

BIBLIOGRAPHY

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ABSTRACT

This study was conducted with the top five millionaire cooperatives in Benguet from October to December 2011 to determine the financial management practices as to the sources of funds, fund utilization practices, capital build-up schemes, factors affecting financial management and the profile of the selected millionaire cooperatives. The study also looked at the problems encountered by these cooperative on financial management. There were a total of 32 respondents which include the officers and staff from the five millionaire cooperatives. A survey questionnaire was used and secondary data was also collected and served as reference. The data gathered were analyzed using frequency, percentage and mean.

All the cooperatives raised their funds from share capital of members and only few cooperatives depend on external sources. In generating share capital, the cooperatives have identified recruits of new members and continuous increase of the minimum paid-up share capital as the easiest and basic ways to increase the cooperatives paid up capital.



Capital build-up schemes were also identified which includes regular payment of share capital contribution, patronage of store/canteen and payroll deduction for the cooperative officer and staff.

In the allocation of funds, most of the funds of the cooperative were allocated to working capital such as purchase of stocks and lending funds.

All the factors identified were not seriously experienced by the millionaire cooperatives studied except having inadequate financial control policies. Cooperatives were facing problems such as presence of incompetent officer and staff and lack of coordination.

It is therefore recommended that small and starting cooperative must look deeper on their financial management practices and that cooperative leaders as well as management must help hand and hand to be able to improve their financial management practices. Small and starting cooperatives must formulate policy concerning the continuous adding of share capital contribution of members and it should be written and amended by members. Cooperatives must have policy on stagnant minimum share capital to encourage members to increase their initial share capital. Management must look for ways in order to address the problems face in financial management like providing trainings to the officers and staff.



INTRODUCTION

Rationale

Experiences in many developing and develop nations have proven that one of the most effective strategies to attain economic growth and equitable distribution of income and wealth is through cooperatives. By their nature, purpose, ideology and operation, cooperatives promote harmony in society by narrowing the gap between the rich and the poor without necessarily putting the rich down. To development experts, cooperative is a means toward greater growth and more humane and democratic societies. It means that the involvement of a large number of people in development and the sharing of the nation's material wealth or developmental benefits (Rola, 1988).

Benguet is a landlocked province of the Philippines with an area of 2,826 square kilometers which is subdivided into 13 municipalities namely: Atok, Bakun, Bokod, Buguias, Itogon, Kabayan, Kapangan, Kibungan, La Trinidad, Mankayan, Sablan, Tuba and Tublay. Agriculture, mining and tourism are the major industries in the province. Because of its temperate climate and high altitude the province became an ideal place for producing vegetables. Thus, Benguet is often called as the “Vegetable Salad Bowl of the Philippines”. Mining is another major industry, which is one of the country's leading gold producers. Lastly, because of the presence of Baguio City in Benguet it draws a large number of tourist and would also explore the province especially the strawberry and vegetable plantation in La Trinidad. Furthermore, cooperatives play an important role in these three main industries in the province for instance some organized a farmer's cooperative which is in relation to the agriculture industry. With the strong determination of every member to uplift human condition through cooperatives, it was reported that as



of 2009, out of the 151 registered cooperatives there are only 54 cooperatives in the province of Benguet which are considered millionaire cooperatives based on their paid-up share capital.

On the other hand, cooperative movement in the province is making its mark to the local economy. According to the statistical data of cooperatives as consolidated by the Cooperative Development Authority for the year 2009 the province of Benguet have a total of 151 registered Cooperatives. In addition, as of the 2007 census, cooperative members numbered to 49,101 which is 13 % of the total population of the province which is 372,533. Benguet ranked second to Ifugao province in terms of cooperative members in the Cordillera (CDA, 2009).

Thus, this study aims to identify financial management practices of the top five millionaire cooperatives in the province which can be a useful tool for the struggling cooperatives to improve their management practices especially in the financial aspect because financial aspect is the lifeblood of every organization.

Importance of the Study

This study was conducted to assess the financial management practices of selected millionaire cooperatives. Through this study the researcher gained more knowledge and skills on the realities of managing a cooperative especially in the financial aspects. On the part of the struggling cooperatives, the study helped them evaluate their existing practices and learned from the experiences of the millionaire cooperatives in Benguet. The result of the study was used as a guide to the cooperative manager and the officers in planning its business in order to deliver the appropriate and realistic service to its members by considering the capacity of the cooperative through adequate financial management.



The information and knowledge gained in this study will be useful to other agencies who are directly involved in the operation, growth and development of cooperative.

This also serves as a reference for other students who will be conducting similar studies in the future.

Statement of the Problem

The study intended to answer the following questions:

1. What is the profile of selected millionaire cooperatives in Benguet in terms of:
 - a. Cooperative Profile
 - a.1. Number of regular members
 - a.2. Number of years of operation
 - a.3. Services offered
 - b. Financial Profile
 - b.1. Total assets
 - b.2. Total liabilities
 - b.3. Paid up capital
 - b.4. Net income/ Net surplus
 - b.5. Reserve Funds
2. What are the financial management practices of the selected millionaire cooperatives as to:
 - a. Fund sourcing/acquisition
 - b. Capital build-up schemes
 - c. Fund utilization practices
3. What are the factors affecting the financial management of the cooperatives?



4. What are the problems encountered in the financial management of the cooperatives?

Objectives of the Study

Generally, this study aimed to find out the financial management practices of the selected millionaire cooperatives in the province of Benguet.

The specific objectives of the study were as follows:

1. To determine the profile of selected millionaire cooperatives in Benguet in terms of:

a. Cooperative Profile

a.1. Number of regular members

a.2. Number of years of operation

a.3. Services offered

b. Financial Profile

b.1. Total assets

b.2. Total liabilities

b.3. Paid-up capital

b.4. Net income/ Net surplus

b.5. Reserve Funds

2. To identify the financial management practices of the selected millionaire cooperatives as to:

a. Fund sourcing/ acquisition

b. Capital build-up schemes

c. Fund utilization practices



3. To identify the factors affecting the financial management of the cooperatives
4. To determine the problems encountered in the financial management of the cooperatives.

Scope and Delimitation of the Study

The study was confined to the assessment of the financial management practices of selected millionaire cooperatives in the province of Benguet. Financial management has a broad scope but this study specifically focused on the financial management as to the source of funds, fund utilization practices, capital build-up schemes, factors affecting financial management and the profile of the selected millionaire cooperatives. The study also looked at the problems encountered by these cooperative on financial management.



REVIEW OF LITERATURE

Organization and Management

Starting a cooperative is loaded with problems such as finding sources of financing and qualified management. Organizational changes should be planned for they affect not only the people but also the social systems, environment, and decision-making. The success and failure of any organization business hinges not only upon knowledge, talent, skills of the people who composed it, but the ability to manage the business effectively for its continuous operation.

The six S's in the confident word of Opiano (2010) as cited by Limpayos (2010) assure the strength of cooperatives to effect economic growth and stability, namely: self-help, self-administration, self-responsibilities, subsidiary, service oriented, and socially oriented. Self-help means looking into one's ability to solve problems; self-administration trained to handle effectively your own affairs; self-responsibility, we are the one helping ourselves in administering our own affairs, no other way than to accept the consequence of our own actions, whether positive or negative and learning how to reverse failure to success; subsidiary knowing the government assistance is limited only to supervisory role and not control; service oriented, service is valued over profit; finally, socially oriented which means gains in the cooperative spreads to the community bringing about economic prosperity and a social contentment for the greater number if not all, and not just for a fortunate few. These innate elements in the cooperative are strong pillars that augur well for the Philippine economy and social amelioration.

On the other hand, Ballaguig (1981) as cited by Limpayos (2010) suggested some solutions to improve cooperative management as follows:



1. Strengthen the management – train them, pay them well, give them power and moral support
2. Prepare regular monthly reports
3. Up-date your policies
4. Control your delinquency
5. Improve your services
6. Guarantee the maximum allowable dividends on share capital
7. Continuous education
8. Advertise
9. Establish and interlending fund among cooperatives

Financial Management

According to Rao (1997), business organizations cannot produce goods and services without productive resources or capital. Financial management entails planning for the future of a person or business enterprise to ensure a positive cash flow. It includes the administration and maintenance of financial assets. Besides, financial management covers the process of identifying and managing risk (Riley, 1999).

Financial Management refers to activities that are concerned with securing money and using it properly. A financial manager must determine the best ways to raise money or funds. However, it is also important that money should be used effectively in realizing the goals of the enterprise or organization. Clearly good financial management requires planning, thus it starts with the identification of the financial needs of the business (Fajardo, 1994) as cited by (Collado, 2006).



On the other hand, according to Medina (1999) as cited by Abiasen (2004), business firms need funds to finance their operation. To be assured of continuous supply of funds, there is a need to manage properly finance function. When funds are made available in right amounts at the right time, the business organization may be expected to function properly. When funds are not enough to finance planned activities, the risk of failure to achieve objectives becomes apparent.

The key objectives of financial management are: a) create wealth for the business; b) generate cash; and c) provide an adequate return on investment bearing in mind the risk that the business is taking and the resources invested (Riley, 1999).

Key Elements in Financial Management

1. Financial Planning

According to Rao (1997), in an economy that is constantly changing, financial managers must all times attempt to anticipate future trends in the economy, and their industry, and in their own firms. It is further explained by Riley (1999) that financial planning is to ensure that the company's operating and financial policies are compatible with corporate goals and that the firm will be on financially firm ground in the future, the company must have a systematic planning framework.

Financial planning primarily involves anticipating the impact of operating and financial policies on the firms' future financial position and instituting remedial measures as needed (Riley, 1999).

2. Financial Control

Financial control is a critically important activity to help the business ensure that the business is meeting its objectives. Financial control addresses questions such as:



- a. Are assets being used efficiently?
 - b. Are the business assets secured?
 - c. Does management act in the best interest of shareholders and in accordance with business rules?
3. Financial Decision-making

The key aspects of financial decision-making relate to investment, financing and dividends. Investments must be financed in some way however there are always financing alternatives that can be considered. For example it is possible to raise finance from selling new shares, borrowing from banks or taking credit from suppliers. A key financing decision is whether profits earned by the business should be retained rather than distributed to shareholders via dividends. If dividends are too high, the business may be starved of funding to reinvest in growing revenues and profits further (Riley, 1999).

Management of Funds

Runkle *et al.*, (1999) as cited by Limpayos (2010) said that excellent record management of the transaction records of income and expenses is a must to ensure the profitability and growth of a cooperative. All the necessary documents should be kept and made available for reference when needed. Punzalan (1999) as cited by Limpayos (2010) strengthened the statement of the forgoing when she said that regular audit is needed to maintain genuine financial record or requirement for a cooperative to be able to operate smoothly.

Abiasen (2004) with respect to fund management practices, the major internal sources of fund were from the share capital of members, income from operation and savings deposit of members. Most of the cooperatives generated fund from external sources



such as loan and donations/grants. There were more than 80% of the cooperatives that generated their funds from the internal sources only, while 20% generated their fund from outside sources. Most of the cooperatives used their fund in their canteen and consumer operation, as well as for lending to their members. Some of them used their fund to purchase supplies and materials, for building maintenance, as reserve fund or for payment of benefits to members.

Sources of Funds

Financial capitals or funds are essential resources to the entrepreneur. These are the lifeblood of the enterprise; the entrepreneur needs money in starting his business and other operational costs for the development of his business. In many cases, small entrepreneurs have adequate capital. Thus, it is important for them to be able to identify sources of funds.

According to Helenel (2009), cooperatives need money to start operations, to expand and diversify, and to modernize facilities. When the amount of money needed for the project has been determined, the cooperative should identify the best sources of capital and the desired amount from each source. These sources include common and preferred shares, other types of securities, member loans, and loans from financial institutions.

Most cooperatives increase the minimum paid-up share capital of their members and continuously made savings awareness among the members to increase their funds. Most of the members add their share capital annually while they add their savings anytime depending on the availability of money (Collado, 2006).

Limpayos (2010) recommended in her study that internal sources of fund should be strengthened and maintained in order to restore the image of the Bileng Multipurpose Cooperative and build or sustain its assets. Sales on credit should be surcharged at a certain



percentage and the percentage be added to the share capital for capital build-up. Another source of income is sales on cash may discounted and the discount shall be added to the share capital of that member. Furthermore, the management staff is encouraged to source out funds from external sources but they need to equip themselves with the necessary knowledge, values and skills in doing so.

On the other hand, Wadasen (2001) in her study of the financial management practices of St Jude Multipurpose Cooperative, she recommended that cooperative must intensify the implementation of sound financial management practices to promote the growth and development of the cooperative. In addition, she identified the financial management practices of the cooperative like the regular preparation of financial status report, the regular monitoring of financial assets and regular monitoring of cooperative business and the implementation of financial control policies.

Uses of Funds

Most funds were used for modernizing and expanding plant and equipment. Cooperatives have increasingly been involved in handling, processing manufacturing, packaging, merchandizing, and transportation activities to improve farm supply and marketing service to members.

Collado (2006) stated in her study that most of the funds of the cooperatives were allocated to working capital such as for the purchase of stocks and for lending out to members.

Fajardo (1994) as cited by Medon (2002), uses of funds include purchases of current fixed assets, repayment of short or long-term debt, repurchase of common or preferred stock, payment of common and preferred dividends and losses from operation.



Capital Build-up Schemes of Cooperative

Cooperatives are like any other business entities that need capital in order to attain their objectives of providing goods and services to their members. A cooperative fund as applied in this study refers to the money available to be budgeted to the different activities of the cooperative. Money is a resource that fuels the operation of any business entity like the cooperative. It is therefore important that the cooperative fund should increase every year so that the business of the cooperative will also increase (Abiasen, 2004).

Mendoza (1970) as cited by Medon (2002) mentioned that financial management plays an important role in a cooperative enterprise. Generally, a cooperative needs a capital to meet its principal requirements, which are the organization expenses; working capital; and the long-term investments. There are two enter twined characteristics of funding scheme of a cooperative- the inadequate capital and the unsound management of funds. A typical cooperative in developing countries is so under-capitalized from the very start of operation so that it has to avail itself from outside financing as it was observed. The serious predicament confronting cooperatives- in general, practically all cooperative programs in developing countries provide a package of financial assistance, mostly in the form of loans from government and private agencies precisely to support the growth and development of cooperatives from their infant stage. There are more even critical problems that coupled this under capitalization, which is the inefficient and ineffective utilization of cooperative capital. The cooperative financial management should be prompted to acquire and make full use of knowledge as well of skills and understanding of financial management to propel the cooperative to satisfy quantitatively and qualitatively the needs and demands of the members.



Moreover, Collado (2006) recommended in her study that cooperatives have to make programs that would encourage members to add their share capital contribution. The programs may include giving of prizes to members who have the highest share capital.

Effective Financial Management

The building of capital is the concern of every member in the cooperative. Share capital, fund raising and retention of apportion of the patronage refund are important element of cooperativism. The amount of loan one could avail of in a credit cooperative should be proportionate to the member's fix deposits. The patronage refund is computed in accordance with the amount of financial transaction a member had done with the cooperatives business. The principal of receiving and sharing in cooperative are always related to the participation of members (Limpayos, 2010).

Financial Management Level

Broadly speaking, the process of financial management takes place at two levels. At the individual level, financial management involves tailoring expenses according to financial resources of an individual. Individuals with surplus cash or access to funding invest their money to make up for the impact of taxation and inflation. Else, they spend it on discretionary items. They need to be able to make the financial decisions that are intended to benefit them in the long run and help them to achieve their financial goals. From the organizational point of view, the process of financial management is associated with financial planning and financial control. Financial planning seeks to quantify various financial resources available and plan the size and timing of expenditures. Financial controls refer to monitoring cash flow. Inflow is the amount of money coming into a



particular company, while outflow is a record of the expenditure being made by the company. Managing this movement of funds in relation to the budget is essential for the business (Stanley, 2000) as cited by (Oras, 2010).

At the cooperative level, the main aim of the process of managing finances is to achieve the various goals a company sets at a given point of time. Businesses also seek to generate substantial amounts of profits, following a particular set of financial processes. Besides, they control the functioning on money put in by external investors. Providing investors with sufficient amount of returns on their investments is one of the goals that every company tries to achieve. Efficient financial management ensures that this becomes possible (Oras, 2010). Strong financial management of the business area requires managers to be able to:

1. Interpret financial reports including income statements, profit and loss, cash flow statements and balance sheet statements.
2. Improve the allocation of working capital within the business operations
3. Review and fine-tune financial budgeting, and revenue cost forecasting.
4. Look at the funding options for business expansion, including both long and short term financing.
5. Review the financial health of the company or business unit using ratio analyses, such as the ratio, profit per employee and weighted cost of capital.
6. Understand various techniques using in project and asset valuations.
7. Apply critical financial decision making techniques to assess whether to proceed with an investment.
8. Understand the various frameworks for business, portfolios and intangible assets.



Factors Affecting the Cooperative Financial Management

Medon (2002), stated in her study that the major factors affecting the financial management are the following: members became oriented for government financial assistance, members disloyalty, insufficient working capital and lack of education, training and information and practical know how regarding cooperative management.

Punzalan (1999) as cited by Medon (2002), stated that failure to conduct continuous education, untrained officers to manage, and members stopped building up their capital were almost true to cooperatives. Thus, this situation calls for immediate remedial measure to spare the cooperative from permanently downing and to be able to bring back the cooperative on track.

Financial Management Problems

Diclas (2005) as cited by Collado (2006), stated that lack of adequate safeguards against unscrupulous officers who are taking advantage of their position to grant loans to themselves, to relatives and to acquaintances. Inabilities of the cooperative to secure funds, limited or indifferent membership are some factors that hinder the growth of cooperative.

Inadequate capital in the cooperatives is the attributes of low participation among members leading to very low collections on capital shares, annual dues and other fees, or due primarily to indifference and lack of concern of members for the cooperative growth. Poor liquidity of the cooperatives that can be traced to the values and negative attitudes of the members as well as lack of proper training on its duly assigned or designated offices, record keeper, and finance manager. Mismanagement of cooperatives can be traced to inadequate training and managerial capabilities of the officers (Collado, 2006).



The study of Collado (2006) identified the mostly encountered problems of a cooperative were the high rate of uncollected loans and credit of the members and the lack of cooperative's programs on capital build-up.

Definition of Terms

Management. Is the organizational process that includes strategic planning, setting of objectives, managing resources deploying the human and financial assets needed to achieve objectives and measuring result.

Financial management. It is concerned with the financial goal setting. This is necessary in a cooperative to carry on business and maximize future financial requirements.

Fund sourcing practices. This refers to the ways and means of generating funds for the cooperative.

Fund utilization practices. This refers to the ways and means of how the cooperative funds are being used of liquidated for the welfare of the cooperative and its member.



METHODOLOGY

Time and Locale of the Study

The study was limited to the top five millionaire cooperatives in the province of Benguet according to the paid up share capital based on the Annual report submitted to the Cooperative Development Authority in 2009. These include: Philex Community Credit Cooperative, Benguet Government Employees Multipurpose Cooperative, Bad-ayan Buguias Development Multipurpose Cooperative, Philex Mines Community Consumers Cooperative and Multipurpose Cooperative of COA-CAR Employees.

The study was conducted from October to December 2011.

Respondents of the Study

The respondents of this study were the officers and staffs of the cooperative directly involved in the financial management of the organization and some members.

Data Gathering Procedure

A survey questionnaire was used as the main instrument in gathering data on the financial management practices of the cooperatives studied. The survey was supplemented with personal interview. Secondary data was also collected.

Data Gathered

The data gathered were the profile of the millionaire cooperatives, financial management practices, sources of funds, fund utilization practices, capital build up schemes, factors affecting the financial management and the problems encountered by the selected millionaire cooperatives in Benguet province.



Data Analysis

The data gathered were tabulated and analyzed using descriptive and frequency analysis and other appropriate statistical tool.



RESULTS AND DISCUSSION

Cooperatives Studied

Table 1 presents the name of cooperative studied and the number of respondents from each cooperative. The table shows that as to the number of respondents, Bad-ayan Buguias Development Multipurpose Cooperative had the highest number with 10 respondents (31%), followed by Philex Community Credit Cooperative with 7 respondents (22%). MPC of COA-CAR Employees had the least number of respondents with only 4 (12%).

Table 2 presents the position and gender of respondents per cooperative studied. It shows that most of the respondents were female which numbered 25 while there are only 7 male respondents. This shows that most of the cooperatives recognized the right of women to participate in any activities and even hold position in any organization like cooperatives.

The respondents were classified according to their position in the cooperative which shows that all the manager of the cooperative were surveyed and interviewed. On the other hand, some officers and staff of the cooperative that are directly involved in the financial management of the organization were also included in the study, this includes the secretary, treasurer and even the chairman of the board of director of the Bad-ayan Buguias Development Multipurpose Cooperative. Bookkeepers, accountant, loan officers/loan disbursing officer, cashiers and posting clerk were also surveyed. Two members for each cooperative were surveyed.



Table 1. Number of respondents per cooperative

NAME OF COOPERATIVE	FREQUENCY	PERCENTAGE
Philex Community Credit Cooperative (PCCC)	7	22
Benguet Government Employees Multipurpose Cooperative (BGEMPC)	6	19
Bad-ayan Buguias Development Multipurpose Cooperative (BABUDEMCO)	10	31
Philex Mines Community Consumers Cooperative (PMCCC)	5	16
Multipurpose Cooperative of COA-CAR Employees (MPC of COA-CAR)	4	12
TOTAL	32	100



Table 2. Position and gender of respondents per cooperative

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA		TOTAL
	M	F	M	F	M	F	M	F	M	F	
BOD Chairman					1						1
Secretary						1					1
Treasurer				1		1					2
Manager		1	1			1		1		1	5
Bookkeeper/Accounting Clerk		2	2			1	1			1	7
Loan Officer/Loan Disbursing Officer		1				1		1			3
Posting Clerk						1					1
Cashier		1				1					2
Member	1	1		2	1	1		2		2	10
TOTAL	1	6	3	3	2	8	1	4	0	4	32



Profile of Cooperative

Table 3 to Table 9 present a background of the five millionaire cooperatives considered in this study including the years of operation, number of regular members, type of cooperative, services offered, membership increase and financial data.

Cooperative background. Most of the cooperatives were in operation for almost forty years. Philex Mines Community Consumers Cooperative was the oldest among the cooperatives studied with 48 years of existence followed by the Philex Community Credit Cooperative operating for 47 years and the youngest but millionaire cooperative was the MPC of COA-CAR employees operating for only thirteen years.

Philex Community Credit Cooperative had the highest number of regular members with a total of 2273, followed by Bad-ayan Buguias Development Multipurpose cooperative with 2248 regular members while MPC of COA-CAR Employees had the least number of regular members with only 372 individuals but already a millionaire cooperative. Furthermore, Table 4 shows the increase of membership from 2008 to 2011 and in the case of MPC of COA-CAR Employees although there was a 12.59% decrease from 2009 to 2010 in the membership Table 7 shows that in terms of their paid-up capital there was 11.52% increase. In the total assets (Table 5), it was also observed that there was 16.40% increase in the same year even though there was a decrease in the membership. This implies that the number of members was not the indicator for a cooperative to become a millionaire instead the cooperation and support of each member will make a cooperative successful. Moreover, the principle of receiving and sharing in a cooperative are always related to the participation of members which were visible in the financial contribution of



each member in the cooperative (Limpayos, 2010) which can be evident in their paid-up share capital.

Furthermore, Table 3 shows that three of the cooperatives studied were multipurpose cooperative, a cooperative which combines two (2) or more of the business activities of the different types of cooperative (RA 9520, 2008). Two of which were non-agricultural which includes Benguet Government Employees Multipurpose Cooperative having businesses such as lending and canteen while Multipurpose Cooperative of COA-CAR Employees have lending services. On the other hand, Bad-ayan Buguias Development Multipurpose Cooperative was the only cooperative studied that engaged in agricultural-related business like selling farm inputs and as well as engaging in trading business but still their major source of income was that of lending services. Two cooperative studied were engage in credit and consumer operation alone.

Table 4 shows the increase in membership in each of the cooperative studied in which data presented mostly showed a positive increase. On the other hand, two cooperatives were observed to have decrease in membership in the year 2011 which includes the Philex Community Credit Cooperative and Philex Mines Community Consumers Cooperative. The highest percentage increase was observed in the case of MPC of COA-CAR Employees with 20.97% increase in the year 2010 to 2011.



Table 3. Cooperatives profile

NAME OF COOPERATIVE	YEARS OF OPERATION	REGULAR MEMBERS	TYPE OF COOPERATIVE	BUSINESS ACTIVITIES
Philex Community Credit Cooperative	47	2273	Credit	Lending
Benguet Government Employees MPC	37	780	MPN	Lending, canteen
Bad-ayan Buguias Development MPC	39	2248	MPA	Lending, Farm Inputs, Trading
Philex Mines Community Consumers Cooperative	48	1824	Consumers	Retail trade
MPC of COA CAR Employees	13	372	MPN	Lending

Table 4. Increase in membership

COOPERATIVE	2008		2009		2010		2011
	F	%	F	%	F	%	F
Philex Community Credit Cooperative	2493	(6.72)	2336	0.21	2341	(2.99)	2273
Benguet Government Employees MPC	614	(0.82)	609	7.31	657	15.77	780
Bad-ayan Buguias Development MPC	1752	5.50	1854	5.65	1965	12.59	2248
Philex Mines Community Consumers Cooperative	1778	(0.57)	1768	3.12	1825	(0.05)	1824
MPC of COA CAR Employees	327	1.21	331	(12.59)	294	20.97	372
TOTAL	6964	(1.40)	6898	3.71	7082	46.28	7497



Cooperatives financial data. Table 5 to Table 9 shows the financial data of the millionaire cooperatives studied. Total assets, total liabilities, paid-up capital, income/surplus and reserved funds were recorded based on the financial data of the cooperatives from the year 2008 until 2010. Percentage increase was also presented in the table.

Philex Community Credit Cooperative had the highest total asset making them the top 4 cooperative in terms of total asset in the whole Cordillera Administrative Region as presented during the Cooperative Month Celebration last October 2011. All the cooperatives had increasing total asset in terms of the amount yet only two cooperatives have increasing percentage rate while the other 3 cooperatives were observed to have a decrease in the percentage increase. The highest increase was in the case of MPC of COA-CAR Employees with 28.61% increase in the year 2008 to 2009.

Table 5. Total assets of the cooperatives

COOPERATIVE	2008		2009		2010
	PHP	%	PHP	%	PHP
PCCC	200,438,297.87	6.02	213,272,440.07	8.24	232,424,506.53
BGEMPC	32,242,025.53	15.15	37,997,384.85	12.19	43,273,793.88
BABUDEMCO	59,346,654.72	6.63	63,563,785.84	21.22	80,681,737.69
PMCCC	38,492,271.49	8.98	42,289,986.28	6.28	45,125,923.07
MPC of COA-CAR	17,809,180.95	28.61	24,946,410.48	16.40	29,838,617.03
TOTAL	348,328,430.56	8.83	382,070,007.52	11.42	431,344,578.20



Table 6. Total liabilities of the cooperatives

COOPERATIVE	2008		2009		2010
	PHP	%	PHP	%	PHP
PCCC	32,590,270.77	9.86	36,154,135.84	15.21	42,641,248.49
BGEMPC	3,246,644.80	12.36	3,704,586.98	6.52	3,962,898.25
BABUDEMCO	27,597,497.41	7.69	29,895,378.87	31.31	43,522,340.07
PMCCC	10,084,728.36	18.15	12,321,011.12	13.91	14,311,271.75
MPC of COA-CAR	4,089,619.75	37.41	6,534,502.10	25.38	8,757,360.84
TOTAL	77,608,761.09	12.41	88,609,614.91	21.72	113,195,119.40

As to the total liabilities, all the cooperatives had an increasing accountability. And the highest increase was that of MPC of COA-CAR Employees with 37.41% increase in the year 2008 to 2009 (Table 6).

The study selected the top five millionaire cooperatives in the province of Benguet based from the paid-up share capital of the regular member of each of the cooperative and it was shown in Table 7 that Philex Community Credit Cooperative had the highest paid up share capital followed by the Benguet Government Employees Cooperative, Bad-ayan Buguias Development Multipurpose Cooperative, Philex Mines Community Consumers Cooperative and MPC of COA-CAR Employees respectively. It shows that all the cooperatives have an increasing paid-up share capital based from the percentage increase presented and the highest percentage increase 26.89% was in the year 2008 to 2009 of MPC of COA-CAR Employees. Furthermore, based on the overall total of the assets of the cooperatives studied there was more or less 8% increase in the paid-up capital for the three years.



Table 7. Total paid-up share capital of the cooperatives

COOPERATIVE	2008		2009		2010
	PHP	%	PHP	%	PHP
PCCC	151,116,546.72	4.98	159,043,858.04	6.38	169,881,458.73
BGEMPC	25,847,927.05	16.53	30,964,887.98	13.35	35,737,616.60
BABUDEMCO	22,138,756.19	8.17	24,107,474.79	10.94	27,068,521.88
PMCCC	23,768,731.37	2.86	24,467,560.42	3.52	25,360,382.53
MPC of COA-CAR	12,685,496.82	26.89	17,350,974.14	11.52	19,609,602.10
TOTAL	235,557,458.15	7.96	255,934,755.37	7.82	277,657,581.84

Moreover, as to the net income or net surplus of the cooperative, Table 8 shows that there was an increase except for the Philex Community Credit Cooperative in the year 2008 to 2009 which decreased 4.52%. Highest income increase was in the case of Badayan Buguias Development Multipurpose Cooperative with 39.22% increase in the year 2009 to 2010.

Table 8. Income/surplus of the cooperatives

COOPERATIVE	2008		2009		2010
	PHP	%	PHP	%	PHP
PCCC	19,073,520.56	(4.52)	18,249,467.61	5.81	19,376,075.60
BGEMPC	993,550.68	19.92	1,240,748.87	21.96	1,589,924.93
BABUDEMCO	1,027,905.79	17.52	1,246,232.43	39.22	2,050,264.73
PMCCC	4,600,494.01	14.49	5,380,254.61	15.21	6,345,173.59
MPC of COA-CAR	1,299,198.63	33.10	1,941,985.43	24.61	2,575,749.09
TOTAL	26,994,669.67	3.79	28,058,688.95	12.14	31,937,187.94



Table 9. Reserved funds of the cooperatives

COOPERATIVE	2008		2009		2010
	PHP	%	PHP	%	PHP
PCCC	14,931,024.29	10.89	16,755,971.04	10.37	18,693,578.60
BGEMPC	2,243,444.81	5.24	2,367,519.70	6.31	2,526,867.17
BABUDEMCO	1,063,883.90	15.08	1,252,816.09	13.72	1,452,015.92
PMCCC	2,912,780.47	15.59	3,450,805.93	15.53	4,085,323.29
MPC of COA-CAR	477,703.93	28.90	671,902.48	27.71	929,477.39
TOTAL	21,628,837.40	11.72	24,499,015.24	11.52	27,687,262.37

Philex Community Credit Cooperative had a high reserve fund amounting to Php. 16,793,524.64 which implies that the cooperative was more stable than the other cooperatives studied because higher reserved funds implies that the cooperative had sufficient funds. Table 9 presents that the cooperatives reserved fund was increasing and it was observed that in terms of percentage increase, MPC of COA-CAR Employees have the highest increase with 28.90% increase in the year 2008 to 2009 while the Benguet Government Employees Multipurpose Cooperative have the least percentage increase with 5.24%.

Furthermore, the total reserved fund of all the cooperatives was also presented and it shows that there was almost 12% increase every year.



Financial Management Practices

Generally, Table 10 presents the financial management practices of the selected millionaire cooperatives. Most of the practices like preparation of financial plan or budget, formulation and implementation of internal control policies and regular preparation of financial status report were being practiced by the cooperative which shows a 100% response from the respondents in each of the cooperative. Some cooperatives regularly visit their cooperative business unlike the MPC of COA-CAR Employees (100%) as well as Benguet Government Employees Multipurpose Cooperative (17%) which does not regularly visit their cooperatives business. Moreover, four cooperatives mention that they had regular audit and inventory of cooperative financial assets except for MPC of COA-CAR Employees.

These findings supports the recommendation of Wadasen (2001) in her study of the financial management of St Jude Multipurpose Cooperative wherein she explained that cooperatives must intensify the implementation of sound financial management practices to promote the growth and development of the cooperative. In addition, she identified the financial management practices of the cooperative like the regular preparation of financial status report, the regular monitoring of financial assets and regular monitoring of cooperative business and the implementation of financial control policies which are also visible in the selected millionaire cooperatives studied.

It is therefore recommended for small and starting cooperative to look deeply on their financial management practices as identified in this study and that cooperative leaders as well as management must help hand and hand to be able to improve their financial management practices.



Table 10. Financial management practices

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA-CAR	
	F	%	F	%	F	%	F	%	F	%
Preparation of Financial Plan/Budget	7	100	6	100	10	100	5	100	4	100
Formulation /Implementation of financial control policies	7	100	6	100	10	100	5	100	4	100
Regular visits to the cooperatives business										
Visit regularly	7	100	5	83	10	100	5	100		
Do not visit regularly			1	17					4	100
Regular audit/inventory of cooperative financial assets										
Audit regularly	7	100	6	100	10	100	5	100		
Do not audit regularly									4	100
Regular preparation of financial status report	7	100	6	100	10	100	5	100	4	100

*Multiple response



Financial Plan

The cooperatives studied identified some of their policy in budgeting such as the use of comparison of previous data, based on actual expenses and having an annual review and preparation. Most of the cooperatives have identified policies in budgeting yet some cooperatives explained that these policies were not formal because there was no written policy. It shows that these were verbally disseminated without any written basis. Thus, recognizing the fact that financial planning or budgeting is very important in an organization it is recommended that the studied cooperatives as well as other existing cooperatives must have a specific written policy amended by members regarding financial aspects.

Table 11 shows that 4 (80%) of the cooperatives have been implementing their policies in budgeting except for Benguet Government Employees Multipurpose Cooperative (50%) wherein some officers and staff recognized the fact that the cooperative policies in budgeting are still weak.

As to the preparation of financial budget of the selected millionaire cooperative, all the cooperatives were preparing their budget every beginning of the year. Most of the cooperatives identified management as the one who prepares the budget specifically the accountant and manager while for Philex Mines Community Consumers Cooperative the budget was being prepared by the budget committee. After the preparation of the budget it is passed to the Board of Directors for further study and for approval. If the budget is approved by the Board of Directors then it will be presented during the general assembly meeting to be approved by the members with the right to vote.



Table 11. Policies on budgeting

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Implementation of policies										
Implemented	7	100	3	50	10	100	5	100	4	100
Not implemented			3	50						
Preparation of budget										
Prepare	7	100	6	100	10	100	5	100	4	100

The results gathered support the statement of Riley (1999) that financial planning is to ensure that the company's operating and financial policies are compatible with corporate goals and that the firm will be on financially firm ground in the future.

Sources of Funds

Generally, cooperatives may derive their funds from either internal or external sources. The internal sources were those provided by the members in the form of share capital, savings and time deposit, income from operation and capital build-up schemes. On the other hand, the external sources were from the loans, grants and donations. Table 12 shows the sources of funds of the cooperatives.

As to internal sources, it was noted that all cooperatives (100%) raised their funds from the share capital of the members. Savings and time deposit were also identified by 3 cooperatives (100%) as one of their internal sources of funds. While capital build-up schemes as internal source shows that majority of the cooperatives have lower than 50%



results which imply that some cooperatives were not recognizing the importance of continuously raising their share capital. These findings were in accord with Collado (2006) in which she emphasizes that cooperatives increase the minimum paid-up share capital of their members and must have continuously made savings awareness among the members to increase their funds.

On external sources, it was observed that only few cooperatives sourced out their funds from loans or borrowings. On the other hand, only Bad-ayan Buguias Development Multipurpose Cooperative sourced their funds through grants and donation as well as from cooperative awards. This implies that millionaire cooperatives do not depend on external sources instead sourced their funds within the organization. Thus, the study supports the recommendation of Limpayos (2010) that internal sources of funds should be strengthened and maintained in order for the cooperatives to restore their image through financial stability.

Furthermore, the result of the study defy the findings of Abiasen (2004) that most of the cooperatives generated fund from external sources such as loan and donations/grants. This implies that the millionaire cooperatives studied were not classified as one of those cooperative programs in developing countries provided with a package of financial assistance, mostly in the form of loans from the government and private agencies precisely to support the growth and development of the cooperatives from the infant stage but in the end the cooperative go bankruptcy or if not in stagnant stage (Mendoza, 1970) as cited by (Medon, 2002).



Table 12. Sources of funds of the millionaire cooperatives

PARTICULARS	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR		
	F	%	F	%	F	%	F	%	F	%	
Internal Sources											
Share Capital	7	100	6	100	10	100	5	100	4	100	
Savings and Time Deposits	7	100			10	100			4	100	
Net Surplus			2	33	7	70	5	100	2	50	
Capital Build up Schemes	3	43	4	67	3	30	5	100	2	50	
External Sources											
Loans/ Borrowing	3	43	1	17	10	100			4	100	
Donation/grants					10	100					
Cooperative Awards					10	100					

*Multiple respons



Fund Sourcing Practices

Since all cooperatives raised their funds from the share capital of the members, there were various practices employed by these cooperatives in fund sourcing. In generating share capital, all the cooperatives have identified recruits of new members and continuous increase of the minimum paid-up capital as the easiest and basic ways to increase the cooperatives paid-up share capital. On the other hand, 3 cooperatives deducted certain percentage from the amount loaned by the members that is added to the member's share capital while 2 cooperatives continuously conduct seminars on capital build-up in order to encourage members to increase their share in the cooperative (Table 13). Another practice done by some of the cooperative was the deduction of a certain percentage from the per diem/ honorarium or salary of the officers and staff of the cooperative to be added to their share capital contribution to the cooperative.

Money was a resource that fuels the operation of any business entity like the cooperative. It is therefore important that the cooperative fund should increase every year so that the business of the cooperative will also increase (Abiasen 2004). Thus, member's continuous addition of their initial share capital was also an important practice as shown in the results of this study.

Thus, in organizing a cooperative and even in the recruitment of members, officers and staff must emphasize to the aspiring members that they must continuously add their share capital. Based on the study, it is also recommended that the cooperative must have policy on stagnant minimum share capital to encourage members to add their initial share capital.



Table 13. Fund sourcing practices

PRACTICES	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Recruits new members	7	100	5	83	10	100	5	100	4	100
Increase the minimum paid-up share capital	6	86	4	67	10	100	5	100	4	100
Conducts continuous seminar to members on capital build-up					9	90	5	100		
Deducts certain percentage from the amount loan by the members	6	86	6	100	10	100				
Per diem/honorarium and salary deduction			3	50	8	80				

*Multiple response



Capital Build-up Scheme

The capital build-up schemes of the cooperative were identified in Table 14. All five cooperatives stated that payment of the share capital contribution regularly was the most efficient and basic way of capital build-up. Benguet Government Employees Multipurpose Cooperative also identified some of their capital build up scheme like patronage of their store/canteen (67%) and payroll deduction for the cooperatives officer and staff (17%).

On the other hand, Bad-ayan Buguias Development Multipurpose Cooperative also identified some of their capital build-up scheme such as raffle draws (80%), birthday gift contribution among the cooperative officers and staff amounting to Php. 50.00 each to be added to the account of the celebrant (100%), patronage of the cooperative store (90%), credit deposit (10%) and payroll deduction (10%). Payroll deduction was being practiced by two cooperatives studied wherein in the salary of cooperative staff and even the honorarium of cooperative officers, a certain percentage would be deducted from their salary/honorarium to be added in their share capital accounts.

The result implies that there were lot of ways in order to increase the share capital contribution of every member and it is the responsibility of the officers, staff as well as members to think and create unique but applicable capital build-up schemes. As stated by Abiasen (2004) cooperatives are like any other business entities that need capital in order to attain their objectives of providing goods and services to their members. Money is a resource that fuels the operation of any business entity like the cooperative. It is therefore important that the cooperative fund should increase every year so that the business of the cooperative will also increase.



In addition, according to Fajardo (1994) as cited by Collado (2006) financial management refers to activities that are concerned with securing money and using it properly. A financial manager must determine the best ways to raise money or funds. However, it does not end in raising funds but it is also important that the money should be use effectively in realizing the goals of the enterprise or organization. Thus, when idealizing a capital build-up scheme, it must be planned thoroughly before implementing it in the cooperative.

Therefore, the study supported the recommendation made by Collado (2006) that cooperatives have to make programs that would encourage members to add their share capital contribution.

Policy on Adding Share Capital

All of the cooperative studied have policies on adding share capital (100%), however, for MPC of COA-CAR Employees only 3 respondents (75%) believes that there were policies on adding share capital. As to the implementation, all cooperatives are implementing the policies on adding share capital (Table 15). Some policies were identified such as; (1) strictly implement payment of subscribed capital by visiting and collecting Php. 50.00 monthly for individuals under policies including any voluntary amount, (2) 50% of patronage refund and dividend to be deposited as capital build up and (3) 1% loan retention to be added to the share capital.

This result implies that all the 5 millionaire cooperatives studied had a clear policy on adding share capital which makes them more financially stable than the other cooperatives in Benguet. It is therefore recommended that small and starting cooperatives must formulate policy concerning the continuous adding of share capital contribution.



Table 14. Capital build-up schemes

SCHEME	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Payment of share capital	7	100	5	83	10	100	5	100	4	100
Raffle draws					8	80				
Birthday gift contribution					10	100				
Patronage of cooperative store			4	67	9	90				
Credit deposits					1	10				
Payroll deduction			1	17	1	10				

*Multiple response

Table 15. Policy on adding share capital

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Presence of policy on adding share capital										
With policy	7	100	6	100	10	100	5	100	3	75
Without policy									1	25
Policy implementation										
Strictly followed	7	100	6	100	10	100	5	100	3	75



Frequency of Adding Share Capital

Table 16 shows how often the members add their share capital in the cooperative. Three of the cooperatives mentioned that many of the members were adding their share capital. Moreover, for Benguet Government Employees Multipurpose Cooperative 3 respondents (50%) believed that there were many members adding while the remaining stated that there were just few of them adding their share capital. On the other hand, on the case of the Multipurpose Cooperative of COA-CAR Employees, 3 respondents (75%) mentioned that few members were adding while only one respondent (25%) believed that many were adding their share capital. These data was supported by the financial data presented as to paid-up share capital (Table 7).

Reasons Why Members do not Add/Increase Their Share Capital

Since the frequency shows that not all members are adding their share capital contribution the reasons of not adding share capital were also studied. All the cooperatives studied mentioned lack of money as the reason why members did not add to their share capital. Two cooperatives mentioned that their members preferred to deposit their money as savings deposit rather than as share capital. This is because share capital cannot be withdrawn anytime while the savings deposit can be withdrawn anytime the members need the money. Fifty percent of the respondents of Bad-ayan Buguias Development Multipurpose Cooperative also mentioned that one of the reasons of not adding share capital was that members are out of the country or have transferred to other provinces while amortization on loans is too big because of the prioritization scheme was identified by Philex Community Credit Cooperative as one of the reasons (Table 17).



Table 16. Frequency of adding share capital

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Frequency of adding share capital										
Many	7	100	3	50	10	100	5	100	1	25
Few			3	50					3	75
TOTAL	7	100	6	100	10	100	5	100	4	100

Table 17. Reasons why members do not add/increase their share capital

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Want to add but lack of money to add to share capital	5	71.43	6	100	10	100	5	100	4	100
They prefer to deposit as savings rather than add to their share capital	4	57.14			3	30				
Members are out of the country or transferred to other provinces					5	50				
Amortization on loan balance is too big (prioritization scheme)	2	28.57								

*Multiple response



Promotion of Savings and Time Deposits

Table 18 shows that only Benguet Government Employees Cooperative do not have savings and time deposit services and the rest promotes saving and deposits through giving higher interest rate as indicated by 3 cooperatives. Two cooperatives considered information dissemination during general assembly and during pre-membership seminar can also be an effective way on promoting savings and time deposit aside from the advertisement made on radios and posters.

In addition, recruitment of new savers and ‘pakulo’ or prizes on deposit scheme were being practiced by Bad-ayan Buguias Development Multipurpose Cooperative while the Philex Mines Community Consumers Cooperative identified payroll deduction as their strategy in promoting savings and time deposits.

According to Jose Tomas, the general manager of Tam-an Multipurpose Cooperative which we visited during our educational field trip in Nueva Viscaya, he mentioned to us that in a credit business or organization, savings deposit is very important. Thus, continuous savings awareness must be administered by the cooperative so that members would be encouraged saving in the cooperative. In addition, cooperative members must also possess the value of self-responsibility in which members must be the one helping themselves in administering their own affairs (Opiano, 2010) as cited by (Limpayos, 2010). Therefore, members must patronize the services provided by the cooperative if they wanted to assure the strength of their cooperatives to effect economic growth and stability.



Table 18. Promotion of savings and time deposits

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Do you have savings and time deposit services										
With	7	100			10	100	5	100	4	100
Without			6	100						
TOTAL	7	100	6	100	10	100	5	100	4	100
Strategies in promoting savings and time deposits										
Provide higher interest rate	3	42.86			6	60			1	25
Pakulo- Prizes on deposit schemes					1	10				
Recruit new savers					1	10				
Information dissemination	2	28.57			3	30				
Payroll deduction							5	100		

*Multiple response



Raising Funds through Loans

One of the external sources of capital in a cooperative was through loans. Faced by the notion that cooperatives were organized just because they wanted loan grants from financial institutions, it is therefore a challenge for cooperative initiator or organizer to look deeper on the common need of the community and not on their personal interest.

Table 19 shows where the five cooperatives availed of their loans and their reasons in availing loans. Three cooperatives responded that they have not availed any loans from external source. Philex Community Credit Cooperative (57%) mentioned that they have availed loans from private lenders. It is also presented in Table 19 that only Bad-ayan Buguias Development MPC is the only cooperative studied who have been borrowing loans from different financial institution such as cooperative banks (100%), commercial bank (10%) and Land Bank of the Philippines (10%).

Moreover, on the financial data as to total liabilities (Table 6) it was observable especially on the year 2010 that Bad-ayan Buguias Development Multipurpose Cooperative had the highest obligation which supports the findings that BABUDEMCO was one of the cooperatives that depend on external source.

Moreover, the cooperatives especially in the case of BABUDEMCO reasons for availing loans on the presented data was because the institution provides lower interest (100%), fast release of loans (60%) and longer term of payment (10%). The result implies that even though they have been borrowing loans from different financial institution as long as it was properly manage cannot be a hindrance in cooperatives success.



Table 19. Raising funds through loans

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Sources of loans										
Cooperative bank					10	100				
Commercial bank					1	10				
Private lender	4	57								
Land Bank of the Philippines					1	10				
Did not avail any loans	3	43	6	100			5	100	4	100
Reasons for availing loan										
Lower interest					10	100				
Long term payment					1	10				
Fast release of loans					6	60				

*Multiple response



Donation and Grants Received by the Cooperative

Table 20 presents that only two cooperative have received donation and grants. BABUDEMCO have received grants from foreign aid (40%), CDA-JICA (20%) and provincial government (10%) while Benguet Government Employees Cooperative received grants from the provincial government (33%) with the temporary office provided for them in the Benguet Provincial Capitol. According to the Philippine Cooperative Code of 2008 (RA 9520) cooperatives organized among government employees notwithstanding any law or regulation to the contrary, shall enjoy the free use of any available space in their agency, whether owned or rented by the Government. Thus, Benguet Government Employees Multipurpose Cooperative was enjoying this privilege of having their temporary office in the Benguet Provincial Capitol.

It also shows that Bad-ayan Buguias Development Multipurpose Cooperative aside from the financial assistance (10%) also received materials and equipment (100%), building (50%) and cash awards (50%). The manager of BABUDEMCO stated that these cash awards they have received were given by the Cooperative Development Authority during the celebration of Cooperative Month Celebration which the cooperative was chosen for an exemplary performance.



Table 20. Donations and grants received by the cooperative

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Did you receive donation and grants										
Received assistance			2	33	10	100				
No assistance received	7	100	4	67			5	100	4	100
TOTAL	7	100	6	100	10	100	5	100	4	100
Sources of grants/ donation										
Foreign aid					4	40				
CDA JICA					2	20				
Provincial Government			2	33	1	10				
Items donated to the cooperatives										
Financial assistance					1	10				
Materials and equipment					10	100				
Building					5	50				
Cash awards					5	50				
Temporary office			2	33						

*Multiple response



Fund Utilization by the Cooperatives

There are 3 main areas where cooperatives allocate their funds: for fixed asset, working capital and administrative cost/overhead cost. All the cooperatives studied allocate most of their funds for the working capital of the cooperative. Table 21 presents the allocation of funds of the cooperative according to the 3 main areas.

For fixed asset, cooperatives specifically allotted their fund for facilities and equipment, buildings, lands and in the case of Philex Mines Community Consumers Cooperative have allotted some of their funds for transportation vehicle which was very important in transporting the goods from its market source. On the other hand, the fund for working capital was mostly allocated by the cooperatives for the purchase of stocks for cooperatives with consumer services and lending funds for cooperatives with credit services while 4 of the cooperatives studied recognized that honorarium and salary of officers and employees were also decreasing their working capital fund.

The result was in accord with the findings of Collado (2006) that most of the funds of the cooperatives were allocated to working capital such as for the purchase of stocks and for lending out to members.

Lastly, all the cooperatives allocated their funds for administrative services in terms of trainings and seminars and office supplies. On the other hand, only 4 cooperatives mentioned that they were also allocating their administrative fund for communication and GA/ BOD meetings.



Table 21. Fund utilization by the cooperatives

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Fixed Asset										
Buildings			4	67	10	100	5	100		
Transport vehicles							5	100		
Land			1	17	2	20				
Facilities/Equipment	7	100	5	83			5	100	4	100
Working Capital										
Honorarium/salaries of employees			3	50	1	10	5	100	1	25
Stocks of sale			5	83	10	100	5	100		
Utilities such as water, electric bills, fuel					1	10	5	100		
Lending funds	7	100	5	83	9	90			4	100
Administrative / overhead items										
Office Supplies	7	100	5	83	10	100	5	100	2	50
Transportation			2	33	2	20	5	100		
Communication expense	2	29	2	33	1	10	5	100		
Advertisement expense	2	29					5	100		
GA/BOD meetings	2	29	6	100	8	80	5	100		
Trainings and seminar	2	29	2	33	10	100	5	100	2	50

*Multiple response



Practices on Acquisition of Facilities and Equipment

Practices on acquisition of facilities and equipment like assistance of reliable technician, canvassing and providing trainings on proper handling were presented in Table 22. It was observed that although 3 of the respondent mentioned that they do not ask for assistance of reliable technician, all the cooperatives asked for assistance and do canvassing before acquiring facilities and equipment. The results shows that all the millionaire cooperatives studied do not just invest their money on facilities and equipment without asking assistance of reliable technician and canvassing. These practices were very important because cooperatives must consider the life span of each of the facilities and equipment acquired.

On the other hand, all the cooperatives provided trainings on proper handling although few respondents told otherwise. The trainings provided includes how to operate and maintain equipment, food handling and safe handling of equipment and materials.

Furthermore, after the acquisition of the facilities and equipment, staff must be oriented on the proper handling of these acquired assets of the cooperative. Trainings are also essential in prolonging the life span of facilities and equipment because even though you have acquired the best facilities and equipment through the assistance of reliable technician if the cooperative staff using do not know how to handle those, it will also decrease the life span of each equipment.



Table 22. Practices on acquisition of facilities and equipment

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Assistance of Reliable Technician										
Ask for assistance	7	100	5	83	10	100	5	100	2	50
Do not ask for assistance			1	17					2	50
TOTAL	7	100	6	100	10	100	5	100	4	100
Canvassing of materials and equipment										
Canvass before buying	7	100	6	100	10	100	5	100	4	100
TOTAL	7	100	6	100	10	100	5	100	4	100
Trainings on Handling Facilities and Equipment										
Provide trainings	2	29	5	83	10	100	5	100	2	50
Do not provide trainings	5	71	1	17					2	50
TOTAL	7	100	6	100	10	100	5	100	4	100



Internal Control Practices

Financial control is critically important activity to help the business ensure that the business is meeting its objectives. Table 23 presents the internal control practices of the cooperatives. These were the use of official receipt and disbursement voucher to document their transactions, the use of books of accounts or other records to record their transaction and the persons involved in the internal control of the cooperative.

Use of official receipt and disbursement voucher. The table presents that all the 5 cooperatives used official receipt and disbursement voucher to document their business transactions. This implies that all the transactions of the cooperatives are transparent because they are documented.

Use of books or records. The finding shows that all the cooperatives used Cash Receipts Journal, Cash Disbursement Book, General Journal, General Ledger as well as the Individual Deposit/Loan Ledger. Two cooperatives were using Sales and Purchase Journals for their consumer services. On the other hand, Benguet Government Employees Multipurpose Cooperative was using Loan Journals. This finding shows that at least all the cooperatives used all the books of accounts to record their transactions.

Runkle et al., (1999) as cited by Limpayos (2010) said that excellent record management of the transaction records of income and expenses is a must to ensure the profitability and growth of the cooperative. In addition, she said that all the necessary documents should be kept and made available for reference when needed. Through these practices transparency of records can be noticed which is a very important characteristic a cooperative must have. Thus, record keeping is indeed very important from the source documents, book of records and with the financial statements of the cooperative.



Furthermore, the accountant or the bookkeeper of the cooperative shall be responsible for the maintenance and safekeeping of the books and records of account of the cooperative in accordance with generally accepted accounting principles. He shall also be responsible for the production of the same at the time of audit or inspection (RA 9520). Transparency of records of cooperatives was also essential for members to establish their trust in the cooperative in order for them to increase their investment.

Officers and staff involved in internal control. Given the fact that financial control is critically important activity to help the business ensure that the business is meeting its objectives (Riley, 1999), officers and staff that are directly involved in the financial management of the cooperative must be visible such as the treasurer/cashier who is responsible in holding cash, bookkeeper/accountant who was responsible in record keeping and the supervisory committee who were responsible in the internal audit of the cooperative.

The table shows that all the cooperatives had this important officers and staff as part of their organizational structure. All cooperatives mentioned that their audit and inventory committee were all functioning or doing their duties and responsibilities.

Moreover, cooperatives must have a clear policy stating the duties and responsibilities of each of the officers and staff of the cooperative to avoid overlapping duties which could weaken the financial control of the cooperative because of personal interest.



Table 23. Internal control practices of the millionaire cooperatives

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Use of OR and CDV	7	100	6	100	10	100	5	100	4	100
Record Used										
Cash Receipt Book	7	100	6	100	10	100	5	100	4	100
General Journal	7	100	6	100	10	100	5	100	4	100
Sales Journal			5	83	10	100	5	100		
Individual Deposit/Loan Ledger	7	100	6	100	10	100	5	100	4	100
Cash Disbursement Book	6	86	6	100	10	100	5	100	4	100
General Ledger	7	100	6	100	10	100	5	100	4	100
Purchase Journal			2	33	10	100	5	100		
Loan Journal			1	17						
Officers and staff involved in Internal control										
Treasurer/cashier	7	100	6	100	10	100	5	100	4	100
Bookkeeper/ accountant	7	100	6	100	10	100	5	100	4	100
Supervisory committee	7	100	6	100	10	100	5	100	4	100

*Multiple response



Frequency of Audit

Table 24 presents the frequency of audit practiced by the cooperative. Auditing as defined is the examination of financial statements of any entity whether profit oriented or not and with a view to expressing an opinion thereon has two types as to who will perform the audit. Internal audit was an examination conducted by the cooperatives audit committee while external audit was conducted by independent auditors outside the organization. Furthermore, Philippine Cooperative Code of 2008 (RA 9520) stated that the financial audit shall be conducted by an external auditor who satisfies two important qualification; (1) he is independent of the cooperative or any of the subsidiary that he is auditing and (2) he is a member in good standing of the Philippine Institute of Certified Public Accountants (PICPA) and is both accredit by both the Board of Accountancy and the Authority. This is to avoid connivance of some group of individuals.

Internal audit. Table 24 shows that 4 cooperatives were conducting their internal audit monthly while only one cooperative mentioned that they only have internal audit on a yearly basis. However, some respondents also mentioned that they were conducting internal audit anytime they want like quarterly and even daily because of the emergence of computer programs which can automatically prepare financial reports and even audit it using some software programs.

External audit. The table further shows that all the cooperatives were conducting their external audit every end of the year or annually although BABUDEMCO also conducts external audit semi-annually. Annual external audit is indeed very important because audited financial reports were being submitted to the agency as a requirement for them to monitor the cooperative.



Table 24. Frequency of Audit

PARTICULAR	PCCC		BGEMPC		BABUDEMCO		PMCCC		MPC of COA CAR	
	F	%	F	%	F	%	F	%	F	%
Internal Audit										
Daily			2	33						
Monthly	7	100	5	83	10	100	5	100		
Quarterly					2	20				
Annually									4	100
External Audit										
Semi-annually					2	20				
Annually	7	100	6	100	10	100	5	100	4	100

*Multiple response



Factors Affecting Financial Management

Financial management refers to activities that are concerned with securing money and using it properly (Fajardo, 1994) as cited by (Collado, 2006). Table 25 and Table 26 present the factors affecting the financial management of the cooperatives and the degree of seriousness from the mean rating presented.

Factors affecting the financial management practices were identified which includes purchasing on account, irregular patronage of the cooperative, non-payment of share capital installment, lack of knowledge on financial management, inadequate time to monitor the cooperative, unimplemented and inadequate financial control policies and no financial management trainings conducted. The respondents have varied responses as to the degree of seriousness (Table 25).

Generally, as presented in Table 26, all the factors identified were not seriously experienced by the millionaire cooperatives studied except having inadequate financial control policies having 1.61 mean rating which signifies that this factor was seriously experienced by the cooperatives. This implies the importance of financial control policies in any organization like cooperatives.

The result further identified some of the factors affecting the financial management of the cooperative in addition to the findings of Medon (2002) that the major factors affecting the financial management were the following, members became oriented for government financial assistance, members disloyalty, insufficient working capital and lack of education, training and information and practical know how regarding cooperative management.



Table 25. Factors affecting financial management of the cooperatives

FACTORS	PCCC			BGEMPC			BABUDEMCO			PMCCC			MPC of COA-CAR		
	VS	S	NS	VS	S	NS	VS	S	NS	VS	S	NS	VS	S	NS
Purchasing on account	-	-	7	3	-	3	-	9	1	-	-	5	-	1	3
Irregular patronage of the cooperative	-	-	7	-	-	3	-	9	1	-	-	5	-	1	3
Non-payment of share capital installment	-	-	7	-	1	2	-	9	1	-	-	5	-	1	3
Lack of knowledge on financial management	-	-	7	-	1	2	1	8	1	-	-	5	-	1	3
Inadequate time to monitor the cooperative	-	-	7	-	-	3	1	8	1	-	-	5	-	1	3
Unimplemented financial control policies	-	-	7	-	-	3	9	-	1	-	-	5	-	1	3
Inadequate financial control policies	-	-	7	3	-	3	9	-	1	-	-	5	-	1	3
No financial management trainings conducted	-	-	7	-	1	2	9	-	1	-	-	5	-	1	3

*Multiple response

Legend: NS = 1 (Not serious)
 S = 2 (Serious)
 VS = 3 (Very serious)



Table 26. Mean rating of the factors affecting financial management

FACTORS	MEAN	SIGNIFICANCE
Purchasing on account	1.43	not serious
Irregular patronage of the cooperative	1.13	not serious
Non-payment of share capital installment	1.16	not serious
Lack of knowledge on financial management	1.18	not serious
Inadequate time to monitor the cooperative	1.15	not serious
Unimplemented financial control policies	1.31	not serious
Inadequate financial control policies	1.61	serious
No financial management trainings conducted	1.34	not serious

Range: 1.5 and below = not serious
 1.6 – 2.5 = serious
 2.6 – 3.0 = very serious

Problems Encountered by the Cooperative in Financial Management

Table 27 shows the problems usually encountered by the cooperatives in financial management. Three cooperatives were facing problems such as presence of incompetent officer and staff and lack of coordination. Diclas (2005) as cited by Collado 2006) stated that lack of adequate safeguards against unscrupulous officers who are taking advantage of their position to grant loans to themselves, to relatives and to acquaintances can greatly affect the financial management of the cooperative.

Other problems faced by the cooperative which in one way or another affects the financial management of the cooperative were presence of past due accounts, delinquent



borrowers and on the case of BABUDEMCO the problem on marketing their vegetable products.

In line with this problems identified, management must look for ways in order to address the problem like providing trainings to the officers and staff. This agrees with the statement of Collado (2006) wherein mismanagement of cooperatives can be traced to inadequate training and managerial capabilities of the officers.

Furthermore, Punzalan (1999) as cited by Medon (2002) stated that failure to conduct continuous education, untrained officers to manage, and members stopped building up their capital were almost true to cooperatives. Thus, this situation calls for immediate remedial measure to spare the cooperative from permanently downing and to be able to bring back the cooperative on track.

Table 27. Problems encountered by the cooperative in financial management

PROBLEMS	BGEMPC		BABUDEMCO		PMCCC	
	F	%	F	%	F	%
Presence of incompetent officer	3	50	10	100		
Presence of incompetent staff			10	100	1	20
Lack of coordination	1	16.67	1	10		

*Multiple response



SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

This study was conducted with the top five millionaire cooperatives in Benguet based on the paid-up share capital as stated in their Annual report submitted to the Cooperative Development Authority in 2009 from October to December 2011. Financial management has a broad scope but this study specifically focused on the financial management as to the sources of funds, fund utilization practices, capital build-up schemes, factors affecting financial management and the profile of the selected millionaire cooperatives. The study also looked at the problems encountered by these cooperative on financial management.

There were a total of 32 respondents which include the officers and staff from the five millionaire cooperatives. A survey questionnaire was used and the survey was supplemented with personal interview. Secondary data was also collected and served as reference for the researcher. The data gathered were analyzed using frequency, percentage and mean.

Most of the cooperatives have identified policies in budgeting yet some cooperatives explained that these policies were not formal because there is no written policy. It shows that these were verbally disseminated without any written basis. As to the preparation of financial budget, all the cooperatives were preparing their budget every beginning of the year.

All the cooperatives raised their funds from share capital of members and only few cooperatives sourced out their fund from external sources. Only two cooperatives sourced their funds from loans or borrowings from private lenders as well as other financial



institutions. Only Bad-ayan Buguias Development MPC and Benguet Government Employees MPC sourced their funds from donation and grants such as materials and equipment, building, office and cash award.

In generating share capital, all the cooperatives have identified recruits of new members and continuous increase of the minimum paid-up share capital as the easiest and basic ways to increase the cooperatives paid up capital. Capital build-up schemes were also identified which includes regular payment of share capital contribution, patronage of store/canteen and payroll deduction for the cooperative officer and staff.

All the cooperative studied have policies on adding share capital and most of the respondents mentioned that many of the members were adding their share capital but some were not adding because of lack of money. Furthermore, only Benguet Government Employees Cooperative does not have savings and time deposit services and the rest promoted savings and deposits by providing higher interest rate.

Most of the funds of the cooperative were allocated to working capital such as purchase of stocks and lending funds. Cooperatives recognized that honorarium and salary of officers and employees were also decreasing their working capital fund.

Most of the respondents affirms that the cooperative ask for assistance and do canvassing before acquiring facilities and equipment. All the cooperatives provide trainings on proper handling which includes how to operate and maintain equipment, food handling and safe handling of equipment and materials.

All the cooperatives used official receipt and disbursement voucher as well as the different books of accounts to document their business transactions. All the important officers and staff such as treasurer/cashier, bookkeeper/accountant and supervisory



committee were all part of their organizational structure. Most cooperatives conducted their internal audit monthly and only one cooperative on a yearly basis while for the external audit, all cooperatives were conducting it every end of the year.

All the factors identified were not seriously being experienced by the millionaire cooperatives studied except having inadequate financial control policies. Cooperatives were facing problems such as presence of incompetent officer and staff and lack of coordination. Other problems faced by the cooperative were presence of past due accounts, delinquent borrowers and problem on marketing their vegetable products.

Conclusions

Based on the findings of the study, conclusions were drawn. The number of members was not the indicator for a cooperative to become a millionaire instead the cooperation and support of each member and proper management of finances contributed to the success of the cooperative. This is evident in almost all the cooperatives studied that despite of decrease in membership assets increased. Higher reserved fund signifies that a cooperative had sufficient funds which mean the cooperative is more financially stable.

The easiest and basic way to increase the cooperatives paid up capital is recruitment of new members and cooperatives clear policy on adding share capital makes them more financially stable.

Cooperatives studied do not just invest their money on facilities and equipment without asking assistance of reliable technician and canvassing. Trainings on the operation of equipments are essential in prolonging the life span of facilities and equipment. Furthermore, cooperatives used official receipt and disbursement voucher as well as the different books of accounts to document their business transactions. Cooperatives are



conducting their internal audit monthly and external audit is on a yearly basis or for some they do it anytime.

Inadequate financial control policies are considered a serious factor affecting financial management and major problems faced by cooperatives are presence of incompetent officer and staff and lack of coordination.

Recommendations

In order to improve the financial management of the selected millionaire cooperative studied as well as other cooperative in the province of Benguet recommendations were made based on the findings such as small and starting cooperative must look deeper on their financial management practices and that cooperative leaders as well as management must help hand and hand to be able to improve their financial management practices. Furthermore, recognizing the fact that financial planning or budgeting is very important in an organization, the studied cooperatives as well as other existing cooperatives must have a specific written policy amended by members regarding financial aspects.

Small and starting cooperatives must formulate policy concerning the continuous adding of share capital contribution of members and it should be written and amended by members. In addition, cooperatives must have policy on stagnant minimum share capital to encourage members to add their initial share capital. When idealizing a capital build-up scheme, it must be planned thoroughly before implementing it in the cooperative.

Moreover, members must patronize the services provided like loans, savings and time deposits by the cooperative if they wanted to assure the strength of their cooperatives to effect economic growth and stability and cooperative must be transparent in all of their



records to establish members trust in the cooperative in order for them to increase their investment.

Cooperatives must also have a clear policy stating the duties and responsibilities of each of the officers and staff of the cooperative to avoid overlapping duties which could weaken the financial control of the cooperative because of personal interest. Finally, management must look for ways in order to address the problems face in financial management like providing trainings to the officers and staff.



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