventory goes to its intended use and keeps it from diverging from its intended levels.	3.18	AI	3
4	Keeping optimal inventory levels reduces the risk of obsolescence, scrap costs, and warehousing costs.	3.11	AI	4
5	Planning of inventory purchases and issuances.	2.92	AI	5
6	Implementing inventory systems such as ordering from suppliers, receiving inventory, tracking inventory movements, maintaining the volume of inventory, and issuing inventory.	2.81	AI	6
7	Monitoring inventory turnover, such as identifying how many times an inventory would revolve for a period.	2.73	AI	7
8	Training and education of employees in implementing inventory policies and procedures.	2.61	AI	8
9	Commitments and availability of suppliers for delivery of ordered goods.	2.57	AI	9
10	Implement inventory systems such as inventory requirements planning, just-in-time, two-bin systems, etc.	2.48	OI	10
	Overall Mean	**2.88**	**AI**	

Table 1 shows that the cooperatives almost implemented WCM and current asset management. Although they could only partially implement it, the cooperatives prioritize managing the resources used in their business operation.

As shown in Table 2, the cooperatives almost implemented cash management. The cooperatives have fully implemented an excellent internal control system for their cash in which they have recording systems such as record books, ledgers, and documents for them to monitor their cash flow. These also serve as a reliable basis for audits and as a reference for their past transactions. The cooperative primarily gives importance to maintaining accurate documents and records, and it also reveals that the management has sufficient knowledge, education, and training in recording and accounting. The result further reveals that the cooperatives ensure that they maintain a sufficient amount of funds for their day-to-day operation. They focus primarily on extending credit to their members, providing consumer goods, and meeting their disbursal needs in the normal course of business. It is noteworthy also that they fully implement activities such as: depositing their cash to the bank; maintaining cash for their obligations; maintaining petty cash funds for daily disbursements; segregating duties; maintaining a favorable cash position; conducting internal audits; reconciling bank balances; establishing accountability for cash; and planning for the cash budget.

In Table 3, the result shows that the cooperatives almost implement receivables management. It is noteworthy that the cooperatives established credit policies that are relevant to the issuance and collection of credit or loans issued. It can be observed that they fully implement policies related to granting of credit, such as screening, selection, level of credit to be granted, and approval of credit. Regarding credit collection, they fully implement collection policies such as sending reminders or demand letters and imposing penalties for delinquent borrowers.

In Table 4, the result shows that the cooperatives almost implement inventory management. Primarily, they prioritize observing the internal control of their inventories, such as the conduct of physical inventory counts, keeping inventory records, and maintaining audit inventory controls. In addition, they give importance to keeping an optimal inventory level and monitoring their inventory purchases, systems, and turnover.

Implementation of current liabilities management

Current liabilities management involves payables, accrued expenses, and short-term loan management. Tables 5 to 8 present the level of implementation of current liabilities management.

Table 5

Implementation of Current Liabilities Management

Area of Current Asset Management	Mean	Descriptive Equivalent (DE)
Payables management	2.71	Almost implemented
Accrued expenses management	2.75	Almost implemented
Short-term loans management	2.52	Almost implemented
Overall Current Liabilities Management	**2.66**	**Almost implemented**

Table 6

Implementation of Payables Management

No.	Indicator	Mean	DE	Rank
1	Planning and budgeting for accounts payable.	2.80	AI	1
2	Utilizing credit to finance inventory needs of the cooperative.	2.73	AI	2
3	Maximizing credit terms, discounts, and volume of inventory allowed for credit.	2.70	AI	3
4	Scheduling of purchases on accounts from suppliers as matched with the current asset.	2.69	AI	4
5	Scheduling payments to suppliers.	2.62	AI	5
	Overall Mean	**2.71**	**AI**	

Table 7

Implementation of Accrued Expenses Management

No.	Indicator	Mean	DE	Rank
1	Making timely payments for accrued expenses such as labor, taxes, interest, utility services, etc.	3.75	FI	1
2	Minimizing accrued expenses as possible and necessary.	3.14	AI	2
3	Matching of accrued expenses with the current asset of the cooperative.	3.00	AI	3
4	Planning and budgeting for the amount to be used for the accrued expenses.	2.94	AI	4
5	Ensuring sufficient cash to absorb penalties and overdue interest in case of default in paying accrued expenses	3.12	AI	5
	Overall Mean	**2.75**	**AI**	

Table 8

Implementation of Short-term Loans Management

No.	Indicator	Mean	DE	Rank
1	Maintaining inventory availability and receivables to be converted into cash to support future principal and interest payments upon maturity.	2.77	AI	1
2	Ensuring enough capacity of the firm to incur additional cost for interest without substantially affecting the profitability of the firm.	2.60	AI	2
3	Budgeting and planning for the use of short-term loans.	2.43	OI	3.5
4	Matching of short-term loans with future availability of cash.	2.43	OI	3.5
5	Facilitating short-term loans to finance short-term operations or temporary undertakings.	2.38	OI	5
	Overall Mean	**2.52**	**OI**	

Table 5 shows that the cooperatives almost implemented WCM and current liabilities management. The result means that the cooperatives are utilizing credit to support their day-to-day activities and are almost committed to fulfilling their short-term obligations.

As shown in Table 6, the cooperatives almost implement payables management. The result shows that the cooperatives purchase goods on account when needed and when they are allowed by their suppliers. It shows that they give importance to payables management since they use credit to allow them to procure inventory without needing to disburse cash immediately. They almost implement budgeting of accounts payable, utilizing credit to finance their inventory needs, and maximizing credit terms given by their suppliers.

Table 7 shows that the cooperatives fully implement making timely payments for their accrued expenses such as labor, taxes, interest, utilities, etc. This means they ensure that they pay their recurring expenses without delay. Notably, they almost implement indicators such as minimizing their accrued expenses, matching them to their current assets, planning and budgeting, and ensuring the availability of cash to meet penalties or overdue interest in case they are in default.

Table 8 presents that the cooperatives almost implement short-term loan management. Notably, they give importance to ensuring they have enough capacity to meet their commitments to their creditors. Primarily, they match their current assets to their loans, such as maintaining the availability of inventory and receivables to be converted into cash to pay their loans and interest on time. Also, they ensure they have additional capacity if the cooperative needs to incur additional costs (e.g., unpaid interest, penalties, charges, etc.) due to a delay in payment.

Conclusions

Cooperatives significantly contribute to the overall development of societies in the Philippines. Indeed, they are contemporary socio-economic-political catalyst (Kanli, 2016) that embodies philosophically driven idea in doing business. It is, therefore, necessary for them to integrate well-woven policies and procedures in their business operation and WCM. They can only thrive with adequate working capital and control systems that would ensure accountability and accuracy. Thus, the concept of WCM is still relevant in the current environment of cooperatives, and the members and the management team must pay attention to it.

The study has shown the importance of working capital management (WCM) to cooperatives. The cooperatives who participated in a case study almost implemented WCM regarding current asset management, liabilities, and net working capital management. It manifests that the leaders and officers of these cooperatives are concerned about their business flow and are ensuring that the resources entrusted by the members are properly managed. Indeed, the cooperatives manifested good WCM practices, ensuring they had enough capacity and liquidity to meet their maturing obligations. They give importance to the convertibility and turnover of their current assets to pay their obligations on time. Meeting their obligations is essential to continuously use credit facilities to support their inventory needs and maintain good relationships with their creditors. This gives a favorable prospect that cooperatives are continuously improving in business, and their leaders and managers are becoming more proficient in management.

The result, however, reveals that there are areas in WCM that cooperatives should improve further to implement WCM fully. Hence, the following are hereby proposed:

1. Cooperatives must have complete written policies and procedures on WCM and ensure, and they have to ensure full and consistent implementation; and
2. All officers and employees involved in specific areas of WCM must have the appropriate training and education to handle and perform their custodial responsibilities effectively.

Limitations and Recommendations for Future Research

Full implementation of WCM is important in cooperatives' operation since it guarantees their business continuity and it protects the resources entrusted by the members. WCM can allow the cooperatives to grow and realize their socio-economic goals for their members.

This study only focused on the case of a few cooperatives (n=66), but it can bring implications to cooperatives. Future studies should examine larger samples of cooperatives, or studies can be conducted among cooperatives in other countries to have a more specific comparison in the implementation and practices of WCM.

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