

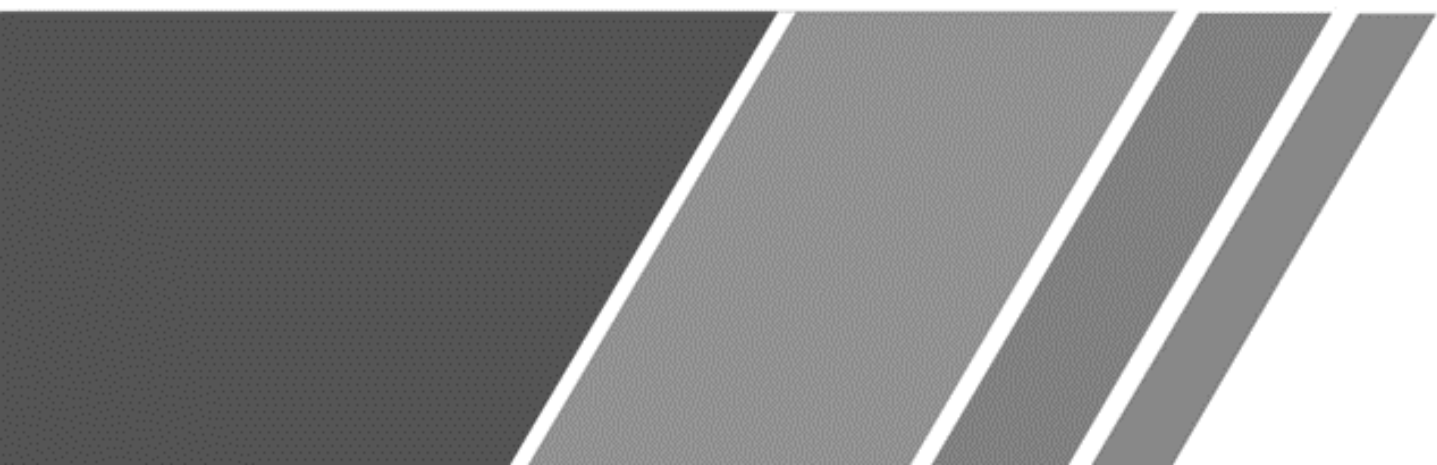


DECALOGY OF COOPERATIVES MANAGEMENT

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**MANUAL ON FINANCIAL  
MANAGEMENT FOR  
COOPERATIVES**



## **ABSTRACT**

Every decision that every employee makes has an impact on the financial performance of the cooperative, be it a purchase of office equipment, or a pricing strategy for products. Therefore, it is important for a finance manager to be able to understand the business works and see how best to support its growth. He/she plays an important role in making sure that these choices are optimal and contributes positively to the company's value as a cooperative and being faithful to each cooperative's vision to improve the lives of each member.

# ACKNOWLEDGEMENT

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## **I. Foreword**

One can arguably say that finance is the heart of a cooperative. Much as the heart pumps blood throughout the body to provide nutrition, the finance department is responsible for acquiring sustenance in the form of funds, making sure that it is sufficient and appropriate, and circulates it among the departments. The finance department coordinates with all the departments to make sure that they have adequate support, so that they can provide the best output to contribute to the cooperative.

## **II. How to use the manual**

This manual aims to help finance practitioners best manage the financial assets of their cooperatives. It starts with walk-throughs on how to predict and prepare for short-term financial requirements of the cooperative for its business-as-usual operations. It also reiterates the financial performance management standards set by the Cooperative Development Authority, the agency in charge of oversight. Finally, it also provides a step-by-step guide on how finance managers helps finance managers develop a quantitative mindset in evaluating investment opportunities.

# MANUAL ON FINANCIAL MANAGEMENT FOR COOPERATIVES

## Part 1: Financial Management

The most important purpose of any business entity is to maximize shareholder value: to generate for investors a future value greater than the value of the initial investment at the present. It is toward this end that all aspects of a firm's operations must work, to ensure that decision-making will contribute to greatest value. To investors, this expectation of a higher value in the future justifies why it is better to postpone enjoyment of the invested funds for later rather than sooner.

A cooperative, on the other hand, is a specific type of business entity that aside from shareholder value, promotes social development, with the primary objective of helping members improve their quality of life. This can be done is by providing "goods and services to its members to enable them to attain increased income, savings, investments, productivity, and purchasing power, and promote among themselves equitable distribution of net surplus through maximum utilization of economies of scale, cost-sharing and risk-sharing."<sup>1</sup>

To achieve this objective, the finance manager must wear multiple hats. He/she must represent the interest of the contributing members (the equivalent of shareholders in cooperatives) by making sure that financial resources are managed efficiently and generate a reasonable return for the appropriate level of risk that investors are willing to take.

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<sup>1</sup> <http://www.cda.gov.ph/frequently-asks-questions-faqs>