The payback method technique

A study on payback method techniques used by small business firms in the 1990's found to have generated employment of about 80% in the US (Block, S. , 1997). Further cited from the study, the small business firms used the payback method, than the larger firms. The use of payback method determines the cost capital over the utilization tenure of the project.

On the other hand, the prime indicator is on the discounted cash flow (DCF) from the depreciation as attributed on the project life. The finding of the study resembles with the undertaking of Small-Medium Enterprises (SME's) in the Philippines. As cited in Stanley Block's (1997), the primary method of investment analysis are consisted with the (1) payback period, (2) accounting rate of return or ARR, (3) internal rate of return or IRR, and (4) the net present value or NPV.

During the early conceptualization of the East Asian Growth Areas (EAGA) in 1992, the Philippines' governmental and non-governmental organizations (NGO's) have been into organizing of cooperatives for various mobilizations on capability building. Various community programs involved the participation of sectors in rural communities that were engaged in skills training in aspects of project management (University of Asia and the Pacific, Philippines, 2000).

Accordingly, the skills training on project management that have been engaged to cooperatives adhered to mobilizing the capability of the segments of rural communities in the Philippines towards the development of key economic production areas in support to EAGA. Two years later in 1994, the cooperatives have turned into SME's. The integration of households in small-scale enterprise operation have led to the creation of Corporate Cooperative or CORPORATIVE. The corporative were guided with the techniques in capital budgeting that resembles with Stanley Block's primary method of investment analysis.

Like in the case of a cooperative that ventured into cassava production (San Miguel Corporation, Philippines, 1995) has become a major merger of a multinational corporation in the Philippines (B-Meg, Philippines, 1996). From a small-scale cassava project of a farmers' group in the Southern region of the Philippines', the financial loan from a bank (Land Bank, Philippines, 1996) has enabled the capability of the cooperative to expand capital investments through contract farming and divestment of capitalization to venture in feed milling.