

BIBLIOGRAPHY

MARCOS, RACY ANTONETTE C. APRIL 2013. *Finacial Management Practices: A Case Study of the La Trinidad Multi- Purpose Cooperative Incorporated.*

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ABSTRACT

This research was conducted with the La Trinidad Multi- Purpose Cooperative Incorporated in La Trinidad, Benguet from December 2012 to January 2013, to determine the financial management practices of the cooperative as to the sources of fund, fund allocation and utilization practices, and the factors affecting their financial management. The study also looked into the problems encountered by the cooperative on financial management and the possible solutions to it. A survey questionnaire was used and one on one interview were utilized to gather the data. The data gathered were anlyazed using frequency, percentage, ratio and descriptive analysis.

The major sources of fund for cooperative are the share capital from the members, the income from its operation since the cooperative is engaged in computer shop service, photocopy service, catering services, canteen and grocery store. In generating share capital, the cooperative identified that the basic way of increasing their paid- up share



capital is deducting a certain amount from the salary of the members which is added to their capital share.

In the allocation of fund, most of the funds of the cooperative were used for fixed assets, working capital and administrative cost.

All the factors affecting the financial management of the cooperative were not seriously experienced by the cooperative except for the inadequate or lack of knowledge on financial management and the irregular patronage of the members to the cooperative. The cooperative encountered problems such as the slow processing of payments to the cooperative on catering service, the delinquency payment to the grocery loans of some members and the irregular patronage of the members to the services being offered by the cooperative.

It is therefore recommended that the members must be encouraged to patronize the services offered by the cooperative to assure the cooperative's economic growth and stability. The cooperative must be very strict in the collection of the grocery loans and collect it in advance. The management should also conduct trainings and seminars regarding financial management among its members specifically to its officers and staffs to be more knowledgeable on financial management practices. The cooperative must also have a general manager who will take charge of all the phases of the business' entire operations of the cooperative thereby requiring a full- time management of the cooperative.



INTRODUCTION

Rationale

"Co-operative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into its own hands the tasks of creating productive employment, overcoming poverty and achieving social integration."

-- Boutros Boutros-Ghali

Cooperative in the Philippines started in the 19th century when Filipinos travelling in the world have been impressed with the success of a new economic movement in effecting a gradual metamorphosis of the economic and social life of the people in those countries. At the turn of the century, Filipinos, in increasing number, travelled and studied abroad and brought home with them new ideas. It was this group of Filipinos who were in close contact with the new economic movement in Europe. Since then numbers of cooperatives in the Philippines spread in the country (Ocenar, 2011).

La Trinidad Municipal Employees Multi-Purpose Cooperative Incorporated is primarily a non-agricultural multi-purpose cooperative created in 1991 and later registered at the Cooperative Development Authority (CDA) on July 17, 1992 with the objective and purpose under R.A 6938. Its members are the employees of the Municipal Government of La Trinidad, Benguet and other national employees directly connected with this Local Government Unit and are working within the area of its operation. The cooperative has been in operation for almost twenty years. However, it had slept for years due to some troubles. Some of the major problems that caused the dormancy of the cooperative are the



members not actively participating and some are delinquent payers of their loans; lack of information dissemination to the members; and the cooperative have limited funds for it only generates its capital from the interests on loans and on the small income from the cooperative's canteen.

The delinquent payment happened because the members are not paying their obligations on time and the member officers did not monitor and were not strict on implementing their policies regarding loans. One member could avail a loan as much as thrice his or her capital share and a payment time of one year to three years with one percent interest monthly.

On October 2007 through the initiative of the members, with the able leadership of the Board of Directors headed by Ms. Imelda Obidos, Chairman of the Board, the cooperative slowly and painstakingly arose from the long slumber and steadily headed towards its present status. From a less than one hundred (100) members in 1992- 2007, the cooperative's membership grew and at present have a total of two hundred eighty five (285) active members participating in all activities and operations of the cooperative. In the past five years, the cooperative kept going on its journey towards its pursuit for success. The cooperative at present is engage in retail business (grocery store), a computer shop services, a catering business, with a much improved canteen's operation and loan services.

Republic Act 6938 states that: "The primary objective of every cooperative is to provide goods and services to its members and thus enable them to attain increased income and savings, investments, productivity, and purchasing power and promote among them equitable distribution of net surplus through maximum utilization of economies of scale,



cost-sharing and risk-sharing without, however, conducting the affairs of the cooperative for eleemosynary or charitable purposes”.

The objectives of the cooperative are: to encourage thrift and savings mobilization among the members for capital formation; to create funds in order to grant loans for productive and providential purposes to its members; to provide goods and services and other requirements of the members; to promote the cooperative as a way of life for improving the social and economic well-being of the people; to do any related activity for the members self-government, improve social and/or economic well-being; to undertake agricultural and/or industrial production purposes, under a truly just democratic society; to work with the cooperative movement, non-government and government organizations/entities in the promotion and development of cooperatives and in carrying out government policies; and to undertake activities for the effective and efficient implementation of the provision of the Cooperative Code.

Cooperatives are businesses that play a significant role in the global economy while ensuring a sustainable development. It gets people actively involved in the economy and helps generate the growth required for collective prosperity. It is undeniable that, when cooperative is considered as a whole, it represents a social, human and economic global powerhouse.

Cooperatives, as self-help organizations, contribute to the eradication of poverty through the economic and social progress of their members and employees and by stimulating the economies and enhancing the social fabric of the communities in which they operate. It helps create, improve and protect the income and employment opportunities



of their members by pooling the limited individual resources of members to create business enterprises that enable them to participate in the production, profit- sharing, cost- saving or risk- taking activities.

Cooperatives promote social integration and cohesion in the face of inequalities in social capabilities by empowering and giving voice to the poor as well as marginalized groups and by promoting the organization of federations and alliances. It also works towards fair globalization- one that is fundamentally inclusive, sustainable and people-centered- by creating business entities that promote solidarity among peoples, greater accountability, deeper partnership and fairer rules and standards that offers equitable opportunities for all.

Statement of the Problem

The study was conducted to answer the following questions:

1. What are the fund sourcing practices of the cooperative?
2. What are the policies of the cooperative as to their budgeting; in terms of internal control system, and fund usage and allocation?
3. What are the problems encountered by the cooperative?
4. What are the possible solutions to the identified problems of the cooperative?



Objectives of the Study

Generally, the study documented the financial management practices of the cooperative, it specifically sought to:

1. Identify the fund sourcing practices of the cooperative;
2. Identify the policies of the cooperative as to their budgeting; in terms of internal control system; and fund usage and allocation;
3. Determine and analyze the problems of the cooperative; and
4. Identify the possible solutions to the problems of the cooperative.

Importance of the Study

The result of the study served as an instrument to evaluate and further improve the financial management practices of the cooperative. Through the study, the researcher gained knowledge on the realities of managing a cooperative. The result of the study served as a reference to other organization as well as those planning to establish cooperatives. Finally, it provides an idea on the stability of the cooperative to help investors and individuals deciding whether to join the cooperative or not.



Scope and Delimitation of the Study

The study focused on the financial management practices of the cooperative, the sources of its funds; capital usage and application; internal control system; and, budgeting of the La Trinidad Municipal Employees Multi- Purpose Cooperative

Incorporated in La Trinidad, Benguet.



REVIEW OF LITERATURE

Financial Management Concepts

Financial management is the management and control of money related operations within a business. It refers to the things the company finance officer and the finance department does. These activities include keeping records, paying employees, receiving payments from customers, borrowing, purchasing assets, selling stock, paying dividends and others (Lasher, 2008).

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 identification of the financial needs of the business (Fajardo, 1994 as cited by Collado, 2006).

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

Areas of Financial Management

According to Martin and Petty (1996), there are three areas of financial management. These are: (a) Acquisition, it is the adequacy of funds to be used in the business. It is the internal sourcing of funds; (b) Financing, it is the external and alternative

sourcing of funds to be used in the business; and (c) Management, it refers to the payment of liabilities and efficient management of capital for profit maximization.

Key Elements in Financial Management

According to Block and Hirt (2002), there are two key elements in financial management.

Financial Planning. Financial planning primarily involves anticipating the impact of operating and financial policies on the firm's future financial position and instituting remedial measures as needed (Riley, 1999). Management need to ensure that enough funding is available at the right time to meet the needs of the business (Block and Hirt, 2002). Financial control is a critical but important activity to help the business ensure that the business is meeting its objectives.

Financial Decision-making. Financial decision-making, its key aspects 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.

Scopes of Financial Management

Financial management, at present is not confined to raising and allocating of funds. Some of the functional areas covered in financial management are:



Determining financial needs. A finance manager is supposed to meet financial needs of the enterprise. For this purpose, he should determine the financial needs of the concern. Funds are needed to meet promotional expenses, fixed and working capital. Choosing the sources of funds. A number of sources may be available for raising funds. A concern may be resort to issue of share capital and debentures. Financial institutions may be requested to provide long- term funds. The working capital needs may be met by getting cash credit overdraft facilities from commercial banks.

Financial analysis and interpretation. The analysis and interpretation of financial statements is an important task of a finance manager, he is expected to know about the profitability, liquidity, position, short- term and long- term financial position of the concern.

Working capital management. It refers to that part of firm's capital required for financing short- term current assets such as cash, receivables, and inventories. It is essential to maintain proper level of these assets.

Dividend policy. Dividend is the reward of the shareholders for investments made by them in shares of the company. It is an important area of financial management because the interest of the shareholders and the needs of the company are directly related to it.

Capital budgeting. It is the process of making investment decisions in capital expenditures. It is an expenditure on the benefits of which are expected to be received over a period of time exceeding one year. It is vital to any organization.



Two Basic Aspects of Financial Management

1. Procurement of funds. Funds can be obtained from different sources, thus their procurement is always concerned as a complex problem by business concern. These funds procured from different sources have different characteristics in terms of risk, cost and control.

Funds are raised through (a) the Issue of Equity Shares. They are best from risk point of view for the company, as it has no repayment liability except on winding up the company but from cost point of view, it is most expensive as dividend expectations of shareholders are higher than prevailing interest rates and dividends are appropriation of profits and not allowed a expense under the income tax act; (b) Banks and Financial Institutions, they provide funds subjected to certain restrict covenants. These covenants restrict freedom of the borrower to raise loans from other sources. Such restrictions are essential for the safety of funds provided by institutions and investors.

2. Effective use of funds. The finance manager is responsible for effective utilization of funds. He must point out situations where funds are kept idle or are used improperly. All funds procured at a certain cost and after entertaining a certain amount of risk. If the funds are not utilized in the proper manner so that they generate an income higher than cost of procurement, there is no meaning in running business.

Sources of funds

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



In relation to the procurement of funds, there are ten sources of capital (as cited by Brigham and Gapenski, 1997).

Trade or supplier credit, payment terms offered by your suppliers are potential source of credit. Trade credit is effectively used by large business to buy products at lower cost than small firms. Life insurance policies, a standard creature of most life insurance policies (except term insurance) is the owner's ability to borrow against the cash value of the policy. The money can be used for any business or personal need. Other sources of capital Brigham and Gapenski cited are friends and relatives; customers. Customers, when customers pay for work in instalment as it is completed or provide some of the materials, they are, in effect financing the business. Leasing companies, everything from office furniture to food processing equipment can be obtained from leasing companies or commercial finance companies. Leasing is generally more expensive than bank financing and is limited to items that have a long serviceable life, widespread use, and are easily repossessed in the event of default.

Commercial finance companies, these are generally seen as the place to go when you are unable to secure financing from a bank. Commercial finance companies, like banks, are concerned with your ability to repay the loan; however, they are more willing to rely in the quality of the collateral rather than your track record or profit projections. Commercial banks are far the most viable lenders and make the greatest number and variety of loans. However, banks are generally conservative lenders. Small Business Administration (SBA) is an independent government agency formed in 1953 to help small business. It provides loan guarantees, participates with bank loans, and if funds are available, makes limited number of direct loans.



Small Business Investment Companies are privately owned companies that are licensed and regulated by SBA. They were created to supply equity capital, long- term loan funds and management help to small business; and Rural Economic and Community

Development Agency which guarantee term loans to non- farming business in rural areas.

Financial Management

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 the impact of taxation and inflation. Else, they spend it on discretionary items. They need to be able to make up the financial decisions that are intended to benefit them in the long run and help them achieve their financial goals. From the organizational point of view, the process of financial management is associated with financial planning and control. Financial planning seeks to qualify various financial resources available and plan the size and timing of expenditures. Financial control refers to monitoring cash flow. Inflow is the amount of money coming into the 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).

At the cooperative level, the main aim of the process of managing finance is to achieve the various goals of a company set at a given point of time. Business also seeks to generate substantial amount of profits, following a particular set of financial processes. Besides, they control the functioning of money invested 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.

In order for the business to sustain strong financial management, it requires managers to be able to interpret financial reports including income statements, profit and loss, cash flow statements and balance sheet statements; improve the allocation of working capital within the business operations; review and fine-tune financial budgeting and revenue cost forecasting; look at the funding options for business expansion including both long and short term financing; review the financial health of the company or business unit using ratio analyzes, such as the ratio, profit per employee and weighted cost or capital; understand various techniques using in project and asset valuations; apply critical financial decisions making techniques to access whether to proceed with an investment or not; and understand the various frameworks for business, portfolios and intangible assets.

Role of Financial Management in Organizing Resources

According to Wright (1970), the part played by financial management can be divided into three main parts. First, the decision on the capital structure which relates to decisions on the volumes and sources of funds to be used. Second is the allocation of the available funds. Considerations of the profitable employment of funds is prime important here. The financial management role will be to apply forecasting and appraisal expertise to the ideas of management. Third is the analysis and appraisal of problems. Day to day



problem will arise in managing activity without the framework set by the uses of funds decided upon.

Effective Financial Management

Good financial management is essential for the expansion of your business. Getting your finances in order means your business can work more efficiently and puts you in a better position when seeking funding for growth.

The building of capital is the concern of early member in the cooperative. Share capital, fund raising and retention of apportion of the patronage refund are important elements of cooperativism. The amount of loan one could avail of in credit cooperative should be proportionate to the member's fix deposits. The patronage fund is computed in accordance with the amount of financial transaction of 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).

Cooperative Concepts

A cooperative is organized to serve necessary common needs of members, which will improve and uplift their living conditions within the context of the universal accepted cooperative principles on membership, democratic, administration, interest on share capital, savings, disposal, education and inert cooperative cooperation (Mendoza, 1980). Since the ownership belongs to them, the destiny of any cooperative enterprise is then charted by its members planning and managing their own affairs (Rimes, 1987).



Cooperative is an autonomous association of persons united voluntarily to meet their economic, social and cultural needs and aspiration through jointly- owned and democratically controlled enterprises (ICA News, 1995) as cited by Tagarino, (2005). A cooperative is a duly registered association of persons, with a common bond of interest that have voluntarily joined together to achieve a lawful common social of economic end, making equitable contributions to the capital required and accepting a fair share of risks and benefits of the undertaking in accordance with universally accepted cooperative principles (R.A. 6938).

A cooperative is a business and social organization that espouse the spirit and value of self- help and working together in the pursuit of social and economic ends. The name was derived from the word “co- operative” which means “working together”.

Cooperative as an Enterprise

Cooperatives as business enterprise provide experiences for members’ systematic production and marketing as well as the development of creativity, resourcefulness, risk-taking and efficient ways of doing things. People empowerment from within its membership becomes doubly significant. For unless and until people learn to recognize their own needs and learn to recognize that through their own united determination to address these needs, they become freed from the bondage of being beholders to external powers and forces- they shall not have become truly empowered. Consequently, until they have become truly empowered can the people truly become competitive. This competitiveness, however, becomes strengthened when weaker cooperatives solidify with



stronger cooperatives thereby facilitating stronger bargaining power and rendering healthy interdependence among themselves (Coloma, 1996).

People empowerment is a strategy point towards three elements. First, capability building to enable the mass- based to participate in development (technical, managerial and entrepreneurial skills, organization, and communication). Second, access to development and productive resources (financial, land and natural resources, markets). And third, ownership/co-ownership of enterprises which is a policy direction with development modalities (divestment schemes in favour of workers, use village corporation, employee ownership scheme of prioritized government- owned and controlled corporations entrepreneurship people enterprises and technology incubation or development (Versoza, 1995).

Members voluntarily bond together in cooperatives to address common needs, to promote common interests through pooled resources (share capital) and efforts, and to the share risks and benefits in the pursuit of their socio- economic enterprise activities (Coloma, 1996).

Republic Act 6938, Article 23 categorized cooperatives depending on their applicability, relevance and appropriateness to the needs, interest, and cooperation of the society. They may fall under any of the following types (a) Credit Cooperative, it promotes thrift among its members and creates fund in order to grant loans for productive and provident purposes; (b) Consumer Cooperative which primarily aims to procure and distribute commodities to members; (c) Producers' Cooperative, undertakes joint production, whether agricultural or industrial endeavours; (d) Marketing Cooperative which engages in the supply of



production inputs to member and market their products; (e) Service Cooperatives, engage in medical and dental care hospitalization, transportation, insurance, housing labour, electric light and power communication and service; and (f) Multi-purpose Cooperative, is an organized group that combines two or more business activities of these different types of cooperatives.

With the built- in legal provisions for cooperative members' continuing education and training, and reserve funds, for capital needs, cooperatives offer comparative advantage for human resource development and capability building for more relevant and significant participation in productive activities. Moreover, it offers a mechanism for mobilizing savings and promoting thrift among the members thereby generating funds from within for productive and providential purposes.

Cooperatives are among the most potent ways of allowing people to share in the economic, social and political power currently situated in the hands of the few and in so doing, bring about a society where there is equity and progress. The government is vigorously using cooperatives as channels of services to the clients. The support extended to the cooperatives is important for the capability building of the organization, particularly of the new ones. The spirit of self- help and cooperation, however, should be extended to cooperatives for their growth and development as cited by (Castillo, 1983).



Factors Affecting the Cooperative Financial Management

The major factors affecting the financial management are the following: members become oriented for the government assistance; members' disloyalty; insufficient working capital and lack of education, training and information and practical know how regarding cooperative management (Medon, 2002).

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

Definition of terms used in the study

Financial management. It deals with the financial decisions and problem solving and also handling financial situation in a responsible manner to achieve financial independence.

Internal control system. It comprises the plan of organizational and all of the coordinate methods and measures adopted with in a business to safeguard its assets and reliability of its accounting data.

Budget. It is generally a list of all planned expenses and revenues. It is a plan express in quantitative terms on how to acquire and use resources of an entity during a certain future period of time.



METHODOLOGY

Locale and Time of the Study

The study was conducted with the La Trinidad Municipality Employees Multi- Purpose Cooperative Incorporated in La Trinidad, Benguet. The research was conducted from December 2012 to January 2013.

Respondents of the Study

The respondents of the study were 14 officers and 2 staffs of the cooperative directly involved in the financial management of the organization. This includes the

Board of Directors, Purchasing or Merchandise Committee, Audit Committee, Election Committee, the Treasurer, and the Secretary.

Data Gathering Procedure

The data were gathered through setting an appointment with the officers and staffs of the cooperative. Questionnaires were administered to the respondents followed by a one on one interview with them to validate their written answers on the questionnaires.

Data Gathered

The data gathered were focused on the financial management practices, sources of funds, employed policies on fund utilization and allocation, problems encountered by the cooperative and the possible solutions to address these identified problems.

Data Analysis

The data gathered were tabulated and analyzed using frequency and ratio.



RESULTS AND DISCUSSIONS

This chapter of the study deals on the findings, analysis, and interpretation of the results on the financial management of the La Trinidad Municipal Employees Multi-Purpose Cooperative Incorporated. The findings and results were based on the information's gathered from the officers and staffs of the cooperative through questionnaires and personal interview.

Socio- Demographic Profile of the Respondents

Table 1 shows the socio- demographic profile of the respondents such as their age, sex, occupation, number of terms and position, and civil status.

Age. As shown in Table 1, half (50%) of the respondents belonged to the age bracket of 45- 50. Whereas, some belonged to the age bracket of 35- 40 (18. 75%) and from 40- 45 (18. 75%) years of age respectively. Only one (6.25%) belonged to the age bracket of 50- 55 and 25- 30. There was no respondent who belonged to the age bracket of 30- 35. Therefore, most of the officers and staffs belonged to middle-age group.

Sex. Among the 14 officers and 2 staffs as respondents, a great majority (62.5%) were male and many (37.5%) were female. According to the respondents, males are greater in number than the females in the cooperative organizational structure for the reason that males are more active than the females, the males desire to be involved and be exposed to the cooperative management and operations.

Civil status. Table 1 shows that most (75%) of the respondents were married; and some (25%) were single.



Occupation. The cooperative was founded by the Municipal employees; therefore, all (100%) of the respondents were government employees.

Terms and position. As shown in the table, some (18.75%) of the respondents have been in the position of being one of the Board of Directors for 2 terms, while the other one (6.25%) of them stayed for 3 terms and the other for 1 term. On the other hand, some (18.75%) had been part of the Election Committee for 1 term. Moreover, 18.75% of the respondents stayed as Auditing Committee for 1 term, and 18.75% of the respondents stayed as Merchandise Committee for 1 term, too. Meanwhile, one of the respondent or 6.25% of the respondents had become the secretary for 1 term. The table also shows that 6.25% of the respondent became the treasurer for 3 terms and another 6.25% of the respondent stayed as auditor for 1 term. This means that only few stayed in their positions for longer years because as embodied in their cooperative law, officers are to be in their positions for only two years unless they wish to be re-elected for the above mentioned positions.



Table 1.Socio-demographic profile of the respondents

PARTICULARS	FREQUENCY	PERCENTAGE
Age		
50- 55	1	6.25
45- 50	8	50.0
40- 45	3	18.75
35- 40	3	18.75
30- 35	1	
25- 30		6.25
TOTAL	16	100
Sex		
Male	10	62. 5
Female	6	37. 5
TOTAL	16	100
Occupation		
Government Employee	16	100
Private Employee		
TOTAL	16	100
Civil Status		
Married	12	75
Single	4	25
TOTAL	16	100
Table 1. Continued...		



PARTICULARS	FREQUENCY	PERCENTAGE
Terms and Position Board of Directors		
Terms: 3	1	6.25
2	3	18.75
1	1	6.25
Merchandise Committee		
Terms: 3		
2		
1	3	18.75
Audit Committee		
Terms: 3		
2		
1	2	12.50
Election Committee		
Terms: 3		
2		
1	3	18.75



Table 1. Continued...

PARTICULARS	FREQUENCY	PERCENTAGE
Terms and Position		
Secretary		
Terms: 3		
2		
1	1	6.25
Treasurer		
Terms: 3		
2		
1	-	-
Auditor (Bookkeeper)		
Terms: 3		
2	-	-
1	1	6.25
TOTAL 16 100		

Legend:

3 terms- 6 years

2 terms- 4 years

1 term- 2 years



Sources of Fund of the Cooperative

There are three sources of funds of the cooperative: the share capital from the members, the generated income from the cooperative's business (the catering service being offered, the canteen, the store and the computer shop) and their outside borrowings. The cooperative through its officers and members, formulate and adopt policies for proper management operation of the cooperative.

Paid up share capital. Table 2 shows that the paid up share capital was increasing from 2008 to 2012. The paid- up share capital of 175 regular members and 23 associate members in 2008 was Php1, 379, 921. 59. Whereas the paid- up share capital of 189 regular members and 34 associate members in 2009 was Php2, 556, 997. 31 while Php3, 837, 917. 24 was the accumulated share capital from 199 regular members and 46 associate members in 2010. The total share capital of 228 regular members and 57 associate members as of December 2012 were Php9, 723, 895. 27. There was a decrease in the increment of the share capital in the years 2010 and 2012.

The factors that caused the decreasing increment of the paid- up share capital was some of the members do not add to their share capital for the reason that they are no longer employees of the Municipal Government. Some of the not re- elected officials and retirees opted to withdraw their share capital. Others also decreased the amount they voluntarily add to their share capital.

The minimum amount of share capital is Php2, 500. 00. Members' dividend or interest on share capital is not given to members who fail to meet the minimum share capital



required. No member of the cooperative shall own or hold more than ten percent of the share capital of the cooperative.

Table 2. Total paid up share capital

YEAR	PAID - UP SHARE CAPITAL	INCREMENT (%)
2008	1, 379, 921. 59	
2009	2, 556, 997. 31	46
2010	3, 837, 917. 24	33
2011	6, 593, 435. 43	42
2012	9, 723, 895. 27	32
AVERAGE RATE OF INCREASE		38

As of December 31, 2012, the cooperative has a total of 285 members, 228 of which are regular members while 57 of it are associate members. The regular members are categorized as permanent, casual, job orders, contractual employees and the elected officials of the municipality of La Trinidad. Whereas the associate members are the national employees connected with the Local Government Unit and are working within the area of operation. Among these 285 members, there are 269 members who completed paying their capital share. According to the officers and staffs, 95% of the total members of the cooperative are continuously increasing their capital share. If members are not adding to their capital share, this means that they are no longer employees of the Municipality of La Trinidad.

The cooperative has internal sources of fund. It gets fund from the share capital of members of about 70%; 22% from the income of the coop store, the canteen and from the computer shop. The cooperative also gets an average of 8% from the net surplus. On the



other hand, the cooperative acquire an additional 4% of its fund from their loans and borrowings as its external source of fund.

According to the officers of the cooperative, the cooperative doesn't avail loans from banks for the reason that the banks offer a high interest rate. The cooperative, too, does not yet offer time deposit services to the members but is in the process.

Total Asset

The asset of the cooperative includes the account receivables from the members, the loan receivables, the cash and cash equivalent, and cash advances. The cash and cash equivalent includes cash on hand, checks and cash in bank, and petty cash fund. These are short term highly liquid investment that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Account receivables are valid claims of the cooperative from its members as per general ledger. On the other hand, loan receivables are composed of regular loans, petty cash loans, productivity and rice loan.

Table 3 shows that the assets of the cooperative had been fast increasing from 2008 to 2012. The total asset in 2008 was Php3, 324,822.36. There was an increase of the increment of the total asset from 2008 to 2011, however, the increment decreased in 2012. The total asset in 2009 was Php4, 430,119. 83 while Php6, 134, 205. 05 in year 2010. In 2011, the cooperative was able to get hold of a total asset amounting to Php9, 775, 020, 36. The total asset of 2012 was Php13, 259, 873. 24. As shown in Table 3, the average rate of increase in the total asset of the cooperative was 29%.



Table 3. Total asset

YEAR	TOTAL ASSET	INCREMENT (%)
2008	3, 324, 822. 36	
2009	4, 430, 119. 83	25
2010	6, 134, 205. 05	28
2011	9, 775, 020. 36	37
2012	13, 259, 873. 24	26
AVERAGE RATE OF INCREASE		29

The paid- up share capital of the members are part of the total asset of the cooperative, therefore it affects the increments of the total asset. The decreased of the increment in 2012 was due to the decrease of the paid –up share capital of the members with the same year as 2012 (Table 2).

Fund Sourcing Practices of the Cooperative

Since the cooperative raised more its fund from its members, there were various practices and policies employed by the cooperative. In coordination to the Local Government of Unit (LGU) of the Municipality of La Trinidad, a minimum of Php50.00 is being deducted in the salary of the members monthly. Another practice being done is deducting 50% of the members’ annual interest on capital and patronage refund and atleast 3% of the amount loaned by the members which are added to the member’s share capital. Each member of the cooperative is also contributing an amount of Php5. 00 per month



which serves as a contribution to be given as birthday gift to every co- member celebrating his or her birthday for the month.

Ratio of Share Capital to Total Asset

The share capital is one of the common sources of the total asset of the cooperative. Table 4 presents that the share capital contributed almost half (41.50%) of the total asset in 2008, and increased more than a few (57.72%) in 2009 and numerous (62.57%) in 2010. The ratio increases of about quite grander (67.45) in 2011 and greatest (69.94%) in 2012. The increasing increment indicates the percentage contributed by the share capital to the total asset increases and that implies that the cooperatives’ major source of fund is the paid- up share capital.

Table 4. Ratio of share capital to total asset

YEAR RATIO OF SHARE CAPITAL TO TOTAL ASSET (%)	
2008	41.50
2009	57.72
2010	62.57
2011	67.45
2012	69.94

Net surplus. Table 5 shows that the net surplus of 2008 was Php530, 188. 45. Net surplus was increased from 2008 to 2012. The net surplus for 2009 was Php680, 503. 86 and



increased to Php844, 803. 57 in 2010. In 2011, the cooperative was able to get hold of net surplus amounting to Php1, 313, 98. 45 in 2011 and increased to Php1, 483, 785.55in 2012. The ratio to total asset indicates the increment of amount contributed by the net surplus to the total asset. While ratio to share capital implies the amount contributed of the share capital to the increment of the net surplus.

Table 5. Net surplus

YEAR	AMOUNT OF NET SURPLUS	RATIO TO	
		TOTAL ASSET	SHARE CAPITAL
2008	530, 188. 45	0.16	0.16
2009	680, 503. 86	0.15	0.15
2010	844, 803. 57	0.14	0.13
2011	1, 313, 298. 45	0.13	0.19
2012	1, 483, 785 .55	0.11	0.15

Allocation of Net Surplus

The net surplus of the cooperative as of December 2012 before the allocation was Php1, 483, 785. 55. The mandatory (25%) Php370, 946. 3875 reserve from the net surplus is subdivided mostly (10%) into general reserve fund Php148, 378. 55, almost half (10%) Php1, 483, 785. 55 are allocated for the cooperative educational and training fund (CETF), few (3%) was allocated to the community development fund which is



Php44, 513. 57 and still few (2%) Php29, 675.71 avail to the optional fund (building fund, etc.). (After deducting the mandatory reserves, the remaining net surplus was made available to the members in the form of interest on share capital not to exceed the normal rate of return on investments prescribed by the Cooperative Development Authority (CDA) and patronage funds.

Liabilities

The cooperative, through the Board of Directors with the approval of the general assembly, may borrow money from any sources at the best terms and conditions available and in such amounts as may be needed by the cooperative. The liabilities of the cooperative include the account payables, the interest on share capital and patronage refund, loan payables (“Isang Milyon, Isang Produkto” for members’ livelihood), loan redemption fund, cooperative guarantee/social fund and trust fund.

Table 6 shows that the increment rate of the liabilities of the cooperative had been fast increasing from 2010 to 2012. The total liabilities in 2008 was Php1, 590, 587. 92, this was decreased to Php1, 372, 300. 62 in 2009.

The increasing increment of the liability of the cooperative was for the reason that the cooperative loaned Php1, 000, 000. 00 from Malacanang for its program “Isang

Milyon, Isang Produkto” which was added to their working capital’s livelihood fund. In addition, some of the cooperative’s liabilities were used as additional fund in their fixed asset which is used in the procurements of the production inputs and supplies, consumer goods, and machineries and equipments used in their business operations. The



cooperative is engaged in computer shop services and have ventured to catering services in 2010 and later a grocery store and xerox services in 2011. Also, the interest on share capital and patronage fund had increased including the account payables.

Interest on share capital and patronage fund. These are the residual surplus after deducting the fund allocation as mandated by the cooperative code and as declared by the board of directors has been declared as available for payment of interest on share capital and patronage fund to the members.

Account payables. These are obligations of the cooperative in relation to providing services to its members.

Table 6. Total liabilities

YEAR	TOTAL LIABILITIES	INCREMENT (%)
2008	1, 590, 587. 92	
2009	1, 372, 300. 62	(16)
2010	1, 567, 368. 94	12
2011	2, 142, 136. 58	27
2012	2, 310, 953. 24	17

Debt ratio. As shown in Table 7, the liabilities in 2008 was almost half (47.84%) of the total asset and some (30.98%) in the year 2009 and limited (25.55%) in 2010 as the total asset from the liabilities. The liabilities were decreased by several (21.91%) in 2011 then



again by few (17.43%) in 2012. The ratio indicates that the cooperative has more assets compared to their liabilities. Thereby, indicating that the cooperative is practicing conservative financing with an opportunity to borrow in the future at no significant risk.

The higher the ratio, the greater the risk associated with the cooperative's operation.

Table 7. Debt ratio (ratio of total asset to total liabilities)

YEAR RATIO OF TOTAL LIABILITIES TO TOTAL ASSET (%)	
2008	47.84
2009	30.98
2010	25.55
2011	21.91
2012	17.43

Donations. The donation/grant and financial assistance as of December 31, 2012 was Php60, 000. 00. The entirety (100 %) Php60, 000. 00 of the donations have been added to the working capital of the livelihood fund of the cooperative. These donations and financial assistance came from private individuals here in Benguet (confidential). Budgeting practices. It is the policy of the cooperative as embodied in their laws that the annual budget shall be prepared by the Board of Directors. The annual budget is prepared to allocate the funds and usage of resources during certain period of time and to plan their expenses and revenues. The cooperative has no certain policy on their budgeting; the Board of Directors based their strategic planning and annual budget projections from the results of the



projected budget for the past year. The bookkeeper together with the Audit Committee assists the Board of Directors in the preparation of their annual budget.

As mentioned by some of the officers and members, the importance of having a financial budget plan is that it is for the cooperative to plan the profit and to be aware of the business costs.

Internal control system. Under the Cooperative laws, cooperative management are required to maintain internal control like administrative and accounting control which concerned mainly in the safeguarding of the assets and reliability of financial records. Some of the internal controls implemented are internal auditing which is done atleast once a year, separation of duties concerned with records and assets custody. Administrative control concerned with the operational efficiency and usually related only indirectly to financial records like performance reports.

The LATMEMPCI has a bookkeeper to prepare the financial statements. The official receipt and disbursement voucher are used by the LATMEMPCI to document their transactions, and the sales journal, purchase journal, cash disbursement journal, cash book are book of accounts used to record their transactions . The bookkeeper presents a monthly report about the cooperative financial operations and conditions to the board of directors monthly, and then presents it to the members during the annual general assembly of the cooperative or as may be required. The financial statement and other reports required by the cooperative are submitted to the Cooperative Development Authority (CDA) annually. The cooperative deposits its money to the Land Bank of the Philippines.



Fund Usage and Allocation

The cooperative allocate its fund in three areas: for fixed asset, working capital, and administrative cost.

For fixed asset, the cooperative specifically allocate its fund for building, land and facilities and equipment used in their business operation since the cooperative is engaged in catering services, computer shop services, grocery store, and canteen. On the other hand, the working capital is allocated for the purchasing of stocks being sold in their store and canteen and for the lending fund of the cooperative. On the other hand, others are being used for the honorarium of the board of directors.

The administrative cost is specifically allocated for office supplies. Some of it was used for transportation and advertisement expenses and for the Board of directors meeting and in the conduction of the training on how to operate the xerox machine to the cooperative members.

Factors Affecting the Cooperative Financial Management

Financial management refers to activities that are concerned with securing money and in using it properly. Table 8 shows the factors affecting the cooperative's financial management and the degree of its seriousness.

The factors affecting the financial management of the cooperative were identified which includes the purchasing on account, irregular patronage of the members to the cooperative, non- payment of the share capital instalment, lack of knowledge on financial management, inadequate time to monitor the cooperative, unimplemented financial control



policies, inadequate financial control policies, and no financial management training conducted.

Table 8 shows that the two major factors affecting the financial management of the cooperative are the irregular patronage of the members to the cooperative and the lack of knowledge on financial management by the members. This intensifies the findings of Pilas (2011) that the major factor faced by cooperatives in their financial management is the lack of knowledge on the financial management by the members. According to the officers, though they have formal education, only few of them have the knowledge on the technical knowhow of managing a cooperative. Some of them only adapted the management practices of their past officers. This shows the importance of having knowledge on the financial management of a cooperative.

Problems Encountered by the Cooperative

Table 9 shows that the three major problems being encountered by the cooperative are the slow processing of cooperative payment of caterings and delinquent members and the irregular patronage of the services being offered by the cooperative. According to the officers, there was a dawdling in the processing of the payment of the cooperative catering service for mainly, the cooperatives' customer is the Municipality of La Trinidad and it is given that processing of vouchers to government agencies really takes time. It was observed also that though the cooperative has sufficient fund allocated for the stocks or inputs for their canteen, the merchandise committee failed to buy the items. There were also delinquent members who were not paying their loans and grocery loans regularly.



Table 8. Factors affecting the financial management of the cooperative

FACTORS	DEGREE OF SERIOUSNESS		
	NS	S	VS
Purchasing on account			
Irregular patronage of the cooperative	2	14	
Non- payment of the share capital instalment	14	2	
Lack of knowledge on financial management	2	14	
Inadequate time to monitor the cooperative	16		
Unimplemented financial control policies	16		
Inadequate financial control policies	16		
No financial management training conducted	16		

Legend:

VS- Very Serious (60%)

NS- Not Serious

S- Serious (30%)

Suggested Solutions to the Problems

The chairman of the Board of Directors mentioned that all members should continuously patronage all the services that their cooperative is offering. Some of the members and staffs mentioned that the delinquent members' payment to their loans must be collected in advance. Regarding the slowness of the payment on the catering services offered by the cooperative, they cannot do anything about it since the processing of disbursement voucher in the government agency is really slow.



Table 9. Problems encountered by the cooperative

PROBLEMS	FREQUENCY	PERCENTAGE
Presence of the officers		
Delinquent members	3	18.75
Lack of coordination among officers and members		
Insufficient cooperative capital		
Others:		
Slowness in the payment of the cooperative caterings	5	31.25
Irregular patronage of the services being offered by the cooperative	8	50.0
TOTAL	16	100

SUMMARY, CONCLUSIONS AND

RECOMMENDATIONS

Summary

This research was conducted to determine the financial management practices of the La Trinidad Municipal Employees Multi- Purpose Cooperative Incorporated. It focuses on the financial management practices of LATMEMPCI particularly on their budgeting, internal control system, fund allocation and usage, the problems encountered by the cooperative, and the suggested solutions and recommendations.

The respondents were 14 officers and 2 staffs of the cooperative. The data were collected through survey questionnaires with an interview. The data was analyzed using descriptive analysis, frequency counts, percentages, and ratios.



It was found out that the cooperative does not have a budgeting policy; the board of directors base their projections from the actual expenditures and budget estimates from the past year. The cooperative prepares its budget to allocate the funds and usage of their resources. The board of directors prepare the annual financial budget of the cooperative assisted by the treasurer, the bookkeeper and the auditing committee.

The cooperative's major sources of funds were the share capital from the members; the income from the catering services, computer shop services, photocopying services (xerox); income from the canteen operations and retail services (grocery store); and their outside borrowings (Php1,000,000.00 from Malacanang). The donation or financial assistance received by the cooperative from private individuals here in Benguet amounting to Php60,000.00 was added to the working capital of the livelihood fund of the cooperative.

The official receipt and disbursement voucher were used by the LATMEMPCI to document their transactions. The cooperative, too, uses books of accounts like sales journal, purchase journal, cash disbursement journal, and cash book to record their transactions. The cooperative deposits its money to the Land Bank of the Philippines. The financial statements and other records of the cooperative are made available to the members who want to examine and be aware of the cooperative's financial standing and operation. These financial statements and other records are submitted to the CDA annually. The committee on audit submit its reports to the board of directors concerning the financial condition and status of the cooperative during the BOD's monthly regular meeting as its internal audit. As an added audit measure, they avail services of an external independent auditor which certifies to the veracity and correctness of the financial statements which are presented during the annual general assembly.



The major factors affecting the financial management of the cooperative were the irregular patronage of the members to the cooperative, and their lack of knowledge on financial management.

Most of the members and staffs pointed out that the major problems faced by the cooperative were the slow processing of payments of catering services and the delinquent payments by members on their grocery loans and the irregular patronage of the services being offered by the cooperative.

It was observed further that the cooperative does not have a general manager. The Board of Directors act as the management team or management committee of the cooperative. It has only two Audit Committee members and a bookkeeper.

The researcher was able to gain knowledge about the realities of managing a cooperative, is not easy. It requires a large amount of capital from lot of members and that money is considered as the lifeblood of the cooperative to be able to be functional. Managing a cooperative requires its members and officers to be at least knowledgeable about financial management and be equipped in its application. The researcher also observed that in a cooperative, no man is an island.

Conclusions

Based on the findings of the study, the following conclusions were made:

1. The major source of fund of the cooperative was the share capital from the members, the income generated in their business operations, and their borrowings. There were various practices employed by the cooperative in fund sourcing. In coordination with the Local Government of Unit of the Municipality of La Trinidad, a minimum of Php50.00



is being deducted from the salary of the members monthly. Another practice being done is deducting 50% of the members' annual interest on capital and patronage refund and at least 3% of the amount loaned by the members which are added to the member's share capital. Each member of the cooperative is also contributing an amount of Php5.00 per month which serves as a contribution to be given as birthday gift to a member celebrating his or her birthday for the month;

2. The cooperative does not have a budgeting policy; the board of directors base their projections from the actual expenditures and budget estimates from the past year. The committee on audit submit its reports to the board of directors concerning the financial condition and status of the cooperative during the BOD's monthly regular meeting. During the annual general assembly, they submit and present to the members the comprehensive annual audit report;

3. The cooperative allocates its fund for three main areas: for fixed asset, working capital and administrative cost; and

4. The cooperative encounters problems on the slow processing of cooperative payment of catering services, delinquent payments by some members of grocery loan, and the irregular patronage of the services being offered by the cooperative.

Recommendations

In order to improve the financial management and status of the cooperative the recommendations were made based on the following findings:



1. Although the common source of fund of the cooperative is the share capital from its members, the cooperative should still motivate the members to add more share capital regularly so as to have more funds to be used in the business operations. The cooperative must have a policy on stagnant minimum share capital to encourage the members;
2. The cooperative should also increase their capital build- up as the members should deposit Php150.00 monthly, given that the members are having their salary twice a month, and adopt more business investments;
3. The cooperative must be very strict in the collection of the payment of loans and other collectibles from the officers and members;
4. The cooperative can also conduct a seminar for the members to be aware of their importance to the cooperative and to the improvement of the cooperatives' current position;
5. Members should patronize the services provided by their cooperative such as loans, savings, and deposit to assure the cooperative's economic growth and stability;
6. The cooperative must be responsive with the bad performance of their purchasing committee that the cooperative must look for ways to motivate them to be functional and perform their job well. Make them aware of their importance as elected members of the Purchasing or Merchandise Committee;
7. The management should conduct trainings and seminars regarding financial management among its members specifically to its officers and staffs to be more knowledgeable on financial management practices; and



8. The cooperative should have a general manager who will take charge of all the phases of the business operations of the cooperative to ensure the full- time management of the operations of the cooperative.



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