

BIBLIOGRAPHY

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ABSTRACT

The study aimed to assess the management of statutory funds in selected primary cooperative in La Trinidad, Benguet. It focused on the distribution, uses and problems encountered and their possible solution in managing the statutory fund.

The respondents of the study were from 27 cooperatives operating in La Trinidad, Benguet. Respondents were the manager, board of directors or the treasurer of the different cooperatives. The data were collected with the use of survey questionnaire. Data were analyzed using descriptive statistical tools such as frequency and percentage.

Based on the research in managing statutory fund of cooperatives, most of the cooperatives were allocating statutory fund and they used this according to its uses depending on the decision of the Board of Directors and the manager. Some cooperatives were not following the cooperative code in allocating the appropriate percent of statutory fund.

Majority of the cooperatives who encountered problems in managing the statutory fund were not knowledgeable on the policies in using the statutory fund as provided in the



cooperative code. This can cause misallocation and utilization of the fund. Possible solutions recommended by the cooperative were saving the statutory fund in the banks and strictly implement the policies related to its utilization as to cooperative code.



INTRODUCTION

Rationale

Cooperative in recent years has focused its resources on the growing needs of its members. They are responsible to the needs of its members and the community. It has to be dynamic to satisfy the increasing and changing needs of its members.

Cooperatives are service-oriented because it is organized to serve their members by providing them the goods and services they need at cost. Members contribute to the capital of the cooperative in the sense that they do not invest their money in a capitalist enterprise in which the primary objective is to get the maximum profit from their investment. Members join cooperatives because they need their services.

Cooperatives is not a charitable organization were in the members are aware that the benefit they derive from their associations come from their contributions and is the result of their mutual desire to help one another , as their motto cooperatives are not for profit but for service.

Cooperatives are owned, managed and patronized by their members. They must depend on the patronage of their own members and not from non-members although certain cases a limited patronage by non-members maybe allowed mainly for reasons of business viability and service to community

The cooperative is engage in different business operations like credit, consumers, service, producer or a combination of two or more business operations. It is owned and managed by the members themselves who provided initial investment. The profit earned in its operations is termed as the net surplus.



Patronizing cooperative services really helps the operations of the cooperative. Thus, the members who patronize the services of cooperative help in building their cooperative financially sound and stably by increasing the cooperative net surplus.

Therefore, this study was conducted to find out how the cooperatives in La Trinidad, Benguet manage their statutory fund.

Statement of the Problem

The study aimed to assess on the management of statutory funds among selected primary cooperatives in La Trinidad, Benguet.

It ought to answer the following questions:

1. How do primary cooperatives in La Trinidad, Benguet manage the distribution of statutory fund?
2. How do primary cooperatives in La Trinidad, Benguet manage the uses of statutory fund?
3. What are the problems encountered by the cooperatives in managing the statutory fund and what are their possible solutions to their problems?

Objective of the Study

The specific objectives of the study were the following:

1. To determine how primary cooperatives in La Trinidad, Benguet manage the distribution of statutory fund;
2. To determine how primary cooperatives in La Trinidad, Benguet manage the uses of statutory fund; and,



3. To identify the problems encountered by the cooperatives in managing the statutory fund and the possible solutions to their problems.

Importance of the Study

This study would serve as baseline information on the management of statutory funds among the cooperatives in La Trinidad, Benguet. The identification of different practices in the allocation and distribution of the statutory fund would give idea on what to capitalize and what needs to be improved.

The information would provide the officers and management staff with helpful knowledge towards the managing of the statutory fund. This would serve as basis for the formulation of strategies to improve the management of the statutory fund.

Furthermore, the result of the study would serve as reference for other researcher who would like to conduct similar research.

Scope and Limitation of the Study

This study concentrated primarily on the management of statutory funds among primary cooperatives operating in the different barangays of La Trinidad, Benguet.



REVIEW OF LITERATURE

Cooperatives were viewed by the government as voluntary and self-help organization capable of securing economies of scale in providing business and other services to limited resources farmers and individuals. They were also viewed as organizations that provide employment, improve income distribution, established fair market prices by promoting private sector competition. They were thus used primarily as instruments for. (a)improving the economic, social and cultural situations of people with limited means, (b)increasing personal and national capital resources by encouraging the thrift-sound use of credit and adoption of improved agricultural technologies, (c) increasing income and employment by further utilization of available resources and (d) up-social services in the rural areas (Rola,1988).

Management

In all business and organizational activities is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing, and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources and natural resources.(Fajardo, 2000).



Net Surplus

Cooperative operations incur expenses but generate income. Whatever remains after expenses have been deducted from income is called net surplus. Net Surplus is the excess payment made by the cooperative members on their loans or on the goods brought by them from the cooperatives and for the services rendered to them.

Article 85 of republic Act No. 9520 stated that the provisions of existing laws, the net surplus of cooperative shall determine in accordance with its by-laws. Every cooperative shall determine its net surplus at the close of every fiscal year and at such other times as maybe prescribed by the by laws.

Order of Distribution

The net surplus of every cooperative shall be distributed as follows: 1) Reserve fund which shall be at least ten percent (10%) of net surplus. 2) Cooperative Education and training fund shall not be more than ten percent (10%) of net surplus. 3) Community Development fund which shall not be less than three percent (3%) of net surplus. 4) Optional fund shall not exceed seven percent (7%) of net surplus.

The remaining net surplus shall be made available to the members in the form of interest on share capital not exceed the normal rate of return on investment and patronage refunds.

The sum allocated for patronage refunds shall be made available at the same rate to all patrons of the cooperative in proportion to their individual patronage; provided that: a) In the case of a member patron with paid-up share capital contribution, his proportionate amount of patronage refund shall be paid to him unless he agrees to credit the amount to his account as additional share capital contribution. b) In the case of a member patron with



unpaid share capital contribution, his proportionate amount of patronage refund shall be credited to his account until his share capital contribution has been fully paid. c) In the case of a non-member patron, his proportionate amount of patronage refund shall be set aside in a general fund for such patrons and shall be allocated to individual non-member patrons only upon request and presentation of evidence of the amount of his patronage. The amount so allocated shall be credited to such patron toward payment of the minimum capital contribution for membership. When a sum equal to this amount has accumulated at any time within a period specified in the bylaws, such patron shall be deemed and become a member of the cooperative if he so agrees or requests and complies with the provisions of the by-laws for admission to membership. d) If within any period of time specified in the by-laws, any subscriber who has not fully paid his subscribed share capital or any non-member patron who has accumulated the sum necessary for membership but who does not request nor agree to become a member or fails to comply with the provisions of the by-laws for admission to membership, the amount so accumulated credited to their account together with any part of the general fund for non-member patrons shall be credited to the reserve fund or to the education and training fund of the cooperative, at the option of the cooperative.

Patronage Refund

Refers to the refund or return to the members of net savings generated from the operations of the cooperative.



Computation of Patronage Refund

The basis of patronage refund differs among cooperative. A credit cooperative will utilize the interest on loans paid by the members in computing the refund. Consumer cooperative will use the net sales made by cooperative to a member as basis for computation (Abasolo *et al.*, 1996).

The formula for the computation of patronage refund is as follows:

$$\text{Rate of Patronage Refund} = \frac{\text{Amount available for patronage refund}}{\text{Total of Basis for Patronage Refund}}$$

$$\text{Rate of Patronage Refund (Credit cooperative)} = \frac{\text{Amount available for patronage refund}}{\text{Total Interest on Loans}}$$

$$\text{Rate of Patronage Refund (Consumers Cooperative)} = \frac{\text{Amount available for patronage refund}}{\text{Total Net sales}}$$

Limited Interest on Capital

Refers to the interest earned by the member's paid up to the capitalization of the cooperative. It is based on the average share capital contribution of members computed on a per month basis against the preset amount earmarked by the board of directors for interest on share capital.

Computation for Interest on Capital

After amounts have been allocated to statutory funds, the 70% of the remaining net surplus shall be distributed to members as interest on their share capital which should not exceed the normal rate of return on investment determined by the CDA (Abasolo, *et al.*, 1996).



$$\text{Rate of Interest} = \frac{N \times (\text{Net Surplus} - \text{Statutory Reserves})}{\text{Total average share month}}$$

Total average share month

Where:

N- Represent the percentage allocation for interest on capital from the remainder of the net surplus after deducting the statutory fund.

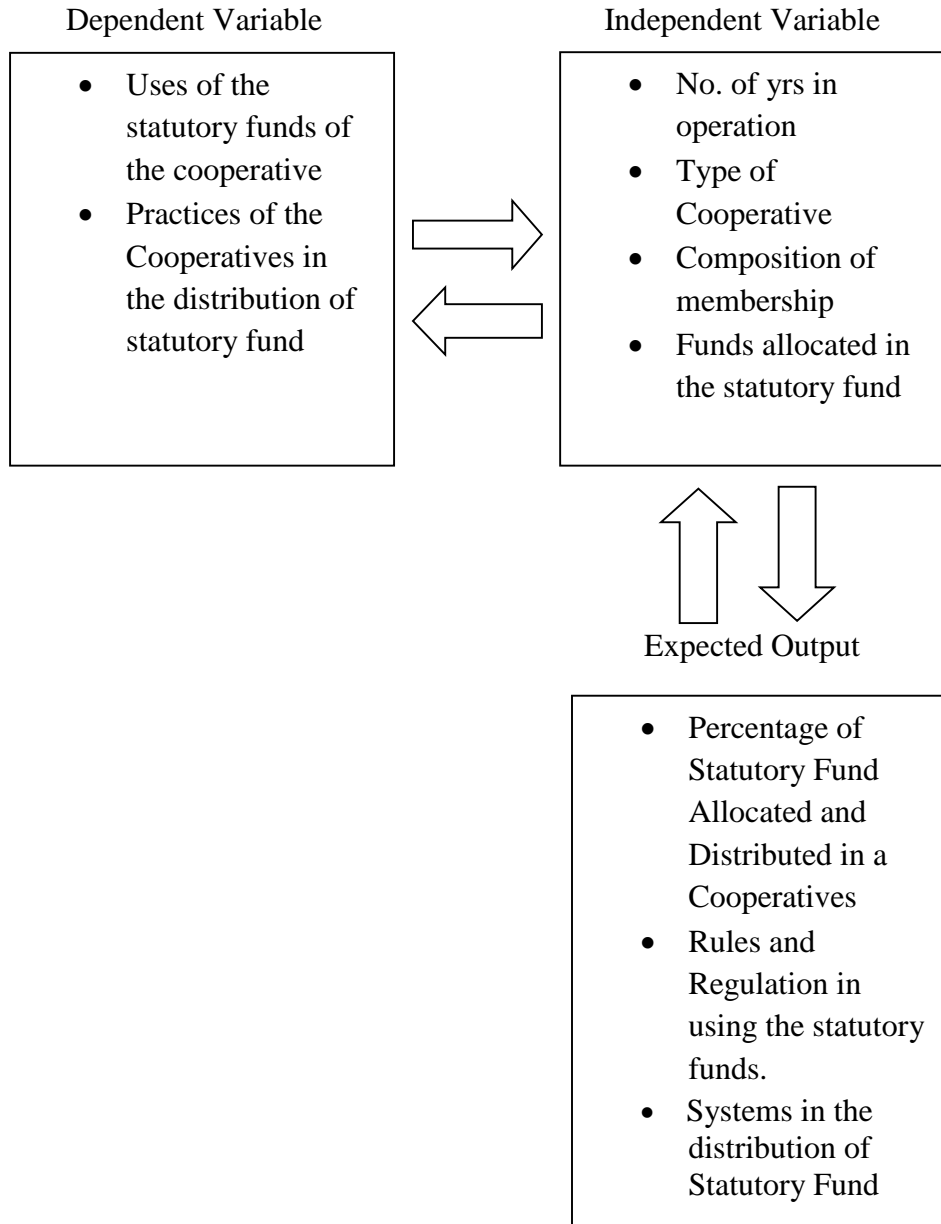


Figure1. Conceptual framework



METHODOLOGY

Locale and Time of the Study

The study was conducted at the municipality of La Trinidad, Benguet. The study was conducted from November 2012 to January 2013.

Respondents of the Study

There were 27 respondents of the study. These respondents were the manager, BOD's or treasurer of the different cooperatives operating in La Trinidad, Benguet. One respondent is selected from each cooperative.

Collection of Data

The data and information were collected through interview with the use of interview schedule and supplemented with the cooperative records.

The researcher explained the importance and objectives of the study to the respondents to ensure complete and accurate answers from them.

Data Gathered

The data gathered were the management, distribution and the uses of statutory fund of primary cooperatives in La Trinidad, Benguet and the problems encountered by the cooperatives in managing the statutory fund and possible solutions to their problems.

Data Analysis

The data were tabulated and analyzed based on the objectives of the study and analyzed using frequency and descriptive analysis.



RESULTS AND DISCUSSION

Cooperative Profile

Table 1 shows the profile of the different cooperatives operating in La Trinidad, Benguet. The types of cooperative operating were multipurpose agriculture (41%), majority (52%) were multi-purpose non-agriculture and credit (7%). The number of years in operation shows that 30% are operating 1 to 10 years, 48% are operating 11 to 20 years and 22% are operating 21 to 30 years.

Table 1. Cooperative profile

PROFILE	FREQUENCY	PERCENTAGE
Types of Cooperative		
Multi-purpose Agriculture	11	41
Multi-purpose Non- Agriculture	14	52
Credit	2	7
TOTAL	27	100
Number of years in operation		
1-10 yrs.	8	30
11-20 yrs.	13	48
21-30 yrs.	6	22
TOTAL	27	100



Table 2. Allocation of statutory fund

ALLOCATION	FREQUENCY	PERCENTAGE
Coop allocate statutory funds	26	96
Coop do not allocate statutory funds	1	4
TOTAL	27	100

Allocation of Statutory Fund

Table 2 shows that 96% or 26 cooperatives are allocating statutory funds and 4% or 1 cooperative is not allocating statutory fund because they are just starting or building their cooperative.

Amount Allocated for General Reserve Fund

Table 3 shows the allocated general reserve fund of statutory fund of the different cooperatives. Out of the 27 respondent 23 cooperatives indicate the amount of the allocated fund on their cooperatives. The 4 cooperatives did not indicate amount allocated because they said that it is confidential.

On the allocation of general reserve fund there were 17% who allocated less than P5,000, 17% allocated P5,001-15,000, 4% allocated P15,001-30,000, 9% allocated P50,001-80,000 and 52% allocated more than P100,001. This implies that the accumulated amount for the general reserve fund as of 2011 can be utilized by the cooperative.



Table 3. Amount allocated for general reserve fund

GENERAL RESERVE FUND	FREQUENCY	PERCENTAGE
Less than 5,000	4	17
5,001-15,000	4	17
15,001-30,000	1	4
30,001-50,000	0	0
50,001-80,000	2	9
80,001-100,000	0	0
Above 100,001	12	52
MEAN ALLOCATED	4.6	

Amount Allocated for Education and Training Fund

On the allocation of fund for cooperative education and training fund there were 22% of the cooperative respondent who allocated less than P5,000, 22% allocated P5,001-15,000, 22% allocated P15,001-30,000, 9% allocated P30,001-50,000, 4% allocated P50,001-80,000, 13% allocated P80,001-100,000, and 9% allocated P100,001. This implies that the accumulated fund for education and training fund as of 2011 can be utilized by the cooperative (Table 4).



Table 4. Amount allocated for CETF

EDUCATION AND TRAINING FUND	FREQUENCY	PERCENTAGE
Less than 5,000	5	22
5,001-15,000	5	22
15,001-30,000	5	22
30,001-50,000	2	9
50,001-80,000	1	4
80,001-100,000	3	13
Above 100,001	2	9
MEAN ALLOCATED	3.28	

Amount Allocated for Community Development Fund

On the allocation of Community Development Fund there were 39% who allocated less than P5,000, 4% allocated P5,001-15,000, 13% allocated P15,001-30,000, 9% allocated P30,001-50,000, 22% allocated P50,001-80,000, 13% allocated more than P100,001. This implies that the accumulated fund for community development fund as of 2011 can be utilized by the cooperative (Table 5).



Table 5. Amount allocated for CDF

COMMUNITY DEVELOPMENT FUND	FREQUENCY	PERCENTAGE
Less than 5,000	9	39
5,001-15,000	1	4
15,001-30,000	3	13
30,001-50,000	2	9
50,001-80,000	5	22
80,001-100,000	0	0
Above 100,001	3	13
MEAN ALLOCATED	3.83	

Amount Allocated for Optional Fund

On the allocation of the Optional Fund there were 17% who allocated less than P5,000, 13% had allocated P5,001-15,000, 9% had allocated P15,001-30,000, 9% had allocated P30,001-50,000, 13% allocated P50,001-80,000, 39% had allocated more than P100,001. This implies that the accumulated fund for optional fund as of 2011 can be utilized by the cooperative (Table 6).



Table 6. Amount allocated for optional fund

OPTIONAL FUND	FREQUENCY	PERCENTAGE
Less than 5,000	4	17
5,001-15,000	3	13
15,001-30,000	2	9
30,001-50,000	2	9
50,001-80,000	3	13
80,001-100,000	0	0
Above 100,001	9	39
MEAN ALLOCATED	3.83	

Distribution of Statutory Fund

Table 7 shows how the different cooperatives allocate their net surplus to general reserve fund, cooperative education fund, community development fund and optional fund.

General reserve fund. Philippine Cooperative Code of 2008 Republic Act 9520 stated that allocation for GRF shall be at least ten percent (10%) of net surplus. The result shows that 96% of the cooperative allocated 9-10% and 4% allocated 11-15%.

Cooperative education and training fund. Philippine Cooperative Code of 2008 Republic Act 9520 stated that the allocation of CETF shall not be more than ten percent (10%) of net surplus. The result shows that 8% allocated 1-3%, 23% allocated 4-6% and 69% allocated 7-10%.



Community development fund. Philippine Cooperative Code of 2008 Republic Act 9520 stated that the allocation of CDF shall not be less than three percent (3%) of net surplus. The result shows that 92% allocated 3-4% and 8% allocated 5-7%.

Optional fund. Philippine Cooperative Code of 2008 Republic Act 9520 stated that the allocation of OF shall not exceed seven percent (7%) of net surplus. The result shows that 23% allocated 1-5%, and 77% allocated 6-10%. This implies that some cooperative are not following RA 9520 since 20 of the cooperatives are allocating more than 7%.

Table 7. Distribution of statutory fund

PARTICULAR	FREQUENCY	PERCENTAGE
Percent allocated for GRF		
9-10%	25	96
11-15%	1	4
TOTAL	26	100
MEAN = 13%		



Table 7. Continued...

PARTICULARS	FREQUENCY	PERCENTAGE
Percent allocated for CETF		
1-3%	2	8
4-6%	6	23
7-10%	18	69
TOTAL	26	100
MEAN = 8.67%		
Percent allocated for CDF		
3-4%	24	92
5-7%	2	8
TOTAL	26	100
MEAN = 13%		
Percent allocated for OF		
1-5%	6	23
6-10%	20	77
TOTAL	26	100
MEAN = 13%		



Distribution of the Remaining Excess
of the Statutory Fund

Table 8 shows the distribution of the remaining excess on the statutory fund to the patronage refund and interest on share capital.

Patronage refund. Cooperative code of RA 9520 stated that the amount allocated for patronage refund shall not be less than 30% of the net surplus after deducting the statutory reserves based on the principle of equity. There were 2 of the cooperative allocated less than 20%, 14 allocated 30-40%, 10 allocated 50-70%. This implies that some cooperatives are violating the cooperative code since 24 of the cooperative allocating more than 30%.

Interests on share capital. There were 25 respondents out of 26 cooperatives response because one cooperative is not allocating interest on share capital because of the type of service they are offering which is diagnostic laboratory, radiologic services and drug testing. 1 or 4% allocated less than 20%, 5 or 20% allocated 30-40% and 19 or 76% allocated 50-70%.

Table 8. Distribution of the remaining excess on the statutory fund

DISTRIBUTION	FREQUENCY	PERCENTAGE
Patronage Refund		
Less than 20 %	2	8
30-40 %	14	54
50-70 %	10	38
TOTAL	26	100
MEAN = 8.67%		



Table 8. Continued...

DISTRIBUTION	FREQUENCY	PERCENTAGE
Interest on Share Capital		
Less than 20 %	1	4
30-40 %	5	20
50-70 %	19	76
TOTAL	25	100
MEAN = 8.33%		

Affiliations of Cooperatives to other Business
Organization and Cooperatives

Table 9 shows that in managing the statutory fund of the different cooperatives in La Trinidad, Benguet, there were 59% cooperatives affiliated because they want to learn from other cooperative (31%), it is a requirement (6%), to have trainings and seminars which is very helpful in the improvement of their cooperative (38%), to create contact and business partnership (6%), and to avail services and for additional investment (13%). Most of them are affiliated in Benguet Provincial Cooperative Union (BPCU), Northern Luzon Federation of Cooperatives and Development Center (NORLU CEDEC), Cooperative Bank of Benguet (CBB), Cordillera Administrative Region Cooperative Union (CARCU), Benguet Credit Surety Fund, and National Confederation of Cooperatives (NATCO) and 41% cooperatives are not affiliated because they are afraid or not interested (27%), others are still planning to affiliate (18%), it's not suitable on their current services (9%), they are



just building again their cooperative due to bankruptcy (9%), lack of funds for membership (9%), they are planning to build their own federation (9%), they want to stand alone as a cooperative (9%) and because they do not have a similar cooperative that has the same line of business (9%).

Table 9. Affiliations of cooperatives to other business organization and cooperatives

RESPONSE	ORGANIZATIONS WHERE AFFILIATED	FREQUENCY	PERCENTAGE
Affiliated	BPCU, NORLU CEDEC CBB, CARCU, NATCCO Benguet Credit Surety Fund	16	59
Not affiliated		11	41
TOTAL		27	100
Reasons for affiliations			
	Have trainings and seminars which be helpful in the improvement of the cooperative	6	38
	To learn from other cooperative	5	31
	For additional investment	2	13
	Create contact and business partnership	1	6
	To avail services	1	6
	Requirement	1	6



Table 9. Continued...

REASONS FOR NON-AFFILIATION	FREQUENCY	PERCENTAGE
Afraid or not interested	3	27
Still planning to affiliate	2	18
Not suitable on their current business	1	9
They are building again their cooperative due to bankruptcy	1	9
Lack of funds for membership	1	9
They are planning to build their own federation	1	9
They want to stand alone as a cooperative	1	9
They do not have a similar cooperative that has the same line of business	1	9

Affiliated Cooperatives that Remits Due to CETF to the Secondary Cooperatives

Table 10 shows that 94% of the affiliated cooperative that are remitting their fund due to CETF on the secondary cooperatives because it is required (94%), they remit at least 50% of the CETF or it will depend on the decision of the BOD's and 6% are not remitting because they do not have enough cash to be remitted (6%).

In case that they are affiliated in several secondary cooperatives in remit their due to CETF but depend on the decision of the BOD's and it will depend on the services they availed from secondary cooperatives or they will divide equally their remittance.



Table 10. Affiliated cooperatives that remits fund due to CETF

RESPONSE	FREQUENCY	PERCENTAGE
Remit fund	15	94
Do not remit fund	1	6
TOTAL	16	100
Reason for remitting fund		
It is required	15	94
Reason for not remitting fund		
They do not have enough cash to be remitted	1	6

Management on the Uses of General Reserve Fund

In managing the uses of general reserve fund of the different cooperatives there were 15 or 58% response that they will use for the stability of the cooperatives and to meet its losses in its operation, 8 or 31% response that they will deposit on the banks as an investment, 1 or 4% response that they will reserve for the benefits of employees and members, 1 or 4% response that they will set aside to purchase equipment for the cooperative, 1 or 4% response that they will reserve for the future projects of the cooperative and 1 or 4% response that they add as capital of the cooperative (Table 11).



Table 11. Management on the uses of general reserve fund

PARTICULARS	FREQUENCY	PERCENTAGE
Used for the stability of the cooperative and to meet net losses in its operation	15	58
It is deposited on the banks as an investment	8	31
It is reserve for the benefits of employees and members	1	4
Set aside to purchase equipment for the cooperative	1	4
Reserve for the future projects of the cooperative	1	4
It is added as capital of the cooperative	1	4

Management on the Uses of Cooperative Education and Training Fund

Table 12 shows on how the different cooperatives manage the uses of cooperative education and training fund. There were 24 cooperatives responses that they will use for the trainings and seminars for their members and employees and half of fund will be remitted to secondary cooperative they are member with, and two (2) cooperatives stated that they will deposit on the banks.



Table 12. Management on the uses of cooperative education and training fund

PARTICULAR	FREQUENCY	PERCENTAGE
Used for the trainings and seminars for their members and employees and the half of fund will be remit on the affiliated cooperative	24	92
They will deposit on the banks	2	100
TOTAL	2	100

Management on the Uses of Community Development Fund

Table 13 shows how the different cooperatives manage the uses of community development fund. There were 63% cooperative responses that they will used it for the projects and activities that will benefit the community, 4% response that they will used it for medical session, 8% response that they will deposit on the bank, 4% response that they use it for donations and solicitations of local groups, 4% response that they will used it for building improvement or rentals, 4% response that they will donate to the community activities related to environment, 4% response that they will spent for the general cleaning around the business area, 4% response that they set aside for social responsibility, 4% response that they will used for scholarship, 4% response that they will set aside to purchase equipment for the cooperative.



Table 13. Management on the uses of community development fund

PARTICULAR	FREQUENCY	PERCENTAGE
Used for the projects and activities that will benefit the community	16	62
Used for medical session	1	4
They will deposit on the bank	2	8
Used for donations and solicitations of local groups	1	4
For building improvement or rentals	1	4
They will donate to the community activities related to environment	1	4
Spent for the general cleaning around the business area	1	4
Set aside for social responsibility	1	4
For scholarship	1	4
Set aside to purchase equipment for the cooperative	1	4

Management on the Uses of Optional Fund

Table 14 shows on how the different cooperatives manage the uses of optional fund. There were 54% response that they will used for land and building funds and other necessary expenses, 8% response that they will used for the renovations of buildings, 4% response that they will used for trainings and fieldtrips, 8% responses that they will deposit on the



bank, 4% response that they will used for mortuary and cooperative guarantee fund, 4% response that they will set aside for future projects, 12% response that they will used for retirement and management benefit fund and 8% response that they will add to purchase equipment for the cooperative.

Table 14. Management on the uses of optional fund

PARTICULAR	FREQUENCY	PERCENTAGE
Used for land and building funds and other necessary expenses	14	54
For the renovations of buildings	2	8
For trainings and fieldtrips	1	4
They will deposit on the bank	2	8
For mortuary and cooperative guarantee fund	1	4
Set aside for future projects	1	4
Retirement and management benefit fund	3	12
Add to purchase equipment for the cooperative	2	8

Presence of Policy in Using the Statutory Fund

Table 15 shows that 21 cooperatives have a policy in using their statutory funds and 6 cooperatives do not have a policy in using their statutory funds.



Table 15. Presence of policy in using the statutory fund

PRESENCE OF POLICY	FREQUENCY	PERCENTAGE
Have a policy	21	78
No policy	6	22
TOTAL	27	100

Transparency of the Policies in Using the Statutory Fund

Table 16 shows the transparency of the policy in using the statutory fund, majority of the respondents are using the policy transparent to their members and this policies are transparent presented in the General Assembly.

Table 16. Transparency of the policies in using the statutory fund on their members

RESPONSE	FREQUENCY	PERCENTAGE
Transparent	21	100
Not transparent	0	0
TOTAL	21	100



Persons Involved in Implementing the Uses of Statutory Fund

Table 17 shows the persons responsible in implementing the policies in using the statutory fund. There were 69% of the respondents who pointed the BOD and 31% respondents pointed the manager. This implies that most cooperatives tasked the BOD and the manager in implementing the practices in using statutory fund.

Implementation of the Policies in Using Statutory Fund

Table 18 shows that there were 95% implementing their policies in using the statutory fund. In implementing their policies, it is strictly implemented upon the approval of the board of directors on the actual expenses and according to its purpose so that it will not divert to another usage like misallocation and it must be properly documented with the strictly compliance of the Internal Accounting Control in managing the fund that will benefit the community and 5% are not implementing their policies because they will use this on the future if it is needed.

Table 17. Persons involved in implementing the uses of statutory fund

PERSON INVOLVE	FREQUENCY	PERCENTAGE
Board of Directors	18	69
Manager	8	31
TOTAL	26	100



Table 18. Implementation of the policies in using statutory fund

RESPONSE	FREQUENCY	PERCENTAGE
Implementing	20	95
Not implementing	1	5
TOTAL	21	100

Management on the Uses of General Reserve Fund in Case of Dissolution

Table 19 shows the management on the uses of general reserve fund of the different cooperative in case of dissolution. There were 19% response that they will distribute and divide equally to the members according to the amount of their common shares, 35% response that they will remit to the union or federation to which the cooperative are affiliated with ,19 % response that they will donate, contribute or otherwise dispose to the benefits of the community where it operates, 15% response that they will use to meet the losses of the cooperatives and 12% response that they will follow the mandated cooperative code the RA 9520.

Table 19. Management on the uses of general reserve fund in case of dissolution

PARTICULARS	FREQUENCY	PERCENTAGE
Distribute and divide equally to the members according to the amount of their common shares	5	19



Table 19. Continued...

PARTICULAR	FREQUENCY	PERCENTAGE
Remitted to the union or federation they are member with	9	35
Donate or contribute or otherwise dispose to the benefits of the community where it Operates	5	19
Used to meet the losses of the cooperative	4	15
Follow the cooperative code	3	12

Management on the Uses of Cooperative Education and Training Fund in Case of Dissolution

Table 20 shows how the different cooperatives manage the uses of cooperative education and training fund in case of dissolution. There were 77% response that they will credited to the affiliated union or federation, 8% response that they will used for payment of outside loans of the cooperative, 4% response that they will distribute equally to members according to the amount of common shares and 12% response that they will follow what are the mandated cooperative code of RA 9520.



Table 20. Management on the uses of CETF in case of dissolution

PARTICULARS	FREQUENCY	PERCENTAGE
Credited to the affiliated union or federation	20	77
Used for payment of outside loans of the cooperative	2	8
Distribute equally to members according to the amount of common shares	1	4
Follow the cooperative code	3	12

Management on the Uses of Community Development Fund in Case of Dissolution

Table 21 shows on how the different cooperatives manage the use of community development fund. There were 50% response that they will used for projects and activities that will benefit the community where the cooperatives operates, 4% response that they will donate to the market associations, 27% response that they will donate to the union or federation they are affiliated with, 8% response that they will used for the payment of loans to other cooperative or business organization of the cooperative, 12% response that they will follow the mandated cooperative code of RA 9520.



Table 21. Management on the uses of CDF in case of dissolution

PARTICULARS	FREQUENCY	PERCENTAGE
Used for projects and activities that will benefit the community	13	50
Donate to the market associations	1	4
Donate to the union or federation they are affiliated with	7	27
Used for payment of outside loans of the cooperative	2	8
Follow the cooperative code	3	12

Management on the Uses of Optional Fund in Case of Dissolution

Table 22 shows on how the different cooperatives manage the uses of optional fund in case of dissolution. There were 15% response that they will distribute to the cooperative members in addition to the GRF, 8% response that they will used for other necessary expenses of the cooperative, 8% response that they will used for the payment of loans to the other cooperative or business organization of the cooperative, 35% response that they will donate to the federation or union they are member with, 12% response that they will donate or contribute where the cooperative operates, 8% response that they will dispose or sale the land and building and it will proceeds to the members according to their share capital, 4% response that they will distribute as benefit of staffs and 12% response that they will follow the cooperative code.



Problems Encountered in Managing the Statutory Fund

Table 23 shows that out of the 27 respondent only 14 cooperatives encountered problems in managing their statutory fund. There were 3 or 21% who encountered misallocation of the statutory fund, 1 or 7% cooperative mentioned that they lack knowledge in computing statutory fund, 9 or 64% response that they don't have a proper policies to be followed, 1 or 7% response that they do not have enough funds to be allocated.

Table 22. Management on the uses of optional fund in case of dissolution

PARTICULARS	FREQUENCY	PERCENTAGE
Distribute to the members in addition to the general reserve fund	4	15
Used for other necessary expenses of the cooperative	2	8
Used for payment of outside loans of the cooperative	2	8
Donate to the union or federation they are affiliated with	9	35
Donate to the community where it operates	3	12



Table 22. continued ...

PARTICULARS	FREQUENCY	PERCENTAGE
Dispose or sale the land and building and it will proceeds to the members according to their share capital	2	8
Distribute as benefit of the staff	1	4
Follow the cooperative code	3	12

Possible Solutions in Managing the Statutory Fund

Table 24 shows the possible solutions in managing the statutory fund. There were 29% responses that they will save the statutory fund on the banks, 64% response that they will make a policy in using the statutory fund, 7% response that they will compute the statutory fund based on the cooperative code of RA 9520.

Table 23. Problems encountered in managing the statutory fund

PROBLEMS	FREQUENCY	PERCENTAGE
Misallocation of the Statutory Fund	3	21
Lack of Knowledge in Computing Statutory Fund	1	7
There are no proper policies in using Statutory Fund	9	64
Limited funds to be allocated in the statutory fund	1	7



Table 24. Possible solutions to problems encountered

POSSIBLE SOLUTIONS	FREQUENCY	PERCENTAGE
Save on the Banks or other Cooperatives	4	29
Make Policies to be followed	9	64
In computing statutory fund must based on the RA 9520	1	7



SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

This research was conducted to determine the management of statutory fund among selected primary cooperatives in La Trinidad, Benguet. It focused on the distribution, uses and problems encountered and their possible solution in managing the statutory fund.

The respondents were the manager, board of directors or the treasurer of the different cooperatives. The data was collected with use of survey questionnaire. The data was analyzed using descriptive statistical tools such as frequency and percentage.

In managing the statutory fund, most of the cooperative are allocating statutory fund according to the order of distribution based on the cooperative code. Most of the cooperative allocated in general reserve fund more than 10%, in cooperative education and training fund allocated less than 10%, in community development fund allocated not less than 3% and in the optional fund allocated not exceeding the 7%. In allocating the remaining excess of the statutory fund most of the cooperative distribute it in the patronage fund and the interest on share capital.

In utilizing their statutory fund it is based according to its distribution, the general reserve fund used for the stability of the cooperatives and to meet its losses in its operation, they deposited in the banks as an investment, they reserve for the benefits of employees and members, they set aside to purchase equipment for the cooperative, they reserve for the future projects of the cooperative and they add as capital of the cooperative. The cooperative education and training fund they used for the trainings and seminars for their members and employees, they remit to the cooperative they are member or affiliated with,



and they deposited in the banks. The community development fund they used for the projects and activities that will benefit the community, they used for medical mission activities, they deposited in the bank, they used for donations and solicitations of local groups, they used for building improvement or rentals, they will donate to the community activities related to environment conservation, they spend for the general cleaning around the business area, they set aside for social responsibility, for scholarship, and they set aside to purchase equipment for the cooperative and the optional fund they used for land and building funds and other necessary expenses, they used for the renovations of buildings, for trainings and fieldtrips, they will deposited in the bank, they used for mortuary and cooperative guarantee fund, they set aside for future projects, they used for retirement and management benefit fund and they add to purchase equipment for the cooperative.

In case that their cooperative will dissolve the statutory fund will be distributed on the following; The general reserve fund they will distributed and divided equally to the members according to the amount of their capital shares, they will remit to the union or federation to which the cooperative is affiliated with, they will donate, contribute or otherwise dispose to the benefits of the community where it operates, they will used to meet the losses of the cooperatives and they will follow the mandated cooperative code (RA 9520). The Cooperative Education and Training Fund they will credited to the affiliated union or federation, they will used for payment of outside loans of the cooperative, they will distribute equally to members according to the amount of capital shares and they will follow what are mandated in cooperative code (RA 9520). The community development fund they will used for projects and activities that will benefit the community where the cooperatives operates, they will donate to the market associations, they will donate to the



union or federation they are affiliated with, they used for the payment of loans to other cooperative or business organization of the cooperative, they will follow the mandated cooperative code (RA 9520). The optional fund they will distribute to the cooperative members in addition to the GRF, they used for other necessary expenses of the cooperative, they will used for the payment of loans to the other cooperative or business organization of the cooperative, they will remit to the federation or union they are member with, they will donate or contribute where the cooperative operates, they will disposed or sale the land and building and it will be distribute to the members according to their share capital and will be distributed as benefit of staffs.

Majority of the cooperatives are affiliated in other cooperatives, they are affiliated with Benguet Provincial Cooperative Union (BPCU), Northern Luzon of Cooperatives and Development Center (NORLU CEDEC), Cooperative Bank of Benguet (CBB), Cordillera Administrative Region Cooperative Union (CARCU), Benguet Credit Surety Fund, National Confederation of Cooperative (NATCCO) and they are some are not affiliated because they do not like to take risk or not interested, other cooperative are still planning to affiliate, it's not suitable on their current services as a farm supply because they conduct business directly to their suppliers and members, they are just building again their cooperative due to bankruptcy, lack of funds for membership, other cooperative are planning to build their own federation, they want to stand alone as a cooperative and because they do not have a similar cooperative that has the same line of business. Majority of the cooperative are affiliated and remitting their statutory funds to their affiliated cooperatives. The cooperatives remit at least 50% of their CETF or it will depend on the



decision of the BOD's and some cooperative are not remitting their statutory fund because they do not have enough cash to be remitted.

Majority of the cooperative have a policy in using their statutory funds, the persons responsible in implementing the practices in using the statutory fund were the board of directors and the manager. Majority of the cooperatives used the policies in statutory fund are transparent to their members. In implementing their policies it is strictly implemented upon the approval of the Board of Directors on the actual expenses and according to its purpose so that it will not be diverted to another usage like misallocation and it must be properly documented with the strictly compliance of the Internal Accounting Control in managing the fund that will benefit the community.

Majority of the cooperatives, who met problems in managing the statutory fund were on: misallocation, lack knowledge on computing statutory fund, do not have proper policies to be followed and do not have enough funds to be allocated. As possible solution perceived by the cooperative are; save the statutory fund in the banks, make a policy in using the statutory fund, and will compute the statutory based on the cooperative code of RA 9520.

Conclusions

Based on the findings of the study, the following conclusions were derived;

1. In managing their statutory fund, most of the cooperative are allocating statutory fund and they used this according to its uses and depend on the decision of the Board of directors and manager. Some cooperatives are not following the cooperative code in allocating the appropriate percent to be allotted;



2. Majorities of the affiliated cooperatives are remitting their fund on their affiliated federation or union; and,
3. Majority of the cooperatives who encountered problems in managing the statutory fund are not knowledgeable on the policies in using the statutory fund in the cooperative code.

Recommendations

In order to improve the management of statutory fund among selected primary cooperatives in La Trinidad, Benguet, and the following recommendations were made on the basis of the findings;

1. Since some cooperatives encountered problems in managing the statutory fund the cooperatives must formulated a policy on the utilization of statutory fund;
2. The cooperative should strictly implement the uses of statutory based on the mandated cooperative code of RA 9520; and,
3. The management staff of their cooperatives must be aware on the utilization of the statutory fund and they must attend seminars and trainings.



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