

BIBLIOGRAPHY

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ABSTRACT

This study was conducted primarily to identify the practices of primary cooperatives with credit operation in Kapangan, Benguet on loan delinquency control. The study was conducted from January to February, 2007.

A prepared survey questionnaire was used to collect data for the study. The data were tabulated and analyzed using descriptive statistics such as frequency and percentage.

Findings showed that majority of the cooperatives with credit operation in Kapangan, Benguet were operating for quite a period since they already reached at least ten years of operation. It was found out that agricultural loan is the one mostly availed of by the borrowers.

Almost all of the cooperatives had written policies which they implemented strictly to their members. Each cooperative has a credit committee; however, only few cooperatives hired managers and other staffs engaged in loans. The requirements of the cooperatives for borrowing loans are share capital, co-makers, collaterals, savings deposit and business plan. The share capital was required by all the cooperatives.

As to the practices to control loan delinquency, most of the cooperatives conducted credit investigation and monitored the projects of their borrowers to ensure that the loans were used properly. The cooperatives may force the borrowers to pay or return immediately their loans or they will not be allowed anymore to avail of loans anymore once the cooperative found out that the loan was not used for the intended project.

All of the cooperatives explained to their borrowers the terms and conditions of their loan before releasing it. The cooperatives reminded also their borrowers regarding their due date through a reminder letter or letting any officer or the collector to go personally to remind them. All the cooperatives responded that their borrowers personally brought their payments to their cooperative.

The most preventive actions perceived by the cooperatives to be done to control loan delinquency are as follows: they inform their borrowers on their duties and responsibilities such as paying their loans on time, maintain an up-to-date and accurate records on loans of all the borrowers. On the other hand , the most remedial actions perceived by the borrowers to collect delinquent loans are: send notices and collection letters to the delinquents, co-makers and spouse; ask the help of other officers in collecting. Most of the cooperatives had problems on the negative attitudes displayed by their borrowers in repaying their loans. Other problems encountered are lack of staff, lack of commitment among the officers and transfer of residence among the borrowers.

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INTRODUCTION

Rationale

Pozel (1981) defined cooperative as an association of people who have joined together for a common project that their joint efforts create an amount of strength that is greater than the sum of the individual's amount of energy.

The cooperative movement serves as an attempt to curb the excess of capitalism, the economic system that is widely established in the world today that tends to favor rich men capable of doing business. As a result, wealth is only concentrated into the hands of few rich people. On the other hand, cooperatives seek the needs for basic economic reform by using methods as integral instrument for the development of the poor people.

The cooperative is an instrument used to strengthen and develop the potentials of the people in building up a capital for productive investment. In addition, cooperatives empower the people and uplift them from dependency towards self-reliance. Cooperatives operate in a highly competitive market of lending. Obviously, cooperatives are generally hard up in setting their lending operations at first but as soon as they are able to perfect their services and have installed sound operating system then they could be in a better position to face the market squarely.

The signing of the Cooperative Code of the Philippines (RA 6938) and the creation of the Cooperative Development Authority (RA 6939) in 1990 under the Aquino Administration provided firm grounds for the development of cooperatives. Incentives, such as tax exemption, paved the way for the sprouting of cooperatives elsewhere in the country.



However, the growth of cooperatives in our country is hindered by many factors such as the lack of proper understanding and internalizing the cooperative principles and philosophies by the members and persons managing the cooperative lack the adequate knowledge and skills in cooperative management. Most cooperatives do not even installed adequate system as a safeguard against unscrupulous officers and staff who take advantage of their position to grant loans illegally to themselves, relatives, and to acquaintances.

It has been noted that cooperatives with credit service are primarily faced with the problem on loan delinquency which if not properly managed and accounted for would result to tremendous financial loss of the cooperative that would lessen the members' trust and confidence in it. This means that loan delinquency is a problem in a cooperative that needs an immediate attention and solution if the cooperative aims to exist longer to serve its members. The occurrence of loan delinquency is a circumstance that any cooperative could not avoid; however, it should be controlled or minimized so that it will not hamper the cooperative's operation that would probably lead to its bankruptcy.

Primary cooperatives operating in the municipality of Kapangan, Benguet are not spared from the problem on loan delinquency. Therefore, this study was conducted mainly to determine the practices of the primary cooperatives in Kapangan, Benguet on how loan delinquency is controlled.

Statement of the Problem

Specifically, the study sought to answer the following:

1. What is the type of loan mostly availed of by the borrowers?



2. What are the practices of primary cooperatives in Kapangan, Benguet to control loan delinquency?
3. What are the preventive actions perceived by the primary cooperatives in Kapangan, Benguet to control loan delinquency?
4. What are the remedial actions perceived by the primary cooperatives in Kapangan, Benguet to collect delinquent loans?
5. What are the problems encountered by the Primary Cooperatives in Kapangan, Benguet to control loan delinquency control?
6. What are the possible solutions on how to control loan delinquency?

Objectives of the Study

The specific objectives of the study are the following:

1. To find out the type of loan mostly availed of by the borrowers;
2. To identify the practices of primary cooperatives in Kapangan, Benguet to control loan delinquency;
3. To find out the preventive actions perceived by the primary cooperatives in Kapangan, Benguet to control loan delinquency;
4. To find out the remedial actions perceived by the primary cooperatives in Kapangan, Benguet to collect delinquent loans;
5. To identify the problems encountered by the primary cooperatives in Kapangan, Benguet to control loan delinquency; and
6. To provide possible solutions on the problems identified.



Importance of the Study

One of the common and serious problems that most cooperatives incur is loan delinquency. This has been a perennial problem affecting cooperatives whether old or newly organized. Moreover, many researches pointed out loan delinquency as the main cause of bankruptcy among cooperatives.

The results of this study would give information on the various practices that primary cooperatives in Kapangan, Benguet have done with regard to loan delinquency control. The identified good practices will be maintained by the cooperatives and adopted by other cooperatives for their own benefits. Furthermore, the results could be used by the Cooperative's officers as basis or guide in formulating their credit policies or strengthening their current policies on credit.

Generally, the results of the study could be used by any person who will conduct a related research.

Scope and Limitation of the Study

This study concentrates primarily on the practices of primary cooperatives in Kapangan, Benguet with credit operation on loan delinquency control. It also includes the preventive and remedial actions perceived by the cooperatives to control loan delinquency and the problems that the cooperatives encounter with regard to loan delinquency control.

The study was conducted among the operating Primary Cooperatives in the municipality of Kapangan, Benguet from January to February, 2007.



REVIEW OF LITERATURE

Loan Delinquency

Loan delinquency refers to the failure of the borrower to meet payments of loan on due time. Supanga (2002) stated that loan delinquency has been a big problem of cooperatives. The failure to recognize this problem and institute the necessary remedies could demoralize both members and officers that will ultimately lead to the failure of the cooperative.

Causes of Loan Delinquency

Supanga (2002) further enumerated the common causes of loan delinquency as: irrelevance of loan policies, irresponsible processing system, weak collection system, lack of security on loans, poor example of officers, several loans and lack of cooperative education.

In addition, Diclas (2005) found out in her study that the cause of delinquency can be minimized right from the making of the loan policies and even after the loan has been granted. Giving credit counseling to members is a one way of improving lending operations. She recommended that the released loans should be periodically followed up to assure a viable and healthy project that will guarantee full repayment and satisfaction to the cooperative and the borrowers.

Practices to Control Loan Delinquency

Agustin (2000) found out in her study that training decreases delinquency rate.



Through trainings, members of the cooperative became aware of their duties and responsibilities and benefits from the cooperative.

Furthermore, Foronda (1983) noted that in case of non-repayment of loans, a grace period is given to the borrowers to pay. The borrower will set the time he will pay the loan if he has valid reason. The bank will issue a foreclosure of the property offered as collateral when there is a failure to pay the loan. If the borrower does not repay, he will be deprived of future loans from the cooperative.

Pozel (1981) stated that establishing a good working relationship with the cooperative can go a long way. He feels sure that many relationships have been unsuccessful as a result of an incomplete understanding between the lender and the borrower. He also noted that before the loan is made, the lending institution determines the credit standing and the character of the members and of his job, the desirability of his property, the size of the capital, and the amount and length of loan to ensure that the loans be repaid.

Loan Policies

These pertain to the entire contract between the cooperative and its members as creditors to as when and how much they will pay. These are guiding rules in the granting and treatment of loans.



METHODOLOGY

Locale and Time of the Study

Kapangan is one of the fast growing municipalities in Benguet. It is located about twenty- nine (29) kilometers away from La Trinidad, the Capital Town of Benguet. It is bounded on the north by the municipality of Kibungan, on the south by the municipalities of Tublay and Sablan, on the east by the municipality of Atok and on the west by the Province of La Union.

As a rural area and a developing municipality, it realizes the need of full cooperation of all sectors including the cooperatives in order to attain progress. Therefore, the municipality of Kapangan strongly supports the cooperative movement. In fact, it has sixteen (16) primary cooperatives operating under its jurisdiction, which are mostly multipurpose.

The study was conducted among the Primary Cooperatives with credit service in Kapangan, Benguet from January to February, 2007. Figure 1 shows the map of Kapangan, Benguet showing the locale of the different cooperatives studied.

Respondents of the Study

The respondents of this study are the managers of the different operating primary cooperatives with credit service in Kapangan, Benguet. In the case of some cooperatives that have no manager, a member of their Board of Directors becomes the respondent. The respondents of the study are shown in Table 1.



Table 1. The respondents of the study and their address

NAME OF COOPERATIVE	ADDRESS
Balakbak Multipurpose Cooperative	Balakbak, Kapangan, Benguet
Datakan Proper Multipurpose Cooperative	Datakan Proper, Kapangan, Benguet
GBDAIS Multipurpose Cooperative	Balakbak, Kapangan, Benguet
Hillside Multipurpose Cooperative	Datakan, Kapangan, Benguet
Kapangan Central Credit and Savings Cooperative	Poblacion, Kapangan, Benguet
Kapangan District Teachers and Employees Credit Cooperative	Lomon Paykek, Kapangan, Benguet
Mabuhay Multipurpose Cooperative	Paykek, Kapangan, Benguet
PETALL (Poking, Eho, Tacal, Longboy, Labueg) Multipurpose Cooperative	Longboy Labueg, Kapangan, Benguet
Sagubo Multipurpose Cooperative	Sagubo, Kapangan, Benguet
TACU (Taba-ao, Cuba) Multipurpose Cooperative	Taba-ao, Kapangan, Benguet

Data Collection

A structured survey questionnaire was used to gather the data and information needed in this study. The questionnaire was personally delivered to the respondents and was collected by the researcher personally. Questions arose from the respondents were answered or clarified by the researcher.



Data Gathered

The data gathered were the practices on loan delinquency control of the primary cooperatives in Kapangan, Benguet with credit operation.

Data Analysis

The data gathered were summarized, analyzed and tabulated according to the objectives of the study. The statistical tools used are frequency and percentage.



RESULTS AND DISCUSSION

Information on the Cooperatives

This section presents a brief information regarding the cooperatives with credit operation in Kapangan, Benguet as to the number of years they were in operation, types of loans offered and the type of loan mostly availed of by their borrowers.

Number of years in operation. Four (40%) cooperatives were in operation for less than ten years, three (30%) cooperatives operated from 10 to 20 years and another three (30%) cooperatives operated for more than twenty years. The result implies that majority of the cooperatives with credit operation in Kapangan, Benguet have existed for a quite long period giving quality services to their members with an ultimate objective of uplifting their socio-economic condition.

Type of loan mostly availed of by the borrowers. The types of loan offered by the cooperatives are agricultural loan, commercial loan, salary loan, industrial loan and emergency loan. From Table 2, it is noted that agricultural loan was mostly availed of by the borrowers. This is an indication that most of the borrowers are farmers wherein the said type of loan is being used to finance their farm operation. However, some cooperatives mentioned that most of their borrowers availed of the emergency loan usually used for paying tuition fees of their children and other endeavors that are urgent in nature and the commercial loan purposely for buy and sell business.



Table 2. Number of years in operation of the cooperatives and type of loan mostly availed of by the borrowers

PARTICULAR	FREQUENCY	PERCENTAGE (%)
Number of years in operation		
Below 10 years	4	40
10 years – 20 years	3	30
Above 20 years	3	30
TOTAL	10	100
Types of loan mostly availed of by the borrowers		
Agricultural Loan	8	80
Emergency Loan	7	50
Commercial Loan	7	80
Industrial Loan	5	50
Salary Loan	2	20
TOTAL	12	

*Multiple response

Cooperatives with written loan policies. Table 3 shows that almost all (90%) of the cooperatives had written loan policies. These loan policies were written in the cooperative's by-laws, manual of operation or brochures. According to these cooperatives, their loan policies were presented and approved by the General Assembly before they are implemented. The results show that most of the cooperatives designed a guide in administering their loans that is a necessity for the success of the cooperatives if



implemented properly. Written loan policies are desirable because they serve as a permanent and reliable reference by the cooperative officers and members or anyone who would use it. However, one (10%) cooperative had no written loan policies because its officers did not put them into record but were just verbally disseminated it to the members.

Table 3. Distribution of cooperatives according to the availability of written loan policies

PARTICULAR	FREQUENCY	PERCENTAGE (%)
With written loan policies	9	90
Without written loan policies	1	10
TOTAL	10	100

Cooperatives with functional credit committees. A credit committee is created under the by-laws of the cooperative and shall be responsible for the credit management of the cooperative. It shall process, evaluate and act upon loan applications and exercise general supervision including collection of loans. If all the members of credit committee work together, it would lessen if not totally eliminate loan delinquency among the borrowers. Credit committee is functional if its members are doing their responsibilities set in the bylaws while it is non-functional if its members are not performing their tasks like conducting meeting.

Table 4 shows that all cooperatives created their own credit committee; however, only 9 (90%) of the cooperatives claimed that they had functional credit committees. One



(10%) cooperative had a non-functional credit committee.

Table 4. Distribution of cooperatives as to the presence of credit committee

PARTICULAR	FREQUENCY	PERCENTAGE (%)
With functional credit committee	9	90
With non-functional credit committee	1	10
TOTAL	10	100

Staff involved in loan operation of the cooperatives. Five (50%) cooperatives had managers; three (30%) cooperatives have loan officers, one (10%) cooperative has a loan's clerk and a collector (Table 5). This implies that only few cooperatives hired full-time managers and other staff assigned to loans. It is observed that the cooperatives with hired staff are those financially stable and those that have many borrowers. For some of the cooperatives, instead of hiring full time- staff they utilized their officers such as their Board of Directors and committee members in the administration of their credit management. Furthermore, some cooperatives hired only one person to do all the functions related to loans, like for example the manager only.

Practices of Cooperatives to Control Loan Delinquency

Strict implementation of loan policies. Nine (90%) cooperatives responded that they were implemented their loan policies strictly, while one (10%) cooperative mentioned it did not strictly implement its loan policies (Table 6).



The results show that most of the cooperatives strictly implemented their policies on loans. This means that any member who borrows from the cooperative must first comply with all the requirements for loans set by the cooperatives. Only one cooperative was not so strict it gave considerations to the situation of its borrowers. A case-to-case basis is sometimes used by this cooperative when dealing with the borrowers.

Table 5. Staff involved in the loan operation of the cooperatives

POSITION	FREQUENCY	PERCENTAGE (%)
Manager	5	50
Loan Officer	3	30
Loan's Clerk	1	10
Collector	1	10
TOTAL	10	100

*Multiple Response

Table 6. Distribution of cooperatives as to the implementation of their loan policies

PARTICULAR	FREQUENCY	PERCENTAGE (%)
Strictly implementing the loan policies	9	90
Not strictly implementing the loan policies	1	10
TOTAL	10	100



Requirements for availing of loans. Table 7 shows the loan requirements imposed by the cooperatives for the borrowers to comply with before they could be able to avail of loans. All the cooperatives' main requirements for borrowing is share capital. This means that a borrower should be a member in the cooperative as confirmed by the share capital he invested in the cooperative. Seven (70%) of the cooperatives required co-makers who must be a member in good standing in the cooperative. Most of the cooperatives required two co-makers per borrower and 5 or 50% of the cooperatives required that a borrower must have saving deposits in the cooperative. Some cooperatives let the borrower-depositors to sign a withdrawal slip. In case of non-payment by the borrower, the cooperative could easily withdraw the deposit of the borrower as his payment. Five or 50% of the cooperatives required collaterals such as real estate either titled or tax declaration, chattel and functional appliances. Two (20%) of the cooperatives required their borrowers to prepare a business plan. Furthermore, all the cooperatives said that it is necessary for all their borrowers to submit or accomplish all the requirements for loans before getting their loans be approved and released.

Table 7. Requirements for availing of loan

REQUIREMENTS	FREQUENCY	PERCENTAGE (%)
Share Capital	10	100
Co-makers	7	70
Savings deposit	5	50
Collateral	5	50
Business plan	2	20



Orientation on the terms and conditions of loan. Table 8 shows the number of cooperatives that explain to their borrowers regarding the terms and conditions of their loans.

It shows that all (100%) of the cooperatives were explaining to their borrowers regarding the terms and conditions of their loans before releasing the money. The term of the loan, due date, mode of payment, how much is the amortization per payment, the penalty and surcharge for not paying on time are only some of the information being explained to the borrowers by the cooperatives.

Table 8. Response of cooperatives as to whether they explain the terms and conditions of the loan

RESPONSE	FREQUENCY	PERCENTAGE (%)
Explain	10	100
Do not explain	-	-
TOTAL	10	100

Conduct of credit investigation. Credit investigation is performed to evaluate the applicant's character, credit standing and integrity (Miranda, 2004).

Table 9 shows the number of cooperatives that conducted Credit investigation to their applicants. Nine (90%) cooperatives responded that they conducted credit investigation. These cooperatives mentioned that they usually had their credit investigation to their neighboring cooperatives, moneylenders in the community and to the lending institutions operating in the place. Only one cooperative never subjected its



borrowers under credit investigation since the way of paying their loans is through salary deduction. This particular cooperative would just look into the net salary of the borrower whether it is sufficient to meet its monthly amortizations or enough to satisfy the loan thus, the cooperative did not mind if their borrower has other loans outside the cooperative.

Table 9. Response of cooperatives whether they conduct credit investigation (CI)

RESPONSE	FREQUENCY	PERCENTAGE (%)
Conduct CI	9	90
Do not conduct CI	1	10
TOTAL	10	100

Conduct of project monitoring. Table 10 shows the number of cooperatives that monitored the project of the borrowers to see where they invested their loans.

Six (60%) of the cooperatives stated they did not monitor the project where their borrowers used their loans. They just trusted their borrowers that they used it for the purpose they have stated in their loan applications and that the operation is managed properly by the borrowers. Three or 30% of the cooperatives stated that they regularly conducted project monitoring among their borrowers to ensure that the loans they got from the cooperative were used properly for the intended purpose and to check whether the operation of the project was properly handled by the borrowers. One (10%)



cooperative responded that it conducted project monitoring on an irregular basis depending on the availability of its staff to visit the borrower's project.

Table 10. Response of cooperatives as to how often they conduct project monitoring

FREQUENCY	FREQUENCY	PERCENTAGE (%)
Always	3	30
Never	6	60
Sometimes	1	10
TOTAL	10	100

Mode of collecting loan payments by the cooperatives. Table 11 shows the ways by which the borrowers pay their loans to the cooperatives. All cooperatives stated that their borrowers personally brought their payments to the cooperative. The borrowers are used to this kind of practice since almost all cooperatives have no collector; therefore, the cooperatives informed and requested their borrowers to bring their payments to their office. Moreover, the cooperatives are located near the residence of their members thus they have no hard time in going to their cooperative. Three (30%) cooperatives responded that their borrowers gave their payments to someone who happens to visit the cooperative. According to these cooperatives, some of their borrowers are office workers or business persons so they have no time to come to the cooperative forcing them to send their payments through to someone who goes to the cooperative, usually a co-member or family member. One (10%) cooperative said that its borrowers pay their payments to the



collector. Another one (10%) cooperative mentioned that the payments of its borrowers was collected through salary deduction as is in the case of the Kapangan District Teachers and Employees Credit Cooperative where their borrowers are teachers and staff receiving a monthly salary.

Table 11. Mode of collecting loan payments by the cooperatives

MODE OF COLLECTION	FREQUENCY	PERCENTAGE (%)
They personally pay it to the cooperative	10	100
They give to someone who goes to the cooperative	3	30
Through the collector	1	10
Through payroll deduction	1	10
TOTAL	15	

Actions of cooperatives to borrowers for not using their loans for the intended purpose. Table 12 shows the actions of the cooperatives to borrowers who are found out that did not use their loans in the intended purpose stated in their loan application.

If the cooperatives found out their borrowers diverted their loans to other purposes, four (40%) cooperatives would force their borrowers to pay or return immediately their loans in the cooperative, another four (40%) cooperatives said the borrowers can not anymore avail of loans, three (30%) cooperatives would subject them to regular monitoring, three (30%) would impose fines or penalty and at the same time give warning not to do it again.



Table 12. Actions of cooperatives to borrowers for not using their loans for the intended purpose

ACTIONS	FREQUENCY	PERCENTAGE (%)
Force the borrower to immediately pay the loans	4	40
Disallow the borrower to avail of the next loans	4	40
Strictly monitor the borrower	3	30
Impose fine or penalty	2	20
TOTAL	15	

*Multiple response

Ways in reminding and time of giving reminders to borrowers regarding their due date. Most (80%) cooperatives sent reminder letters to their borrowers to let them be aware of their due date, three or 30% of the cooperatives let their officers or collector to personally remind the borrowers and three (30%) cooperatives used text messaging. One cooperative responded that it is during the general assembly it remind the borrowers (Table 13). The result implies that most of the cooperatives utilized the formal way of reminding their borrowers through reminder letters.

Table 13 shows the time when the cooperatives reminded their borrowers of their due date. Six cooperatives reminded their borrowers two weeks before the due date, three cooperatives said one week before their borrower's due date while only one cooperative said one month before the due date.



The result implies that the cooperatives made their borrowers aware of their due date and they gave enough time for their borrowers to prepare their payments.

Table 13. Ways in reminding and time of giving reminders to borrowers regarding their due date

WAYS	FREQUENCY	PERCENTAGE (%)
Through a reminder letter	8	80
Personal approach by the collector or officer	4	40
Through text messaging	3	30
During general assembly	1	10
TOTAL	16	
TIME		
Two weeks before the due date	6	60
A week before the due date	3	30
A month before the due date	1	10
TOTAL	10	10

Remedies used by the cooperatives to collect from delinquent borrowers. In Table 14, the various collection tools the cooperatives used to collect from the delinquent borrowers are shown.

Most (70%) of the cooperatives used notices or collection letters, four or 40% of the cooperatives re-structured the loans of their borrowers and another 4 (40%)



cooperatives that were automatically deducted from the savings and some of the share capital of the borrowers to offset their unpaid loans while only 3 (30%) cooperatives responded that their officers helped in the collection.

Table 14. Remedies used by the cooperatives to collect from delinquent borrowers

TOOLS	FREQUENCY	PERCENTAGE (%)
By sending notice or collection letter	7	70
By restructuring the loan	4	40
By deducting their unpaid accounts from their savings and share capital	4	40
By sending collector or officer to collect	3	30
TOTAL	18	

Use of legal action against borrowers who cannot settle their loan after having exhausting all remedies. Majority or 80% of the cooperatives had no experience in subjecting their borrowers to legal action is they could not settle their loans after exhausting all the remedies to collect from them. The main reason given by the cooperatives for not taking legal actions was their incapacity to hire the services of lawyer to pursue cases against said borrowers. Only two (20%) cooperatives said that they were able to subject their borrowers to legal action (Table 15). These are the cooperatives that foreclosed the collateral of their borrowers.



Table 15. Response of cooperatives as to whether they used legal action against the borrowers who cannot settle their loans after exhausting all remedies to collect

RESPONSE	FREQUENCY	PERCENTAGE (%)
Use legal action	2	20
Do not use legal action	8	80
TOTAL	10	100

Preventive Actions to Control Loan Delinquency
as Perceived by the Cooperatives

A list of preventive actions to control loan delinquency is shown in Table 16. The respondents were asked what preventive actions they perceived to control loan delinquency.

All the cooperatives agreed that the preventive actions they use to control loan delinquency are by informing the borrowers on their responsibilities and duties such as paying their loans on time, maintaining up-to-date and accurate records on loans of all the borrowers and implementing strictly the loan policies. Nine or 90% of the cooperatives mentioned that loan forms must be properly filled-up by the borrowers and these forms to be kept properly at the cooperative's office and the terms and conditions of loans should be well explained to the borrowers. There are eight (80%) cooperatives that said the occurrence of loan delinquency could be controlled by giving reminder letters to the borrowers to keep them well informed on the updates of their payments and due date. On the other hand, seven (70%) cooperatives had to ensure that all their borrowers must comply with the loan requirements. Six or 60% of the cooperatives had to screen the applicants thoroughly to ensure that borrowers use their loans for the intended purposes,



inform the co-makers and spouse of the borrowers on their duties and obligations, submit loan reports to the Board of Directors on a regular basis for them to monitor the performance of payments of the borrowers and administer appropriate solutions if problem arises. Five cooperatives mentioned that satisfactory service should be provided to the borrowers. Three (30%) cooperatives said that collectors should be employed while only one cooperative answered that project monitoring should be conducted regularly and lastly, another one cooperative mentioned that loan delinquency could be controlled by sending the persons in-charge in loans to seminars of loan's collection for them to acquire knowledge and skills on collecting payments from their borrowers.

The results show that most of the preventive actions listed in Table 17 were done by most of the cooperatives as ways of controlling loan delinquency. However, all these preventive actions should be done by all the cooperatives to minimize the occurrence of loan delinquency among their borrowers..

Table 16. Preventive actions to control loan delinquency as perceived by the cooperatives

PREVENTIVE ACTIONS	FREQUENCY	PERCENTAGE (%)
Inform the borrowers on their responsibilities and duties such as their payments on time.	10	100
Maintain up-to-date and accurate records on the loans of all borrowers.	10	100
Strictly implement the loan policies of the cooperative.	10	10
Insure that the loan forms should be properly filled-up by the borrowers and filed at the cooperative office.	9	90



Table 16...continuation

The terms and conditions of the loan should be properly explained to the borrowers	9	90
Give reminder letters.	8	80
Insure that the borrowers comply with all loan requirements.	7	70
Screen the loan applicants thoroughly as to their capacity, character and collaterals.	6	60
Insure that the loan of the borrower is used in its purpose.	6	60
Inform co-makers and spouse of the borrowers on their duties and responsibilities.	6	60
Submit reports on loans regularly to the Board of Directors.	6	60
Provide satisfactory service to the borrowers.	5	50
Employ collectors whose main job is to collect payments from the borrowers.	3	30
Conduct regular monitoring on the project of the borrowers.	1	10
Conduct seminar on loans collection for the person involved in it.	1	10

Remedial Actions to Collect Delinquent Loans
as Perceived by the Cooperatives

Table 17 presents the remedial actions in controlling loan delinquency. The respondents were asked to identify what remedial actions they perceived to control loan delinquency.



It is noted that all the cooperatives responded that sending notices and collection letters to the delinquents, co-makers and spouse is the primary remedial action to be done. Nine or 90%, asking the help of officers in the collection since their staff is few and who spend most of its time in the office. Six or 60% of the cooperatives would ask the delinquent borrowers to sign a promissory note on when they will pay their loans, five or 50% of the cooperatives would design a repayment schedule that the delinquent borrowers should follow, four or 40% of the cooperatives would restructure the loans of the borrower and one cooperative would collect payments from the borrower's spouse and co-maker/s and give amnesty on fines to motivate the borrowers to settle their delinquent loans.

Table 17. Remedial actions to collect delinquent loans as perceived by the cooperatives

REMEDIAL ACTIONS	FREQUENCY	PERCENTAGE (%)
Send notices and collection letters to the delinquents, co-makers and spouse.	10	100
Ask the help of other officers in the collection.	9	90
Let the delinquents to do promissory note on when to pay.	6	60
Design a plan of payment with the delinquents and strictly implement it.	5	50
Restructure the loans of the delinquents.	4	40
Make collection to the delinquent's co-makers and spouse.	1	10
Provide amnesty on fines.	1	10



Problems Encountered by the Cooperatives
in Controlling Loan Delinquency

Table 18 shows the problems encountered by the cooperatives in controlling loan delinquency.

Seven of the cooperatives had problem on the negative attitudes displayed by their borrowers in repaying their loans. These cooperatives mentioned that some borrowers were very hard to collect even they have money to pay. They also fabricated stories just to have reasons why they could not pay. Moreover, they did not show up or attend meetings and activities of the cooperative to avoid being collected by the staff.

Six cooperatives mentioned that they have a few staff that is why they could not work well with the problems concerning their borrowers. Five cooperatives said lack of committed officers who will help in controlling loan delinquency while three cooperatives mentioned that they could no longer find their borrowers since they have already transferred to another place.

Table 18. Problems encountered by the cooperatives in controlling loan delinquency

ACTIONS	FREQUENCY	PERCENTAGE (%)
Negative attitudes of the borrowers	7	70
Lack of commitment among the officers	5	50
Transfer of residence of the borrowers	3	30
Lack of staff	6	60
TOTAL	21	

*multiple response



SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

As of December, 2006, there are 16 primary cooperatives operating in the municipality of Kapangan, Benguet; however, only ten cooperatives have credit operation (CDA-CAR). The managers or Board of Directors of the cooperatives with credit operation were taken as the respondents of the study with one respondent for every cooperative.

The study was conducted primarily to identify the practices of primary cooperatives with credit operation on loan delinquency control, to find out the preventive and remedial actions perceived by the cooperatives to control loan delinquency and to identify the problems encountered by the cooperatives in controlling loan delinquency.

A prepared survey questionnaire was used to collect data for the study. The data were tabulated and analyzed using descriptive statistics such as frequency and percentage.

Findings showed that majority of the cooperatives with credit operation in Kapangan, Benguet were operating for quite a period since they already reached at least ten years of operation. The cooperatives offered agricultural loan, emergency loan, salary loan, commercial loan, educational loan and emergency loan. It was found out that agricultural loan is the one mostly availed of by the borrowers.

On the practices to control loan delinquency, almost all of the cooperatives had written policies which they implemented strictly to their members. Each cooperative has



a credit committee; however; one cooperative claimed that members of its credit committee is inactive.

Moreover, only few cooperatives hired full-time managers and other staffs engaged in loans. Some cooperatives utilized their officers in the administration of their credit management.

The requirements of the cooperatives for borrowing loans are share capital, co-makers, collaterals, savings deposit and business plan. The share capital was required by all the cooperatives.

Furthermore, most of the cooperatives conducted credit investigation to their applicants and usually to their neighboring cooperatives. Majority of the cooperatives also monitored the projects of their borrowers to ensure that the loans were used properly. In addition, the cooperatives may force the borrowers to pay or return immediately their loans or they will not be allowed anymore to avail of loans anymore once the cooperative found out that the loan was not used for the intended project.

All of the cooperatives explained to their borrowers the terms and conditions of their loan before releasing it. The cooperatives reminded also their borrowers regarding their due date through a reminder letter or letting any officer or the collector to go personally to remind them. Reminding the borrowers regarding their due date was done two weeks before the due date by most of the cooperatives.

With regard to the payment, all the cooperatives responded that their borrowers personally brought their payments to their cooperative.

It was determined that out of the five cooperatives that required collaterals in borrowing loans, two cooperatives had already foreclosed collaterals of some of their



delinquent borrowers. Majority of the cooperatives had no experience in subjecting their borrowers to legal actions if they cannot settle their loans after exhausting all possible remedies to collect dues from them.

The preventive actions perceived by the cooperatives to be done to control loan delinquency are as follows: they inform their borrowers on their duties and responsibilities such as paying their loans on time, maintain an up-to-date and accurate records on loans of all the borrowers and implement strictly their loan policies. Moreover, some of the cooperatives mentioned that loan forms must be filled-up by the borrowers and kept at the cooperative's office.

On the other hand , the remedial actions perceived by the borrowers to collect delinquent loans are: send notices and collection letters to the delinquents, co-makers and spouse; ask the help of other officers in collecting and let the delinquent borrowers sign a promissory note on when they will pay.

Most of the cooperatives had problems on the negative attitudes displayed by their borrowers in repaying their loans. Other problems encountered are lack of staff, lack of commitment among the officers and transfer of residence among the borrowers.

Conclusions

Based on the findings, the following conclusions were drawn:

1. The borrowers mostly availed of the agricultural loan from the cooperatives.
2. Almost all of the cooperatives had written policies which they implemented strictly.
3. Members of credit committees of almost all of the cooperatives are active.



4. Few cooperatives employed full-time management staff assigned to loans.
5. Loan requirements for loans are share capital, collateral, co-makers, business plan. Share capital was required by all the cooperatives.
6. Almost all of the cooperatives conducted credit investigation.
7. Majority of the cooperatives monitored the project/s where the borrowers used their loans.
8. Most of the cooperatives forced the borrowers to pay or return immediately their loans or they will not be allowed anymore to avail of loans once the loan was not used for the intended project.
9. The preventive actions perceived by the all of the cooperatives to control loan delinquency are as follows: inform their borrowers their duties and responsibilities such as paying their loans on time, maintain an up-to-date and accurate records on loans of all the borrowers and implement strictly their loan policies.
10. The remedial actions perceived by the all the respondents to collect delinquent loan was to send notices and collection letters to the delinquents.
11. Most of the cooperatives had problem on the negative attitudes of their borrowers in repaying their loans. Other problems encountered are lack of staff, lack of commitment among the officers and transfer of residence among the borrowers.

Recommendations

The following recommendations were drawn from the findings and conclusions:

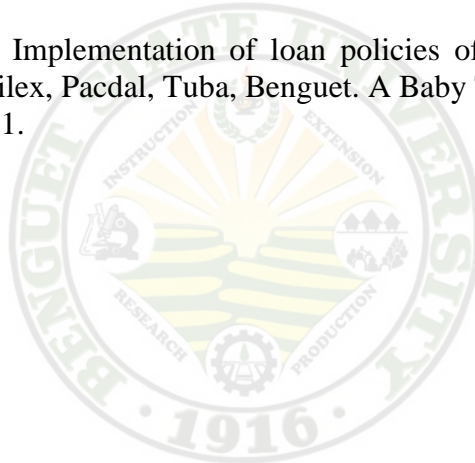


1. There must be a continuous strict implementation on the loan policies because this makes the borrower realize that the cooperative is serious enough in its drive to control or minimize loan delinquency. Loan policies are to be applied to all the members regardless of their status in life, income, etc., thus the cooperative that did not implement strictly its loan policies must strict in order to avoid being accused as bias or giving favors to some members.
2. Project monitoring should be done by all the cooperatives to ensure that the borrowers do not divert their loans to other purposes especially to non-productive activities to avoid the difficulty in repaying of their loans.
3. To control loan delinquency effectively, the preventive and remedial actions should be practiced by all the cooperatives.
4. The cooperative should come up with activities or programs that aim to improve negative attitudes of the members regarding repayment of their loans. It should also expose both officers and members to successful credit cooperatives where they can observe other practices that will encourage or influence them to be efficient and active members.



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Appendix A
Letter to the Respondents

Benguet State University
College of Agriculture
DEPARTMENT OF AGRICULTURAL ECONOMICS AND
AGRIBUSINESS MANAGEMENT
La Trinidad, Benguet

January 2007

Sir/Madam:

Greetings!!!

I am a fourth year student of Benguet State University taking up Bachelor of Science in Agribusiness major in Cooperative Management. I am conducting my undergraduate thesis titled, "LOAN DELINQUENCY CONTROL PRACTICES OF PRIMARY COOPERATIVES IN KAPANGAN, BENGUET", as partial requirements for graduation.

In this connection, may I request a part of your time to answer the attached questionnaire. Your kind assistance will enable me to complete all the requirements in due time. Rest assured that all your answers will be kept confidential.

Thank you very much and God Bless!!!

Respectfully yours,

MARY CLAIRE D. BALIWEN

NOTED:

FLORENTINO B. LANDACAN
Adviser



Appendix A
Letter to the Respondents

Benguet State University
College of Agriculture
DEPARTMENT OF AGRICULTURAL ECONOMICS AND
AGRIBUSINESS MANAGEMENT
La Trinidad, Benguet

January 2007

Sir/Madam:

Greetings!!!

I am a fourth year student of Benguet State University taking up Bachelor of Science in Agribusiness major in Cooperative Management. I am conducting my undergraduate thesis titled, "Loan Delinquency Control Practices of Primary Cooperatives in Kapangan, Benguet", as partial requirements for graduation.

In this connection, may I request a part of your time to answer the attached questionnaire. Your kind assistance will enable me to complete all the requirements in due time. Rest assured that all your answers will be kept confidential.

Thank you very much.

Truly yours,

MARY CLAIRE D. BALIWEN

NOTED:

FLORENTINO B. LANDACAN
Adviser



Appendix B
Survey Questionnaire

I. Information on the Cooperatives

Name of the Cooperative: _____

Address: _____

Number of years in operation: _____

Types of loan offered: _____

Type of loan mostly availed of by the borrowers: _____

Do you have written policies? Yes _____ No _____

If available, have you been strictly implementing? Yes _____ No _____

Do you have functional credit committee? Yes _____ No _____

Who are your staff involved in loans operation and many of them?

_____ Manager

_____ Loan clerk

_____ Loan officer

_____ Collector

_____ others, pls specify: _____

II. Practices on Loan Delinquency Control

What are your loan requirements?

_____ share capital

_____ savings deposit



_____ business permit

_____ co-makers

a) how many co-makers do you require _____

b) what are their qualifications _____

_____ collateral

a) what kind of collateral do you accept _____

Do you conduct credit investigation? Yes _____ No _____

If yes, where do you usually conduct it?

_____ to other cooperatives in the place

_____ to the private lending firms operating in the place

_____ others, pls specify _____

Do you orient your borrowers on the term and conditions of their loans?

Yes _____ No _____

Do you visit the project where the borrowers used their loan?

Yes _____ No _____

What actions do you undertake if you find out that the borrowers did not used their loan for the intended purposes?

_____ force to pay or return the loan in the cooperative

_____ a penalty is imposed

_____ disqualify him/her to avail of loans again

_____ subject the borrower to strict monitoring

_____ others, pls specify



How do you collect loans?

_____ the borrowers personally pay it to the cooperative

_____ they just send it to someone who go to the cooperative

_____ through the collector

Do you remind the borrowers regarding their due date? Yes _____ No _____

If yes, how do you remind them?

_____ through a reminder letter

_____ through the collector or officer

_____ through text messaging

_____ others, pls. specify _____

How do you collect delinquent loans?

_____ by giving notice/collection letters

_____ by sending staff

_____ by restructuring the loan

_____ by collecting from their co-makers

_____ others, pls specify: _____

If the borrowers cannot really pay after exhausting all remedies, do you subject them to legal actions?

Yes _____ No _____



III. Perceived Preventive Actions to Control Loan Delinquency

Put a check mark on the actions you perceived to control the occurrence of loan delinquency in your cooperative.

PREVENTIVE ACTIONS

- _____ Inform the borrowers on their responsibilities and duties such as their payments on time.
 - _____ Maintain up-to-date and accurate records on the loans of all borrowers.
 - _____ Strictly implement the loan policies of the cooperative.
 - _____ Insure that the loan forms should be properly filled-up by the borrowers and filed at the cooperative office.
 - _____ The terms and conditions of the loan should be properly explained to the borrowers
 - _____ Give reminder letters.
 - _____ Insure that the borrowers comply with all loan requirements.
 - _____ Screen the loan applicants thoroughly as to their capacity, character and collaterals.
 - _____ Insure that the loan of the borrower is used in its purpose.
 - _____ Inform co-makers and spouse of the borrowers on their duties and responsibilities.
 - _____ Submit reports on loans regularly to the Board of Directors.
 - _____ Provide satisfactory service to the borrowers.
 - _____ Employ collectors whose main job is to collect payments from the borrowers.
 - _____ Conduct regular monitoring on the project of the borrowers.
 - _____ Conduct seminar on loans collection for the person involved in it.
-



IV. Perceived Remedial Actions to Collect Loan Delinquency

Put a check mark on the actions you perceived to collect delinquent loans

REMEDIAL ACTIONS

_____ Send notices and collection letters to the delinquents, co-makers and spouse.

_____ Ask the help of other officers in the collection.

_____ Let the delinquents to do promissory note on when to pay.

_____ Design a plan of payment with the delinquents and strictly implement it.

_____ Restructure the loans of the delinquents.

_____ Make collection to the delinquent's co-makers and spouse.

_____ Provide amnesty on fines.

V. What problems have you encountered with regards to your loan delinquency control?

