

# Best Practices on Financial Management: A Collaborative Academic Interventions in Cotabato City, Southern Philippines

**NORODIN D. SALAM**

<https://orcid.org/0000-0002-3264-4906>  
Cotabato City State Polytechnic College  
Cotabato City, Philippines  
[norissalam@yahoo.com.ph](mailto:norissalam@yahoo.com.ph)

**MARWISA SEDIK-SALAM**

[mhar\\_sedik@yahoo.com.ph](mailto:mhar_sedik@yahoo.com.ph)  
Cotabato City State Polytechnic College  
Cotabato City, Philippines

Originality: 96% • Grammar Check: 91 • Plagiarism: 4



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## ABSTRACT

Finance has been described as a great challenge for every organization and considered the lifeblood of every institution which is used to finance its programs and services. The study determined the best financial management practices and the implementation in the local government unit of Cotabato City, Mindanao, Southern Philippines. It also identified the gaps in financial management in its covered local community. Interview guides and document analysis were used in the study. Using descriptive method, it was found out that the financial management of the local community was properly managed. Hence, there was a good financial management in terms of finances of the communities in Cotabato City as a basis of receiving the award of the seal of good housekeeping. It has

been highly recommended to engage more trainings on the same field with the involvement of the second liner young officials. This study provides empirical data to the agency administrators managing the community. There will also be an identification of strategies to be adapted in the programs for implementation.

**Keywords** – Financial management, strategies, descriptive design, interventions, Philippines

## INTRODUCTION

One of the greatest challenges of the world today is on difficult recovery of economic deficits due to the ever-increasing desire for wealth by some capitalist and leaders in the modern society (Trecker, 1977). As a result, the continuous burden of the third world countries develops their own system of economy. In the global world, there are various established institutions that assist the government for their financial performance. The recently conducted state of the city address boosted the increasing revenue collection of Cotabato City, Philippines. Out of 108 component cities and municipalities, Cotabato City emerged as the 4<sup>th</sup> most competitive city to be included in the top 10 and known as the “Center Seat of the Economy of Mindanao.”

Cotabato City in Southern Philippines has been the subject of misconception, biases and prejudices being one experiencing violence in many forms. However, it may not be known to most people in the country, that the city has been declared as the 4<sup>th</sup> most competitive city in the entire Philippines. Further, it has gained confidence from the investors such that six more shopping malls have been recently established. The city government has been a recipient of the *Good Housekeeping Award* for three consecutive years already. It has also received other awards such as *the Child-Friendly City* award because the city’s environment is relatively safe for children.

The study assessed and identified the gaps in the financial management in the local community especially those responsible for the financial transactions with the academic programs through the assistance of On-the-Job training students. There will also be an identification of strategies adapted in the programs for implementation and surface the problems encountered with corresponding recommendations for the improvement of the financial reporting.

The results of financial management practices are beneficial to the residents of Cotabato City as it could mean for a regular efficient delivery of sufficient

services, the visitors of the city could safely spend their vacation and attend seminars. The city government of Cotabato may benefit from their own financial management practices as they are assured of sustainability in public office which could also give pride for being the credible and accountable public officials; students may be provided with good models of financial management which they could experience and easily verify. Moreover, the best practices of the Cotabato City government could be an appropriate and realistic springboard for classroom discussion; and the general bank of knowledge for a good model worth sharing to others for them to apply in their own places or local government units.

## OBJECTIVE OF THE STUDY

The study assessed the financial management of selected local communities in Cotabato City to determine its direction and effects to the beneficiaries.

## FRAMEWORK

This study is anchored on the framework of financial management practices conceived by the United Nations Development Program (UNDP) (2000) which has been affirmed by many of its partner governments and international organizations.

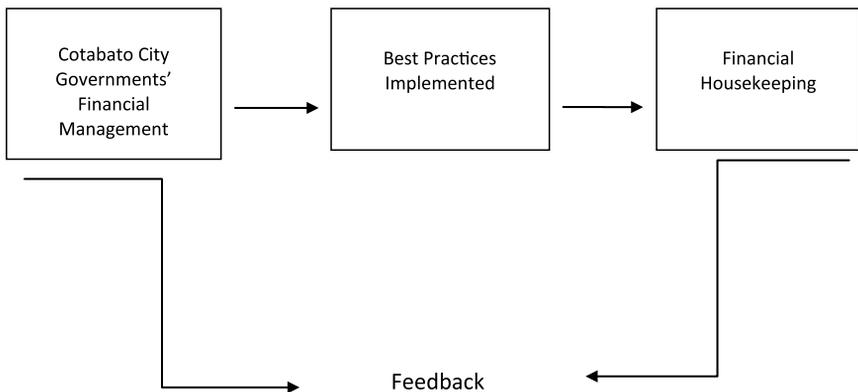


Figure 1. Schematic Diagram of the Conceptual Framework

The 37 communities of Cotabato City are governed by skilled general accounting procedures of the City Accounting Office responsible in preparing financial reports. The financial management implementers in the local community had used a variety of strategies in delivering to the local communities, these include the issuance of official receipts, bookkeeping, planning and strategies.

Through this, the program on strengthening of the financial reporting is important alongside with the result of the assessment of this study. It includes those good practices and makes transparent how well financial management are transformed into services, outputs, and outcomes. As a result, good financial housekeeping was established with good feedback from the clientele.

## LITERATURE

### **Financial Management Services**

The financial management services implemented by the City Government of Cotabato based on the record from the Government Services Office include centralized payment, collection and reporting services, oversight of a daily cash flow, disbursement, issuance of tax refunds and other payments, collection of annual payments to the government through financial institutions, and collection of delinquent debts owed to the government.

Furthermore, finance among the 37 local communities in Cotabato City has been its lifeblood which is used to fund its programs and services. It is governed by general accounting procedures of the City Accounting Office, provided the skills related to finances. The program implementers in the community had used a variety of strategies in delivering the programs to the local communities, this includes the issuance of receipts, bookkeeping, and planning and strategies. Sometimes, the local communities have no access to the information of the developments instead they relied only on what they see. Through this, the program on strengthening the financial reporting is important alongside with the result of the assessment of this study.

### **Challenges Confronting Financial Management**

Decades of analyzing and evaluating performance data have helped financial management understand the tools necessary to maintain solvency. However, the modern-day financial management still poses specific challenges to the department heads. These operating obstacles include record keeping, financial reporting and regulatory compliance. Other financial hurdles relate to borrowing

arrangements, financial analysis and operational funding (Davidson, 2013).

Caffrey and Armstrong (2013) state that accurate record keeping take the issue seriously, mainly because it understands it all starts from there. An agency that thrives and grows can only convince the outside world if it can correctly record operating transactions. Timely financial reporting can also affect the agency in the absence of financial data in a timely manner often face a defiant tone from the community. Weak fund raising activities will provide scarcity in the organization. Therefore, in the modern economies, raising cash for operating activities is a subject that lies on top of achieving sound financial status. Lack of skills in financial analysis can cause the decline of productivity in an agency. By doing so, financial heads can find ways to prop up agency units. On the other hand, no regulatory compliance often creates a dilemma that financial heads must cope with.

### **Factors Affecting Strong Financial Management**

The ability to work together as an effective financial management system will depend on the circumstances affecting the supply of, and demand for, strong financial management. Three factors that affect the financial management, these are: delayed process, slow systems of structural operations and limited time in data processing; low capability of the key players; and ineffective leadership skills, (Ingram, 2011).

In addition, there are three factors that affect the demand for financial management, namely: the lack of strong in internal governance, external governance and absence of central government financial frameworks.

### **Strong Financial Management Practices**

The financial management system underpins good government. It does so by ensuring that (internal and external) environment can understand and control how well an agency plans for and implement good financial management. In practice, this means that the right information is provided at the right time to the right people and that the information provided is then considered and used in understanding and controlling the agency (Wales, 2013).

There are four main practices of financial management: First, the sound budget management; second, evidence of financial controls; third, the consistent value management; and strong governance and regular practice of accountability. Each practice consists of certain inter-related activities and made possible solid foundation of the other activities.

Wales also added that budget management means managing the sources of funding and allocating those resources in line with agency priorities. Thus, effective budget management happens when priorities are based on a clear understanding of financial performance expectations. Financial control follows the rules, processes, and procedures that address risks and assure that financial resources are being recorded and used in the right way, for the right purpose, and at the right time.

Another strong financial management practice is value management that measures, prioritize and allocates financial resources based on the expected value for service to be derived. Value management is sometimes called “performance management.” Value management occurs within public entities and throughout the whole government. It includes those practices referred to as “strategic financial management” and makes transparent how well financial management are transformed into services, outputs, and outcomes.

Lastly, governance and accountability of workers’ roles, responsibilities, delegations, and decision-making structures through which strong financial management can be introduced, practiced, and overseen and is implied in financial management. Without structures and processes in an agency to make decisions at the right level, managing financial performance is more difficult and prone to risk (Kotloff & Burd, 2012).

## METHODOLOGY

### **Research Design**

This study used the descriptive method on the programs of financial management in the local government unit and its contributions to the achievement of good financial housekeeping.

### **Locale of the Study**

The locale of the study was within Cotabato City through its different local communities which are implementing projects from the government.

Cotabato City is called a “City of Rivers” because two rivers crisscross in the different parts of the city 13 times; the Tamontaka River and Rio Grande de Mindanao. The name was coined from two Maguindanaoan words, “kuta” meaning fortress, and “bato” meaning stone. The city has a total land area of 17, 599 hectares and is politically subdivided into 37 local communities.

### **Respondents of the Study**

There were 30 respondents of the study, 10 administrators in the local communities, 10 local officials, and 10 beneficiaries. They were chosen using the purposive sampling technique.

### **Sampling Technique**

The researchers used the non-probability sampling method. The purposive sampling was applied, there are a total of 30 respondents which were derived from the three groups such as the administrators, local officials, and beneficiaries.

### **Research Instruments**

The study utilized the review of records technique to get the historical data of the locality. The documentary review includes the background of the program and its purposes. The Key Informants Interview was also done to know personally the mechanics of the implementation and the challenges of the program implementers in delivering the program. The Focus Group Discussion method was used to surface the data on effects of the program to the beneficiaries.

### **Data Gathering Procedures**

The researchers personally delivered communication letter to the local community after getting permission from Cotabato City Mayor with the attention of the director of the City Vice Mayor. After approval of the letter, the researchers visited directly to the identified respondents with prepared letter and questionnaires. The documents for review of records were secured.

The researchers upon securing permission from local government authority scheduled the interview and prepared the materials needed such as tape recorder, ballpen, and notebooks. The researchers also conducted the focus group discussion to the selected beneficiaries and partners with the assurance of the data acquired were treated with utmost confidentiality.

### **Statistical Treatment of Data**

After all the documents were gathered, the researchers made analyzed the information gathered using the appropriate statistical methods. A statistician was consulted to do the certain task of tabulation.

## RESULTS AND DISCUSSION

### Profile of the Respondents

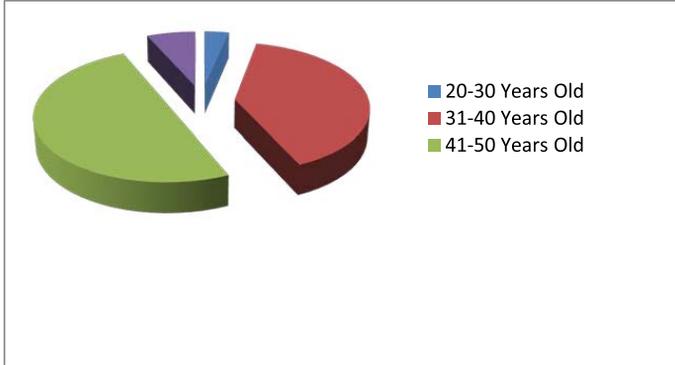


Figure 2a. Age of the Respondents

Majority of the respondents aged from 41 to 50 years old (50%). Lehler (2010) found out that majority of disciplines tend to produce their finest work in their late 20s. Kanfer (2004) also added that full work outcomes for middle ages affects workplace motivation for the self and family.

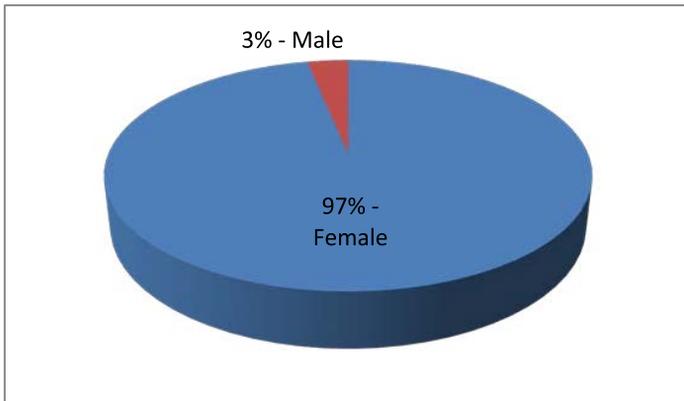


Figure 2b. Sex of the Respondents

Most of the respondents were females with 26 or 97% this is due to financial transactions done by women in the district. According to a new Gallup Poll, 700 million people or 70% of full-time workers do not feel engaged or emotionally connected at work. That is a staggering number. But of the percentage that does not just go through the motions at work, women have the highest rating. The poll found that 33% of women feel actively engaged, versus 28% of men.

Intriguingly, women report more work engagement than men do. Despite barriers to workplace equality--such as hiring, pay, and promotion. As supported by Fondas (2013), women were more likely to feel committed to jobs than men because women use flexible time and work arrangement more than men. Flexitime improves well-being which makes employees more effective at jobs and also makes it feel more connected towards employers.

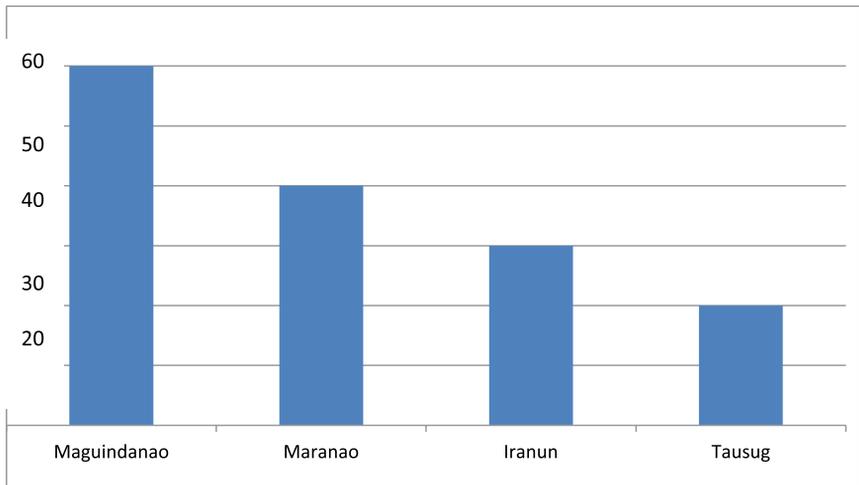


Figure 2c. Tribe of the Respondents

Most of the respondents in the local communities were Maguindanaon. This was strongly supported by the recent statistics of Cotabato City's profile that comprises the city's majority population, Maguindanao which is about 60%.

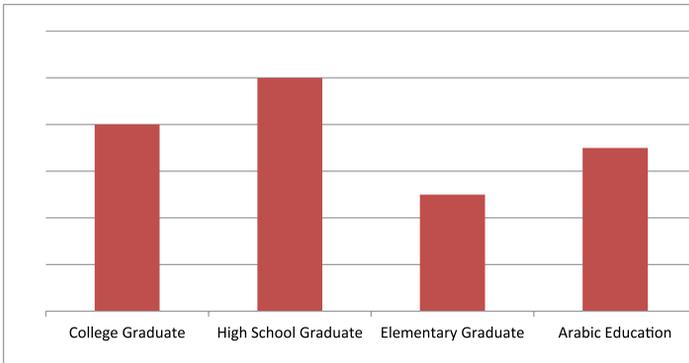


Figure 2d. Educational Attainment of the Respondents

In this research, it is evident that most of the respondents were high school graduate (15 or 50%) but they possessed good level in Arabic education.

Kaplan University in Santa Barbara provides high school graduates who are qualified for office clerks and can work different kinds of administrative tasks daily, equipped with a wide skill set as well as the ability to adapt to daily changes in their responsibilities. Office clerks typically need communication, computer and general office skills. Keep reading to learn more about these abilities, as well as some advanced skills that might be required.

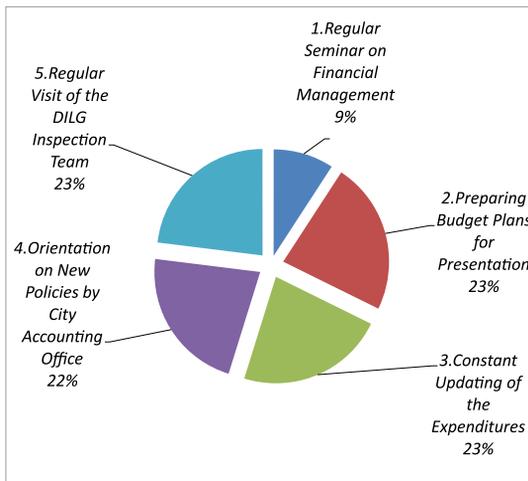


Figure 3. Programs of the Local Community in Developing Their Financial Management

This figure shows that the majority responses during the key informant interview that programs in the community were properly observed. It implies that the issues identified above have significantly contributed to the community level. Therefore, if the leaders are capacitated, it will further develop their services to the community. Thus, the community also becomes progressive. These findings were supported by the situation analysis conducted by US Government Accountability Office that preparing budget plans and regular updating of the expenditures are at the core of economic and public sector reform programs in most nations around the world and evidently the best methods for effective financial management. Trecker (1977), explained that regular visit of the monitoring team particularly on the financial performance of an agency can greatly help the financial management of the organization as it assures the proper delivery of social services among recipients.

On the other hand, respondents shared during the interview that there had been a slightly low in attending seminars because it required financial counterparts and some participants are being afraid of the requirements given by the speakers. However, other countries despite not attending seminars like South Australia secured administrative and employee development through offering Financial Management Capability (FMC) Program at University of Adelaide that aims to ensure staff with financial responsibilities, supported and developed in effective financial practices that meet organizational requirements (Al Shami, 2012).

### **Best Practices Adapted by the Local Community in Managing their Finances**

Financial management practices are likely to have a marked effect on the financial performance with a vast potential for financial growth. Hence, it delves deeper work on budgeting, financial decision and provides a broader perspective by identifying trends in certain aspects of financial decision-making (Al Shami, 2012).

In Cotabato City, during the recent search for the seal of good housekeeping, the strong practices applied to achieve the award were: effective planning and leadership, transparency, communicating the vision through consultation, good values in reporting and liquidation as well as technology adaptation. This award gained a positive momentum to the people of Cotabato in engaging activities tantamount to economic advancement and stability. As stated by Fisher (2009), to have an effective managerial oversight of the finances in an institution, it needs to consider the managing finances in three respects: (A) Planning, looking at the future of the agency and ensuring that it will be financially healthy in the

short- and long-term through strong support of leaders and active involvement of stakeholders, (B) Monitoring, keeping an eye on what is happening in the finances and taking action when things deviate from the plan, and (C) Reporting, having a comprehensive roadmap of how your unit performed financially in the last period (month, quarter, half year or year) for transparency, using that to make decisions and put plans in place for the next period.”

In addition, faith-based is also practiced because it is imbedded in the culture of community. This is related to Dr. Jabnoun's (2012) statement that organizations should guide their people as to what is expected from them before they are made responsible for choosing either. As evident, Allah (SWT) the Almighty High guides people as to what is right and wrong before holding them responsible for their deeds.

### **Challenges in Financial Management**

With the growing pressures for enhanced service delivery and the challenges of budgetary crises and fiscal shocks, the need for improved budget processes and innovative financial management techniques is critical in developing and emerging economies. The local government unit in Cotabato City faced the following issues in their daily financial management affairs: data gaps on the amount collected and reported, liquidation of cash disbursement, slow approval of the request budget and lack of skills in analyzing financial reports. The methodology applied in gathering these data was deepened in focus group discussion. This implies that the more transactions held in the day could expect its challenges. Thus, the local officials have to find a way for improvements.

According to Codija (2015), modern-day financial management still poses specific challenges to government unit. These operating obstacles includes issue on accurate record keeping, not presented timely financial reporting, lack of skills in financial sourcing and dilemma on regulatory compliance. Other financial hurdles relate to borrowing arrangements, financial analysis and operational funding.

## **CONCLUSIONS**

Based on the findings of the study, the researchers concluded that there was a good financial management in terms of funding the local government units in Cotabato City as a basis of compliance by the modernization program of every government. The seal of good housekeeping applied to and by every city was

grounded with sound financial system in the operation of its districts. The strong practices applied to achieve the award were effective planning and leadership, transparency, communicating the vision through consultation, good values in reporting and liquidation as well as technology adaptation. The implication of these efforts provided more preparations to the local officials in managing the affairs of the community.

The participants' experiences in establishing a seal of good financial housekeeping was a great task. They have to use a high diplomatic approaches in working out requirements towards achieving the award. Manifestations of opposition they managed especially in dealing with co-workers were supporters of the previous administration. Everybody is involved in the process along the way of communicating the vision with clear explanation.

### **TRANSLATIONAL RESEARCH**

Given the findings of this study, the need to institutionalize a good financial housekeeping is relevant and applicable to every local community both in urban and rural areas.

As such, the findings of this study would create the positive environment of financial management that will lead to a profound advancement in every local government unit. Moreover, there has been a ground for crafting a standard system of intervention using what has transpired in this research through sustainable community-based programming that is supported by legislations and public enunciation. The sustainable programming should be transmitted in different levels which served as the continuity of the process.

The educators should pursue more innovative and creative advocacy on popularization of good financial management using creative media, information and instructional materials written in local dialect for the community to properly understand the core message. The academe must continue this model of collaboration through replicating into other universities and colleges through conducting trainings and seminars for faculty members and administrators.

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