

Financial Management Practices of Barangays in Iligan City


ROYCE S. TORRES
AMBROSIO F. QUIÑONES, JR., Ph.D.

Abstract

This study was designed to determine the level of financial management practices of the barangays in Iligan City, and to determine whether the profile of the barangays and the profile of their officials and employees involved in financial management are associated with the level of the barangays' financial management practices.

To achieve these objectives, relevant primary data were gathered from the concerned officials and employees of the 44 barangays in Iligan City with the use of a questionnaire and follow-up interviews. Data pertaining to the profile of the barangays were taken from the financial reports prepared by the barangays.

Frequency counts and percentages were used to come up with the profile of the barangays and of their officials and employees. The mean, standard deviation, and descriptive rating were used to determine the level of each financial management practice. The Pearson Product-Moment Correlation was used to determine whether there is a relationship between the concerned officials' /employees' profile and the level of financial management practices. Finally, the Simple Correlation and the Multiple Regression Analysis were used to determine whether the

 ROYCE S. TORRES is Treasurer and VP-Finance of the Iligan Medical Center College and Naawan Beach Resort, Inc. and sits in the Board of Directors of both business organizations. He is also a member of the Board of Directors of Preface Real Estate Development, Co. He obtained his Master in Business Management from the School of Graduate Studies-College of Business Administration, MSU-IIT last March 2001. AMBROSIO F. QUIÑONES, JR., Ph.D. is a faculty member and currently the chair of the Economics Department, College of Business Administration (CBA), MSU-IIT. He also teaches in the Master in Business Management Program, the CBA's graduate division. He was formerly the Dean of the CBA, MSU Main Campus, and also former Dean of the CBA in MSU-IIT. He obtained both his M.A. Economics and D.B.A. Finance from the University of the Philippines, Diliman, Quezon City.

barangays' profile and the profile of their concerned officials and employees is associated with the level of the barangays' financial management practices.

The results show that most of the time the barangays undertook such aspects of financial management as: (1) planning and control, (2) cash management, and (3) financial reporting — with about 77% of the officials/employees concerned doing the preparation, analysis, and review of the budget at all times as required. However, the barangays of Iligan City perform bookkeeping and accounts management sometimes only, indicating that there is plenty of room for improvement in the management of the barangays' financial affairs.

As to the profile of the concerned barangay officials and employees, in terms of educational attainment, 67% are college graduates, 16% high school graduates, and 15% finished vocational courses. In terms of relevant training and seminar-workshops attended, 22% have attended 15 to 19 times, another 22% have attended 10 to 14 times, 10% attended 20 to 24 times, another 10% attended less than five times, but 15% have never attended any training or seminar at all. In terms of relevant work experience, 32% have 10 years or more experience in government service, 29% have 7 to 9 years, 24% have 4 to 6 years, and 17% have 1 to 3 years.

As to the barangays' profile, in terms of population in 1999, 45% of the barangays had between 5,000 and 10,000 residents, 36% had less than 5,000 residents, 14% had between 10,000 and 15,000, and only 5% had more than 15,000 residents. In terms of annual income, 59% of the barangays had between P1M and P5M in 1999, 36% had below P1M, and only 5% had more than P5M. In terms of current operating expenditures, the profile is exactly the same as the profile in terms of annual income, indicating that all barangay income is spent in the same year on current operating expenses. This implies that no capital expenditure is taken from the barangays' annual income.

No significant relationship was found between the barangays' level of financial management practices and the profile of their concerned officials and employees. There is also no significant relationship between the barangays' profile and their level of financial management practices. Furthermore, the regression results show that neither the profile of the barangays nor the profile of their concerned officials and employees is associated with the level of the barangays' financial management practices.

This study aimed primarily to determine the financial management practices of all barangays in Iligan City. It also sought to find out if there is a relationship between the barangay's level of financial management practices

and the profile of the barangay officials and employees involved in financial management. Additionally, the study also sought to find out if there is a relationship between the barangay's level of financial management practices and the profile of the barangay.

Specifically, the study sought answers to the following questions: What is the profile of the barangay officials/employees involved in the barangay's financial management in terms of number of years of schooling, number of relevant training and seminar-workshops attended and length of experience? What are the levels of the barangay officials'/employees' financial management practices in terms of planning and control, cash management, accounts management, bookkeeping and financial reporting? What is the relationship between the barangay officials'/employees' profile and their level of financial management practices? What is the profile of all barangays in Iligan City in terms of population, annual income, sources of income and expenditures? What is the relationship between the barangay officials'/employees' level of financial management practices and the barangay profile? What is the relationship between the barangay officials'/employees' level of financial management practices with their profile and the barangay profile combined? Lastly, what are the problems met by the barangay officials/employees involved in financial management in all barangays in Iligan City?

Theoretical Framework and Hypotheses

This study proceeds from the notion that the profile of the barangay personnel involved in financial management and the barangay's financial profile have something to do with the level of the barangay's financial management practices. The personnel's profile in terms of educational attainment, attendance in relevant trainings and seminar-workshops, and relevant work experience is hypothesized to have a positive impact on the level of financial management practices. It is also hypothesized that the barangay's profile in terms of population, annual income, and expenditures have a positive influence on the level of financial management practices.

For the purpose of statistical testing, the following null hypotheses were derived: a) there is no significant relationship between the levels of the barangay officials'/employees' financial management practices and their number of years in schooling, number of relevant training and seminar-workshops attended, and length of experience; b) there is no significant relation-

ship between the barangay's level of financial management practices with the barangay population, annual income and expenditures; and c) there is no significant relationship between the barangay's level of financial management practices with their officials'/employees' profile and the barangay profile combined.

Scope and Research Method

This study covered all 44 barangays in Iligan City. The subjects of the study were the officials and employees of the barangays consisting of the punong barangay, the treasurer, the secretary, and the finance officer. However, the barangay officials/employees actually involved in the barangays' financial management practices vary according to each of the barangay's unique practices. It should also be noted that the financial management practices emphasized in this study pertains only to financial planning and control, cash management, accounts management, bookkeeping and financial reporting. The barangay officials'/employees' profile is limited to their number of years in schooling, number of relevant trainings and seminar-workshops attended, and length of experience. Similarly, the barangays' profile is limited to population, annual income, sources of income and expenditures.

This study used the descriptive-correlational method. It is descriptive in the sense that it sought to find answers to questions through the analysis of variable relationships. It is correlational, on the other hand, because this investigation was designed to determine the extent to which different variables are related to each other in the population of interest.

The primary instrument used was a researcher-made survey questionnaire. The questionnaire was formulated based on the Government Service Insurance System (GSIS) Manual dated November 2000. The questionnaires were pre-tested and the permission from the Chairman of the Association of Barangay Captains (ABC) was sought before the questionnaires were distributed to all the barangays in Iligan City. Interviews were also conducted as a secondary instrument to clarify or expand the answers to the questionnaires. However, some barangays were not reached for interview due to inaccessibility. Instead, their barangay captains were reached through their association's (ABC) monthly sessions.

The questionnaire for the financial management practices has five subscales namely: planning and control, cash management, accounts management, bookkeeping, and financial reporting. These subscales were each

supported by indicators based on the GSIS Manual. Please see Table 1 below for the subscale meanings.

Table 1. Scale for Financial Management Practices

Response Score	Description	Interval
5	Always Practiced	4.21 – 5.00
4	Often Practiced	3.41 – 4.20
3	Sometimes Practiced	2.61 – 3.40
2	Seldom Practiced	1.81 – 2.60
1	Never Practiced	1.00 – 1.80

The checklist for problems met is also included in the questionnaire. The respondents were told to rank the problems from the most serious to the least serious. This provided a means to determine the most common problems encountered by each of the barangays.

The questionnaire also included questions that enable us to determine the profile of the respondents. For the profile of the barangay, information sheets were acquired for the barangay’s population, annual income, sources of income, and expenditures. These were taken from the official financial reports made and prepared by the barangays in Iligan City. These were sought from the barangay treasurer of the respective barangays, and affirmed by data obtained from the Barangay Accounting Office of Iligan City.

Frequency counts and percentages were used to come up with the profile of barangay officials’/employees and the barangay profile. The mean, standard deviation and descriptive rating were the statistical tools used to determine the levels of the financial management practices of the officials/employees. The Pearson Product-Moment Correlation was used to find out the relationship between the barangay officials’/employees’ financial management practices with their profile and the barangay profile. Lastly, the Simple Correlation and the Multiple Regression Analysis were used to measure the relationship of the barangays’ financial management practices with the officials’/employees’ profile and the barangay profile combined.

Findings

The first question that was addressed pertains to the profile of the barangay

officials/employees. Table 2, shown on the next page, summarizes the frequency distribution of the officials/employees as to their profile. Figures 1.1 to 1.3 shows the pie graph of the profiles in terms of number of years of schooling, number of relevant training and seminar-workshops attended, and length of experience, respectively. Table 2 and Figure 1.1 reveal that majority or 67% of the officials/employees involved in the financial management of the barangay are college graduates. They have attained 14 years of education. About 16% consist of high school graduates, that is, 10 years of education.

Table 2. Frequency Distribution of Officials/Employees as to Their Profile (N=82)

	Frequency	%
Number of Years of Schooling and Degree:		
	1	1.22
Master's degree (16 years of education)	55	67.07
College graduate (14 years of education)	12	14.63
Secretarial/Vocational (12 years of education)	13	15.85
High School graduate (10 years of education)	1	1.22
Elementary graduate (6 years of education)		
Mean = 13		
Number of Relevant Training and Seminar-Workshops Attended:		
More than 25 times	2	2.44
20 – 24 times	8	9.76
15 – 19 times	18	21.95
10 – 14 times	18	21.95
5 – 9 times	16	19.51
less than 5 times	8	9.76
None	12	14.63
Mean = 10		
Length of Experience:		
10 years or more	26	31.71
7 – 9 years	22	26.83
4 – 6 years	20	24.39
1 – 3 years	14	17.07
Mean = 9		

tion; and 15% completed vocational courses. Since the majority of the officials/employees have college degrees, we expect them to be capable enough to perform some tasks related to financial management, considering that they have already acquired basic skills about fund management and the handling of money. There was one barangay official who holds a master's degree. On the other hand, there was a barangay official who was only an elementary graduate and have been serving Barangay Lanipao, Anugod as barangay captain for 9 years already. This may indicate that some barangays do not make higher education a necessary qualification for a barangay captain.

Table 2 and Figure 1.2 show that 22% or almost one-fourth of the officials/employees involved in the financial management of the barangays have attended relevant training and seminar-workshops 15 to 19 times during their service in government or even before they joined the government. Another 22% have attended 10 to 14 times. Only about 2% have attended more than 25 times. These indicate that many of the officials/employees are exposed to seminars or workshops related to financial management, supposedly enhancing their knowledge and performance in financial management. (Most of them commented, however, that the seminars pertain only to the latest updates of some local and national tax codes.) Some barangay officials have less than 10 exposures to seminars and workshops due to lack of interest or lack of budget, or the officials/employees were new and never had the chance to attend any seminar or training.

Looking now at the lower portion of Table 2 or Figure 1.3, it can be seen that almost one-third or 32% of the barangay officials/employees involved in barangay financial management have been in the government for more than 10 years or more. The barangay treasurer of Barangay Mahayahay, has in fact served the City Budget Office for 21 years and 8 years as barangay treasurer of Mahayahay. Also, the barangay treasurer of Kiwalan has been serving for 36 years already. But, one-fourth of the officials/employees involved have 7 to 9 years experience, while another one-fourth have only 4 to 6 years of experience in government service.

Table 3 below summarizes the findings on the level of the barangay officials'/employees' financial management practices. Recall that there are five aspects of financial management practices considered here: planning and control, cash management, accounts management, bookkeeping, and financial reporting.

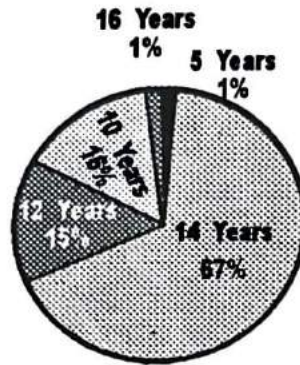


Figure 1.1. Number of Years of Schooling

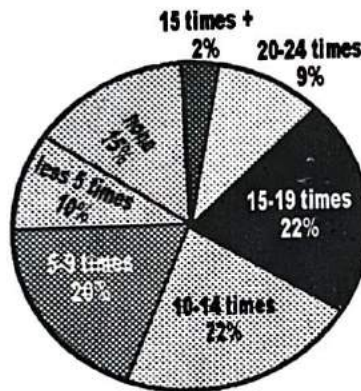


Figure 1.2. Number of Relevant Training and Seminar-Workshop Attended

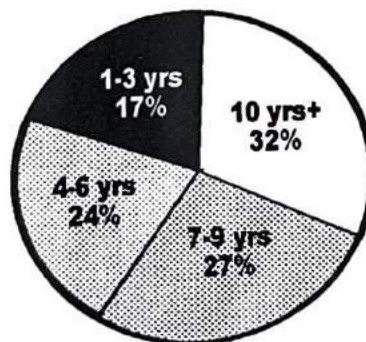


Figure 1.3. Length of Experience

Table 3. Summary Result of the Financial Management Practices

Aspects/Areas	Mean	S.D.	Descriptive Rating
Planning and Control	4.18	1.1066	M
Cash Management	3.49	1.6162	M
Accounts Management	3.36	1.5841	O
Bookkeeping	2.75	1.6956	O
Financial Reporting	3.79	1.4757	M
Average	3.514	1.4956	M

Descriptive Equivalents of Numerical Ratings:

4.21 – 5.00	=	At all times	(A)
3.41 – 4.20	=	Most of the time	(M)
2.61 – 3.40	=	Sometimes	(O)
1.81 – 2.60	=	Seldom	(S)
1.00 – 1.80	=	Never	(N)

For planning and control, one indicator here is on the preparation, analysis and review of the budget. These are the primary functions of the officials/employees concerned. About 77% of the officials/employees perform such duties at all times, as required. But this implies that there are still other officials/employees who were not able to comply with this requirement. As a whole, however, the results indicate that the barangay officials/employees engaged most of the time in financial planning and control. This implies that the barangay officials/employees concerned have directly taken the responsibility for the preparation, analysis and review of the regular annual and supplemental budgets of the barangay - although there are aspects in financial planning and control which are not always performed by them directly. This is in accordance with the provisions of Sections 304 and 353 of RA 7160 (Local Government Code of 1991) which ensure a uniform and harmonious performance of fiscal responsibilities among the LGUs, and enable them to discharge their duties, primarily in the management of public funds, efficiently and effectively. It is required of LGUs to be aware of the financial

policies and procedures, as well as the rules and regulations, so that they can make and implement the plans and properly exercise their financial responsibilities. Financial planning and control therefore, is one of the primary duties.

For the second aspect, the barangay officials/employees involved in the barangay financial affairs engaged most of the time in cash management. This means that they religiously collect and issue official receipts for taxes, fees, and other charges accruing to the barangay. Likewise, they make regular deposits in line with the new guideline which stipulates that all collections and disbursements of monies of the barangay should be in the form of vouchers or checks and not in cash. This is done in order to avoid such problems as unwarranted borrowings by the treasurer or any other barangay officials and employees.

On the other hand, accounts management is practiced sometimes only. This means that inspection of establishments, posting of individual disbursements, recording and maintaining accounts transferred to the barangay, accounting for all issued requests for obligations, preparing of journals and the analysis of obligations, preparing statements of cash advances, liquidations, salaries, allowances, reimbursements and remittances are done by barangay officials/employees only sometimes. This is so because the barangay officers are not required to do these. It is the City Treasurer's Office who has the responsibility of ensuring revenue collection efficiency. The City Treasurer's Office engages in a massive tax information drive, continuous reminders through notices of delinquency and demand letters, strict enforcement of administrative and judicial proceedings in collection, business tax mapping scheme and the like.

Bookkeeping is also practiced sometimes only. This function includes keeping track of all financial transactions, recording transactions in a columnar form which are summarized on a periodic basis, recording summarized transactions in a journal voucher, transferring recorded transaction from a book of original entries to a book of final entry, and preparing a list of the balances, debits and credits. But around 47% of the officials/employees never performed these tasks at all. Only about 33% of them performed these at all times. This could be because the respondents do not give importance to these tasks. Another reason is that the respondents were not the ones who are tasked explicitly to do these things and thus, they lack familiarity and knowledge about bookkeeping. Some barangays even claim that once records

are submitted to the Barangay Accounting Office (BAO), they already disregard their own records. Other barangays have the capacity to hire a bookkeeper, so the barangay treasurer would simply perform the financial management aspect.

For the fifth aspect, which is financial reporting, the barangay officials/employees involved in the barangays' financial affairs engaged most of the time in financial reporting practices such as the preparation of balance sheets by funds, income statements, preparation, and submission of a statement covering the actual and estimates of income and expenditures, and the preparation and submission of financial statements. This is very understandable because all barangays are required to submit financial reports based on the forms prescribed for the LGUs by the different government agencies like the DBM, COA, BIR and the City Government.

In summary, planning and control, cash management, and financial reporting are practiced most of the time, while accounts management and bookkeeping were practiced sometimes only. These findings are consistent with the fact that the first three aspects of financial management mentioned here are required by law or by higher authorities to be performed. The punong barangay, the highest official of the local government unit, is ultimately held responsible for fiscal management. In general terms, the punong barangay is responsible for the collection, custody, disbursement, and proper utilization of local government funds. And together with him/her is the treasurer who is similarly responsible for the collection of revenues due the local government. The same is also in charge of fund disbursement. Moreover, the treasurer is mandated by Section 470 of Book II of the Local Government Code to perform the role of: a technical adviser as to the disposition of local government funds and other matters related to public finance; as a custodian and manager of barangay funds who must see to it that daily collections are safely deposited in an official depository bank at the end of each day; and as a disbursement officer.

But areas which are practiced sometimes only by the respondents such as accounts management and bookkeeping should be given more attention by the barangay in order to improve its financial management practices. This is vital because these are integral parts of financial management and will enable the barangay officials/employees to keep track of all their finances and their related accomplishments.

Focusing now on the correlation between the barangay officials'/em-

employees' level of financial management practices with their profile, the results revealed no significant relationship. This is evidenced by the following: an r value of -0.0261 with a probability of 0.8666 and a t -test of -0.1692 which is less than the critical value of 1.96 , hence interpreted as not significant for number of years of schooling; an r value of 0.2506 with a probability of 0.1009 and a t -test of 1.6776 which is less than the critical value of 1.96 , hence interpreted also as not significant for number of relevant training and seminar-workshops attended; and an r value of 0.0173 with a probability of 0.9114 and a t -test of 0.1121 which is less than the critical value of 1.96 , hence interpreted as not significant for length of experience.

The findings reveal that the number of years of schooling, the number of relevant training and seminar-workshops attended, and the length of experience are not contributory factors to the financial management practices of the barangay officials and employees involved in the financial affairs of the barangay. This suggests that any change in the number of years of schooling or length of experience for instance will not cause a significant change in the manner the barangay officials and employees practice financial management for their respective barangays.

Consequently, the hypothesis that there is no significant relationship between the profile of the barangay officials and employees involved in the financial affairs of the barangay and their financial management practices cannot be rejected. This could be because they were not elected or appointed on the basis of their educational background, training attained or experience. They could have been elected or appointed by personal choice, by popularity, by personality, by affinity, by relationship, or friendship or any other reason that do not bear relevance to their expected role and function in the barangay. Thus, the matter of financial management becomes an incidental function of their job which does not, in the first place, require any special qualifications. But it could also be that these officials/employees did not go beyond what were required of them and merely complied with the requirements of the relevant sections of RA 7160, the mechanics of which the respondents may have learned through orientation and on-the-job training, hence the uniformity in their level of financial management practices.

The barangays' profile in terms of population, annual income, sources of income (regular and non-regular), and expenditures (current operation and capital) are shown in Table 4. The relevant secondary data were gathered from all the barangay offices.

Table 4. Frequency Distribution of Barangays as to Profile (N=44)

	Frequency	Percentage
Population		
25,000 and above	1	2.27
20,000 – 24,999 residents	0	0.00
15,000 – 19,999 residents	1	2.27
10,000 – 14,999 residents	6	13.64
5,000 – 9,999 residents	20	45.45
4,999 residents and below	16	36.36
Mean = 7,136		
Annual Income		
10 million pesos and above	1	2.27
P5,000,000.00 – P9,999,999.99	1	2.27
P1,000,000.00 – P4,999,999.99	26	59.09
P999,999.99 and below	16	36.36
Mean = 1,786,789		
Regular Sources of Income		
10 million pesos and above	1	2.27
P5,000,000.00 – P9,999,999.99	1	2.27
P1,000,000.00 – P4,999,999.99	26	59.09
P999,999.99 and below	16	36.36
Mean = 1,732,892		
Non-Regular Sources of Income		
1 million pesos and above	1	2.27
P500,000.00 – P999,999.99	2	4.55
P100,000.00 – P499,999.99	6	13.64
P99,999.99 and below	35	79.55
Mean = 79,347		
Current Operating Expenditures		
10 million pesos and above	1	2.27
P5,000,000.00 – P9,999,999.99	1	2.27
P1,000,000.00 – P4,999,999.99	26	59.09
P999,999.99 and below	16	36.36
Mean – 1,751,040		
Capital Expenditures		
P200,000 and above	1	2.27
P100,000.00 – P199,999.99	1	2.27
P10,000,000 – P99,999.99	7	15.91
P9,999.99 and below	35	79.55
Mean = 12,624		

For the population, the total number of residents in each barangay, including the children, is presented by ranges. As shown in Table 4, the barangays in Iligan City have an average population of 7,136 in 1999. The results reveal that many or 20 (45%) of the 44 barangays have a total population ranging from 5,000 – 9,999 residents. Barangay Tubod is the only barangay with a total population ranging from 25,000 residents and above since it has a total population of 28,966 in 1999.

For the annual income of the barangays (this refers to their total income in the year 1999), Table 4 further shows that more than one-half or 26 (59%) of the barangays have a total annual income ranging from P1,000,000 – P4,999,999. Highest among the barangays is Barangay Suarez, with an annual income of P10,154,659.05 in 1999. But this has drastically changed since the closure of NSC in 1999 which brought down its IRA to P143,000 monthly from P9.8 million annual IRA before.

In particular, among the 44 barangays, as of 1999, Suarez has the highest annual income, followed by Dalipuga with P6,723,751.06. It should be noted, however, that the reported income of the barangays represent the income from the preceding year, so it is no wonder that in 1999, Suarez still claims the highest income, even with the closure of NSC. The large drop in income is reflected only in year 2000.

On the other hand, Dalipuga owes its income to its big share from the Real Property Tax (RPT) Collection which is P4,792,834.06. Dalipuga is host to Refractories Corporation of the Philippines (RCP), Pacific Petronas Gas Corporation, Petronas Energy Philippines, and Northern Mindanao Power Corporation (NMPC). This supports the belief that the real property tax is the most important among the local sources of revenues, being the biggest provider of locally generated resources. It is a very stable tax as it is indexed on lands and improvements which are very difficult to transfer to other locations. It is also based on values which normally increase during periods of growth, urban expansion, or inflation.

The barangay with the lowest income in this list is Luinab with an annual income of P626,140.84. This is because Luinab, as one of the six (6) newly created barangays, has no share from IRA, based on the 1991 Local Government Code, and as confirmed by the treasurers of these barangays and by the committee chair on Budget, Appropriation, and Finance. Luinab shares its position with Acmac, Ubaldo Laya, San Roque, and Sto. Rosario. Instead, they received P500,000.00 as financial assistance from the City Government

in 1999.

Considering that for every peso of the basic real property tax collected a peso for the Special Education Fund (SEF) is also collected from the taxpayer, the implication is: for barangays with lesser RPT it gets lesser support as well for its secondary and elementary education in the area.

On the regular sources of income, this variable includes the monies received by the barangay from tax revenues, operating and miscellaneous revenues, and capital revenues. Tax revenues of these barangays specifically consist of their share from the Real Property Tax (RPT), share from Internal Revenue Allotment (IRA), share from community tax, miscellaneous income such as water bill collections, and permits or barangay clearance collections, and their share from sand and gravel tax.

Table 4 also shows that more than one-half or 26 (59%) of the barangays have earned a total income from regular sources ranging from P1,000,000 – P4,999,999. But with this amount, there is still a need for LGUs to optimize their local taxing and revenue raising powers because in spite of the IRA share of the barangays, many are still unable to cope with fast growing expenditures brought about by the financial requirements of devolution, the clamor for higher benefits by the staff, and by the demands of local constituents for more and better quality of services and infrastructures.

When the revenues of the barangays from these regular local sources is grossly inadequate to finance the devolution as required by the Local Government Code, the shortfall is filled up by the grants and allotment system of the national government to enable them to deliver basic services to their constituents. Thus, central grants and allotments assume a more crucial role in effecting devolution. In fact, in the case of the six newly created barangays, this means greater financial assistance from the city government.

Non-regular sources of income consist of monies received from grants, aids, extraordinary receipts, and borrowings. However, none of the barangays ever borrowed money.

Table 4 shows that majority or 35 (80%) of the barangays have an income from non-regular resources ranging from P99,999.99 – and below. Non-regular sources of these barangays specifically consist of interests from banks, and grants and aids they received from the Department of Budget and Management as increases in year-end benefits of barangay captains.

Barangay Pala-o has the highest income coming from non-regular sources which totaled P1,097,816.62 in 1999. This is attributed to its receipt of the

equalization fund and other funds not used or appropriated the previous year. All of the barangays have received an equalization fund but according to the treasurer of Pala-o, they have diverted this fund as part of their non-regular source instead of including it under their regular sources. Thus, among the barangays, Palao has the largest share from non-regular sources of income.

Current operating expenditures consist of personal services, maintenance and other operating expenditures (MOOE), and non-office expenditures. Personal services include the honorarium of barangay officials and employees, leave credits and Christmas bonus; while non-office expenditures refer to the 10 percent share of the Sangguniang Kabataan from the barangay fund, the 20 percent development fund, the 5 percent calamity fund, and the sports development fund.

Table 4 also shows that more than half or 26 (59%) of the barangays incurred current operating expenditures ranging from P1,000,000 – P4,999,999.

Capital expenditures depict how much money were used by the barangay for the purchase of capital goods and services such as building of roads and bridges, schoolhouses, ports, and irrigation facilities including investments in the capital of government-owned or controlled corporations and their subsidiaries. The bottom part of Table 4 shows that the majority of the barangays (35 out of 44, or 80%) spent for capital expenditures ranging from P9,999.99 and below. This implies that the barangays invested minimally for the construction of buildings and other structures. This is because the barangay officials expect construction funds to come from the countrywide development fund (CDF) appropriated by the Congressman for each barangays. Thus, no major capital expenditures were taken from the income of the barangay. If there are deductions, these were only additional expenses but not the main capital for such outlays.

On the correlation between the barangay officials'/employees' level of financial management practices with the barangay profile, the results of the statistical tests revealed no significant relationship between the barangays' profile and the level of financial management practices.

This is evidenced by the following values: with respect to the population variable, an r value of -0.0245 with a probability of 0.8743 and a t -test of -0.1588 which is less than the critical value of 1.96 hence, interpreted as not significant; with respect to the income variable, an r value of 0.1204 with a

probability of 0.4361 and a t-test of 0.7860 which is less than the critical value of 1.96 hence, interpreted similarly as not significant ; and, with respect to the expenditures variable, an r value of 0.1172 with a probability of 0.4486 and a t-test of 0.4486 which is less than the critical value of 1.96 hence, interpreted also as not significant.

The results signify that the barangay's population, income, and expenditures do not affect nor influence the financial management practices of the barangay officials and employees involved in the financial management of the barangay. This could be explained by the reluctance of the barangay officials and employees concerned to actively participate in revenue-raising initiatives for fear of antagonizing the electorate, or that they are not fully aware that financial management is important in anticipating expenditures and improving revenue collection and generation.

This could also be brought about by the myopic view that there is no need for the barangays to work hard for revenue collection within the barangay since they are receiving the IRA share anyway. So, what is the use for projecting population, income, and expenses? When the money comes, they spend it for projects they think necessary and important, but no vision for what they should work for. Of course, this may not be true to all barangays, but some barangays had come to rely only on their IRA, which they consider as their sole bread and butter.

For the regression results of the predictor variables against the level of financial management practices of the barangay officials/employees, Table 5, presents the least squares regression of the barangay officials' and employees' financial management practices against number of years of schooling, number of relevant training and seminar-workshops attended, length of experience, barangay's population, barangay's income, and barangay's expenditures.

Table 5. Regression Results of the Predictor Variables Against Financial Management Practices

Predictor Variables	Coefficient	Std. Error	T(df=35)	P
Number of Years of Schooling	-0.03800	0.09184	-0.41	0.6814 NS
Number of Relevant Training and Seminar-Workshops Attended	0.02209	0.01406	1.57	0.1247 NS
Length of Experience	-0.01295	0.02520	-0.51	0.6103 NS
Population	2.383E-05	3.235E-05	-0.74	0.4660 NS
Income	2.108E-07	7.465E-07	0.28	0.7792 NS
Expenditures	-9.885E-08	7.794E-07	-0.51	0.6103 NS
CONSTANT	3.78352	1.25591	3.01	0.0047
R-Squared	0.0971	Residual Mean Square (MSE) = 0.6093		

Source	D.F.	SS	MS	F Ratio	P
Regression	6	2.47178	0.41196	0.66	0.6794 NS
Residual	37	22.9745	0.62093		
Total	43	25.4463			

NS – Not significant at $\alpha = .05$ level

When regressed against the barangay officials' and employees' financial management practices, none of the predictor variables emerged as significant when tested at 0.05 level of significance. This result signifies that among the predictor variables, none is significant and contributory. This may be due to the respondents fear to disclose their true answers, and instead, responded favorably on the questions. They might have thought that any negative answer would be taken against them and their barangay, So, instead of sincerely answering the questions, they opted to indicate a generally positive response.

Table 5 also shows that the computed r^2 value is 0.0971. This value implies that only 9.71 percent of the variations in financial management practices is explained by the variations of the predictor variables. The re-

maining 90.29 percent can be explained or accounted for by other variables or factors which are not included in this study. This percentage of exclusion shows that there are other (unidentified) factors that determine the barangay officials' and employees' financial management practices, and not necessarily the number of years of schooling, the number of relevant training and seminar-workshops attended, the length of experience, the barangay's population, the barangay's income, and the barangay's expenditures. The predictor variables included in this study may be relevant to financial management practices in the private sector, since the private sector is free from the uniformity of requirements imposed by government and also free to take initiatives within the bounds of law.

The top problems perceived by the barangay officials/employees to have occurred seriously sometimes are: (1) the high cost of generating revenues due to low payment returns of taxes; (2) not exhausting all avenues for generating revenues; (3) difficulty in obtaining finances for projects; and, (4) compliance procedures which are difficult, tedious and time-consuming. This is because they have to abide by the budgetary requirements and guidelines for the management of their finances subject to approval of their higher authorities or agencies. Without their approval, no income accrues to, and no expenditures can be incurred by, the barangay. With a long chain of preparation, analysis, and review, the claim that this is tedious and time-consuming comes indeed with merit.

Fifth in rank among the problems is the officials' lack of experience in the preparation of feasibility studies. This is because the officials and employees concerned do not have a college degree related to their job except for some officials and employees who are Commerce or Accounting graduates, who certainly possess the basic knowledge on feasibility study preparation. But for the majority of the respondents, feasibility study is really a foreign language.

Further research should be made which would delve into the performance assessment of barangay officials in Iligan City and the barangay governance in Iligan City. Through these studies, the level of the officials' performance and degree of accomplishment will be known. Moreover, these studies will help identify areas in performance found most difficult to undertake by the barangay officials.

Furthermore, an evaluation of the social, infrastructure and financial projects, programs and activities as implemented by the barangay officials in

Iligan City as well as its profile, prospects, and proposals should be conducted. This could serve as basis for the officials' future development plans that will center on the primary needs of the city.

Finally, a similar study where DBM and COA personnel would serve as respondents describing the financial management practices of barangay or city officials would be worthwhile. This is due to the fact that these are the agencies which authorize and mandate government officials to follow certain financial management practices and submit records thereof to their respective offices. In so doing, another dimension is viewed which will contribute to a holistic perspective of the financial concerns of the barangay.

References

- Celestino, Alicia B., *et.al.* *Handbook of Local Fiscal Administration in the Philippines*. German Foundation for International Development and Center for Local and Regional Governance, 1998.
- Magtolis-Briones, Leonor. *Philippine Public Fiscal Administration*. National Research Council of the Philippines and Commission on Audit, 1983.
- Pimentel, Aquino Q., Jr. *The Barangay and the Local Government Code*. Manila: Rex Book Store, 1994.
- Santiago, Meriam Defensor. *Local Government Code Annotated*. Quezon City: Phoenix Press, Inc., 1991
- Paulo, Rosario L. *The Financial System of Hilongos Municipal Government: An Assessment*. (Unpublished Master's Thesis). Cebu State College, May 1998.