



## **Guardians of Trust: Describing Financial Management Practices in Churches in Pagadian City**

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DOI : <https://doi.org/10.55248/gengpi.6.0325.12176>

### **ABSTRACT**

Financial management plays a significant role specially in churches. It is crucial for ensuring the sustainability and growth of these religious institution. The research was conducted in Pagadian City, Zamboanga del Sur, Philippines. The target participants of the study were the pastors and bookkeeper of churches in Pagadian City. The researchers utilize purposive sampling to selectively choose participants who met certain criteria. Interviews were conducted with 1 participant from different Churches. The aim of the study is to give insights into the financial management practices employed by the churches in the area. Through multiple case study design and qualitative methods, the researchers sought to provide comprehensive understanding within its social and economic aspect. This study highlights some financial management practices including budgeting, financial reporting, and compliance with the law. Effective implementation of these practices assures transparency, accountability and long-term sustainability that enable churches to support their religious mission and serve to the community. By implementing effective financial management strategies, churches can efficiently allocate resources, reduce financial vulnerabilities, and amplify their influence. Additionally, future researchers were encouraged to explore the importance of financial management practices in churches including proper disclosure of finances, compliance with the law, and ensure transparency.

**Keywords:** Financial Management, Transparency, Budgeting and Accountability

### **1. Introduction**

In any organization, sound financial management is crucial for ensuring sustainability, growth, and accountability. This principle holds particularly true for religious institutions, where trust, transparency, and stewardship play a central role in operations. In the context of churches, financial practices not only impact the day-to-day functioning of religious services and activities but also shape their ability to serve the community and fulfill their mission.

This delves into the financial management systems employed by churches within this vibrant and culturally rich city. By examining these practices, the study seeks to uncover the strategies used by local churches to maintain financial stability, ensure responsible allocation of resources, and uphold the trust of their congregations. Pagadian City, known for its diverse religious landscape, presents a unique setting to explore how churches navigate the challenges of managing funds. This research will shed light on the various methods of financial oversight, fundraising, budgeting,

and accountability that churches in the city adopt. In doing so, it highlights the importance of proper financial management in fostering organizational integrity and fostering trust within faith-based communities.

### **2. Review of Literature**

#### **Church Financial Challenges**

Churches, as communities of believers, face significant financial challenges that can undermine their ethical stewardship and long-term sustainability. Research shows that non-profit organizations, including churches, are particularly vulnerable to financial issues due to factors such as poor leadership, weak internal controls, and reliance on unqualified staff (Harris et al., 2017; Shaharuddin & Sulaiman, 2015). Despite their altruistic mission, it is essential for churches to adopt effective management accounting practices to ensure transparency, accountability, and responsible use of resources, especially as donors may not always question how their contributions are spent (Tetteh et al., 2021). In countries like Ghana and Nigeria, churches play an important role in community development but often struggle with inadequate financial management, particularly in internal controls (Mensah, 2016; Oti & Asuqu, 2016). Studies emphasize the need for regular financial training, improved technology, and compliance with accounting standards such as GAAP to enhance accountability (Ayensu et al., 2023; Tanui & Achoka, 2014). Fund accounting, budgeting, and ensuring that donations are used as

intended are essential for maintaining trust among donors and stakeholders. These practices help churches maintain financial stability and ensure that their mission remains intact.

Furthermore, churches must establish strong internal controls to prevent fraud and mismanagement, especially given their reliance on volunteers and limited resources. Studies have shown that ineffective internal controls increase the risk of financial abuse, which can harm both the church's reputation and its mission (Yohanna et al., 2021). Regular financial audits, proper asset management, and effective budgeting are critical to safeguarding church resources and ensuring that funds are used in accordance with donor intentions (Balfour, 2020). Adopting these practices can help build trust and transparency within the congregation (Senoga, 2023). Despite extensive research on financial management in non-profit organizations, there remains a gap in understanding how these practices can be tailored to the unique challenges faced by individual churches. Many studies focus on general strategies for improving financial management but overlook the specific vulnerabilities and operational challenges churches face in different regions (Mutch, 2016). The researchers aim to fill this gap by exploring how management accounting practices can be adapted to address the unique financial needs of churches, ultimately providing insights that will help churches improve financial accountability, enhance sustainability, and fulfill their mission more effectively.

### 3. Methodology

The study's research environment is centered on Catholic and Non-Catholic churches in Pagadian City, a locale known for its rich and diverse religious landscape. The city was specifically chosen for this research due to its dynamic religious community, which includes a wide range of church organizations, both Catholic and Non-Catholic, providing an ideal setting to examine varying financial management practices.

The researcher was the main instrument of the study, guided by an interview question approved and validated by the panelist and advisers to share the thoughts of church participants in financial management. The researcher's actual instrument used by the participants in the interview guide questions: What are the sources of cash receipts? How do churches use their cash receipts? How do churches manage their cash excess? What are financial challenges encountered by churches? How do churches overcome those financial challenges? The researchers recorded the whole

discussion to get the group's answers and specific experiences. In analyzing the data gathered, the researchers used thematic analysis to examine data in which the researchers' identified themes and patterns from participants' discussions.

### 4. Findings and Conclusions

The research findings from churches reveals sources of cash, church expenses, challenges and strategies in addressing those financial problems in meeting its financial management.

The following are the key findings of the study, derived from the interviews with participants:

#### 1. What are the sources of cash receipts in churches?

The study reveals that churches mainly fund their operations through tithes, offerings, and donations, which demonstrate members' faith and commitment. Additionally, they supplement their income with interest from bank accounts, farming, and other business activities, such as scrap sales. It arrives from the Congregational Contribution and Income from Additional Sources.

#### 2. How do churches spend their cash receipts?

The research highlights church spending their cash receipts in Employee and Labor Costs, Financial Budget Management, Operational and Other Expenses, and For Development of Capital Assets which focus on robust financial management by implementing structured budgets, regularly reviewing expenses, and maintaining reserve funds for unexpected challenges.

#### 3. How do churches manage their excess cash?

The study demonstrates that churches keep excess funds in a businesslike manner marked by security and accountability such as, Depositing to Bank, Conforming to Decisions from Authority, Repaying Debt, and For Funding Capital Projects. Means churches often implement structured budgeting processes, ensuring that funds are allocated appropriately for both operational needs and long-term goals.

#### 4. What are the financial problems encountered by churches?

The study outlines various financial challenges faced by churches, including Delayed Deposits, Financial Mismanagement, Inability to Achieve Break-even, Unskilled Workers, Insufficient Contingency Fund, and Force Refund. These challenges underscore the critical need for churches to implement better financial systems, improve staff training, and prioritize financial transparency.

#### 5. How do churches overcome those encountered financial problems?

The study revealed how churches tackle financial challenges through Financial Internal Control and Communication, Hiring Professionals, Cost-cutting, Verification, and Financial Governance and Management by implementing strategic practices that ensure fiscal responsibility, trustworthiness, and long-term sustainability.

The authors concluded that highlighting their commitment to responsible financial oversight through annual budgeting, regular spending reviews, and maintaining emergency funds. Churches primarily generate income from tithes, offerings, and donations, with significant expenditures on employee costs, operational expenses, and capital

projects. While employing structured approaches to manage excess cash, they face challenges such as cash handling issues, and financial mismanagement. To address these challenges, churches emphasize open communication, financial controls, and transparency, suggesting that improvements in financial literacy and systematic practices, including robust internal controls and staff training, are essential for long-term sustainability.

#### Acknowledgement

The authors would like to express their gratitude to all persons who are involved and contributed for the success of this study.

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