

BIBLIOGRAPHY

BANGSOYAO, MELITA D. APRIL 2009. Causes of loan delinquency and control practices of La Trinidad Vegetable Trading Post Multipurpose Cooperative, Benguet State University. La Trinidad, Benguet.

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ABSTRACT

This study looked into the causes of loan delinquency and control practices of the La Trinidad vegetable Trading Post Multipurpose Cooperative in La Trinidad Benguet.

Specifically, the study aimed to determine; a)the loan that was mostly availed by the members-borrowers; b) the factors causing loan delinquency; c)the practices of the La Trinidad Vegetable Trading post Multipurpose Cooperative to control loan delinquency; d)The preventive actions perceived by the cooperative; and e) the measures employed by the cooperative to lessen/ reduce delinquencies.

The unstable price of vegetable was identified as the major factor that causes loan delinquency because it affects their profit very day.

The reason behind of this was the strong competition of the vegetable coming from different municipalities, provinces and regions in regards with quality, color and sizes of the product.

The cooperative mentioned that they have the practices to lessen the loan delinquency like giving some reminders letters to the borrowers.

The cooperative preventive actions to reduce the loan delinquency were; informing the borrowers to their duties and responsibilities and strictly implement their policies especially on the terms and condition of the loan. In addition, the officers/staff should be explained well their duties upon releasing the loan.

The respondents; suggested that an action to lessen the amount of delinquent loan is to let the borrowers re structure their past due loans, strict implementation of the policies was also recommended by the respondent.



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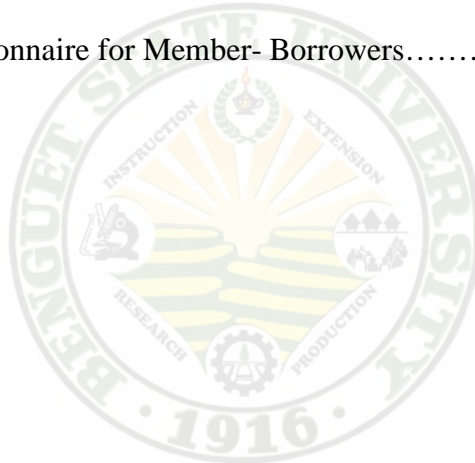
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INTRODUCTION

Background of the Study

The growth of cooperatives in a community is hindered by many factors such as the lack of proper understanding and internalizing the cooperative principles and philosophies by the member's and persons managing the cooperative and the lack of adequate knowledge and skills in cooperative management. Most cooperatives do not even install adequate 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 cooperative with lending services are primarily faced with the problem on loan delinquency which if not properly managed and accounted for would result to tremendous financial loss. Furthermore, this would lessen the members trust and confident in the cooperative. 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

The La Trinidad Vegetable Trading Post Multipurpose Cooperative was registered on September 9, 1992 with the cooperative authority (CDA). It was first name as La Trinidad Vegetable Trading Post Allied Service Cooperative and later it was amended.



Record shows that the cooperative started its operation with an initial build-up share capital of thirteen thousand five hundred pesos (Php. 13, 00) this sum was contributed by the 15 member-incorporators they contributed 900.00 peso each.

The incorporators are: Atty. Narciso B. Bolislis, Rose Alangdeo, Murphy Paayas, Josephine Isabelo, Adolfo Pendong, Bernadette Santos, Mary Badilla, Ignacia Malinias, Ignacia Malinias, Juana Bay-an, Simpicia Poble, Jason Erico, Saturnino Gawec, Ofelia Iqualdo and Cresencia Fransisco

These incorporators were the board of directors of trustees and officers of the La Trinidad Vegetable Trading Post Association Inc. This was an association of booth holders.

The officers of the Bagsakan Association joined the cooperative by virtue of the resolution of joint undertaking initiated by the CDA. In the course of time, many members joined the cooperative.

These were; private and government employees, businessmen, businesswoman, traders and producers engaged in the vegetable industry, as of December 31, 2007 the total members of the cooperative was 3,089.

The foregoing remarkable growth of the cooperative in ten years, speaks well of the loyalty of the members, the strong members, determination, and commitment of the management staff as well as the BOD and the committee members in the beginning years. The continued working interest and dedication to the cooperative deserves merit.

The La Trinidad Vegetable Trading Post Multi-Purpose Cooperative is not spared from the problem on loan delinquency. Therefore, this study was conducted mainly to



determine the causes of loan delinquency and the practices of the cooperative in solving this problem.

Statement of the Problem

This study attempted to look into the factors affecting loan payment and control practices of the LTVP-MPC and in order to explain the problem and look into the possible solutions.

Specifically, the study sought to answer the following:

1. What is the type of loan mostly availed of by the borrowers?
2. What are factors causing loan delinquencies?
3. What are the practices of the LTVP-MPC to control loan delinquency?
4. What are the preventive actions perceived by the cooperative?

Objectives of the Study

The specific objectives of the study are the following:

1. To find out the type of loan mostly availed by the borrowers.
2. Find out the factors causing loan delinquencies.
3. To identify the practices of the LTVP-MPC to control loan delinquencies.
4. To find out the preventive actions undertaken by the LTVP-MPC to control loan delinquencies.
5. Find out measures employed by the cooperative to reduce loan payment delinquencies.



Importance of the Study

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

The result of this study would give information on the carious practices that one primary cooperative (LTVP-MPC) have done with regard to loan delinquency control.

The identified good practices would be maintained by the cooperatives as basis or guide in formulating their lending services policies or strengthening their current policies on loan.

Scope and Limitation of the Study

This study concentrates primarily on the control practices and factors affecting loan delinquencies. It also includes the preventive and remedial actions perceived by the cooperative to control loan delinquencies and the problems that the cooperatives encounter with regard to loan delinquency control.

The study was conducted at La Trinidad Vegetable Trading Post Multi-Purpose Cooperative in the municipality of La Trinidad Benguet from December 2008 to January 2009.



REVIEW OF LITERATURE

Loan Delinquency

Loan delinquency refers to the failure of the borrowers 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 in statute the necessary remedies could demoralize both the members and officers that will ultimately lead to the failure of the cooperative.

Factors Affecting Loan Repayment Delinquencies

Baize (1979) noted that the factors affecting loan repayment delinquency in banks are farmers, and characteristics of borrowers which include the household size, educational attainment and experience of borrowers.

Taganas (1979) found out in her study that failure of farmers to pay loan on time at the maturity was caused by diversion of loan to non-farm activities. This was due to late release of the loan motivated them to divert it to purpose other than the intended purpose. This condition created in them the attitude of spending the loaned money from the bank elsewhere. As a result, nothing was used on the intended purpose.

This further resulted to the extent of selling their house, lands or lots, just to augment the amount needed for land preparation and other expenditures on cropping seasons.



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 loans, poor examples of officers, several loans and lack of cooperative education.

In addition, Diclas (2005) found out in her study that the causes of loan 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 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 payment and satisfaction to 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 cooperatives became aware of their duties, responsibilities and benefits from the cooperative.

Furthermore, Foronda, noted that in case of non-payment of loans, a grace period is given to the borrowers to pay. The borrowers will set the time he will pay the loan if he has a 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 borrowers does not repay, he will deprive of future loans from the cooperative.

Pozel (1981) stated that establishing a good working relationship with the cooperative can go along the 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 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.

Measures Employed by Cooperatives

Agustin (2000), found out in her study that majority of his respondent said training decreases delinquency rate while the rest of the respondents who agreed that rate went down due to trainings supported their answers with the following reasons: members of the cooperative became aware of their duties and responsibilities as members and became aware of their benefit from cooperative.

This implies that most members of both types of cooperative have understood the advantage of paying their loans of maturity date.

Furthermore, the manager of LTVP-MPC stated that incase 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.

In addition, he stated that establishing a good working relationship with the lender can go a long way toward establishing a good line of credit.(Agustin, 20002)

Collecting of Loans

Wadasen (2001), stated that repayment capacity of borrowers is the major basis in the determination of the amount of loan granted. This represents the person's ability to use and manage credit wisely as measured by the stable reasonable amount of profit. It is



a test of economic feasibility of the loan be repaid without difficulty, it is generally attained if an instrument is profitable.

Problems Encountered in the Collection of Loans

Kiwa-en (2007) noted that cooperative are faced with problems of delinquent loans due to circumstances which if not properly managed will result in the tremendous financial set-back and loss of confidence of members-borrowers in the cooperative lending programs or services

Attitudes of Members Towards Loan Repayment

According to Dequit (2003), her findings shows that the respondents strongly agreed to the attitude of paying all the obligations on time for them to be a member of good standing and serve also a model to their other members. Prompt payment leads to a good status of the cooperative, and for the cooperative to be able to lend money to the rest of the members too. She said that majority of the members believed that they must be reminded of their balances before the maturity date for them to prepare and avoid delayed payments.

Loan Security

Van Horne (1989) stated that many firms obtain credit on an unsecured basis either because they are new and unproven or because bankers do not highly regard the firm's ability to service dept. in order to make a loan, lenders require security that will secure their risk of loss.

With security, lenders have two sources of loan payment: the cash flow ability of the firm to service the debt and, if that sources fails for some reason, the collateral value



of the security will be used. Most lenders will not make a loan unless the firms have sufficient expected cash flows to make proper servicing debt probable. To reduce their risk further, lenders require security.

Mostly costly to administer than unsecured loans and that the incremental cost is passed. On the borrower in the form of fees and higher interest costs that would otherwise be the case.

Then, if unsecured credit is available somewhere at less total cost, one can be sure that a borrower will go there to get it. Beyond a point in risk, however, all lenders in the market will want some type of safeguard in addition to the general credit standing of the company.

This safeguard can come in the form of security or a set of protective covenants that afford the lender the ability to take corrective steps prior to maturity if the borrower's financial condition should deteriorate. A lender cannot demand security and expect to get it unless the borrower has no other alternatives. The use of security is negotiated in keeping with conditions in the overall market for loans.(Van Horne, 1989)

Requirement in Releasing Loans

The requirement submitted by the respondent when they applied loan are; real state mortgage and fixed deposit certificate and checking account. There are some reasons why the borrowers will submit requirement. This will serve as the security measure for the cooperative and also it was a tradition practices of the cooperative (Kiwa-en, 2007)



METHODOLOGY

Locale and Time of the Study

The study was conducted in the La Trinidad Vegetable Trading Post Multipurpose Cooperative in La Trinidad, Benguet from December 2008 to January 2009.

Respondent of the Study

The respondent of the study were the delinquent borrowers and staff.

Data Gathering

Gathering data was done by giving survey questionnaire and interview with the respondent. Secondary data were taken from the annual reports and activity reports.

Data Analysis

The information gathered was analyzed thoroughly with the use of frequency and percentage.



RESULTS AND DISCUSSION

Profile of the Respondent

Table 1 presents a brief information regarding the profile of the respondent of La Trinidad Vegetable Trading Post Multi-Purpose Cooperative as to sex, civil status, age, and educational attainment.

Sex. Majority (80 %) of the respondent were female and twenty percent (20 %) are male. This implies that majority of the members are females. The reason behind of this indication was due to the trading business of vegetable requiring female.

Civil status. Majority (60 %) were married,(10 %) are widower and (30 %) are single. The result implies that most of the member-borrowers and officers or staff are married.

Age. Out of 50 respondents, (40%) were with in 31-40 years old,(30%) are with in 41-50 years old, 20% in 51-60 years old and only(10%) are with in the bracket of 21-20 years old. The study shows that most of the respondents are in their middle ages.

Educational attainment. This present that (60%)of the respondent have gone to high school,(25%)have gone to college and (15%) finished elementary. This study implies that the members-borrowers are literate.



Type of Loan Mostly Availed of by the Member-Borrowers.

The types of loan offered by the La Trinidad Vegetable Trading Post Multipurpose Cooperative are; Regular loan/ Agricultural loan, Emergency loan and special loan.

From the Table 1 it is noted that Regular loan/ Agricultural loan was the mostly availed of by the borrowers.

This indicated that most of the borrowers are farmers and the loan was being used to finance the farm operation and for the continued operation of their farm business.

However, some borrowers mentioned that they also availed of emergency loan usually for the payment of tuition fees of their children and other urgent needs and some availed of the special loan purposely for starting capital of other business.

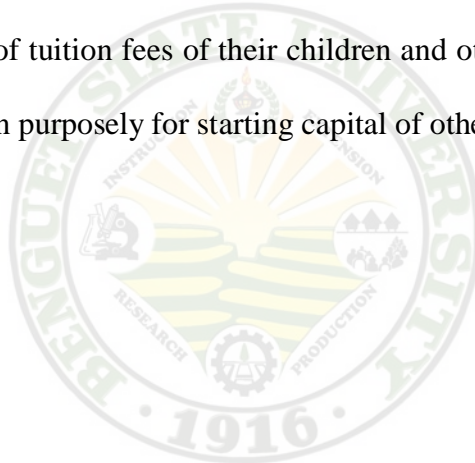


Table 1. Profile of the respondent

PARTICULAR	FREQUENCY	%
Sex		
Female	37	80
Male	9	20
TOTAL	46	100
Civil status		
Single	14	30
Married	28	60
Widower	5	10
TOTAL	46	100
Age(Years)		
20-30 years	5	10
31-40 years	18	40
41-50 years	14	30
51-60 years	9	20
TOTAL	46	100
Educational Attainment		
Elementary	12	25
High school	28	60
College	6	15
TOTAL	46	100
Types of Loan mostly availed of by the borrowers		
Regular loan	32	70
Emergency loan	9	20
Special loan	5	10
TOTAL	46	100



Factors Causing Loan Payment Delinquency

Table 2 Shows the perceived factors affecting loan payment delinquency by the respondents. Thirty percent (30%) of the officers and staff and fifty percent (50%) of the borrowers said that the unstable price of the vegetable was the most common factors that contributed to loan delinquencies. The reason behind this was the uncontrolled supply of vegetables coming from the different municipalities, and provinces that competed with the local production. The respondents also mentioned that the competition of the poor quality and packaging of the vegetable contributes a lot to a low price of the vegetable.

Twenty percent (20%) each of the officers and the member-borrowers said that they usually used the loan for not intended purposes especially in time of emergency.

Thirty percent (30%) of the officers, staff and ten percent (10%) of the borrowers said that bankruptcy of their business was one of the factors affecting the delayed payment of the borrowers.

On the other hand ten percent (10%) of the member-borrowers and another (10 %) of the officers and staff mentioned that the bankruptcy of their business was due to the natural calamities which was a big contribution affecting the payment on their loan.

This result indicates that the unstable price of the vegetable was the major factor affecting the payment of the borrowers as perceived by both the officers and member-borrowers. The difficulty in disposing the vegetable and mechanical damages resulting to a lower price of the product thus less profit was realized due to physical damages resulted to less profit of the farmers which contributed to their delinquency.



Table 2. Factors causing loan payment delinquency

FACTORS	OFFICERS AND STAFF		DELINQUENT BORROWERS	
	FREQ	%	FREQ	%
Used loans for other purpose	3	20	8	20
Unstable price of vegetable	4	30	25	50
Bankruptcy of livelihood or business	4	30	5	10
Natural calamities	2	10	4	10
Distance from home	2	10	4	10
TOTAL	15	100	46	100

Problem Encountered by the Member-borrowers on Loan Payment

Table 3 shows that (50%) reported the problem and low price of vegetable and bankruptcy of their business due to the rejected products was commonly encountered by the borrowers. There were 40% of the respondent who said that they had not enough money during the collection time

Ten percent (10%) indicated that natural calamities and unwanted accident contributed to their delayed payment on their loan.

The respondent reason for not having enough money during the collection time was their vegetables were not yet paid, the buyers did not pay the full amount they agreed and also because of the low price.

Another reason mentioned by the respondent was due to the natural calamities on themselves or in their children.



Table 3. Problems encountered by the members-borrowers on loan payment

PROBLEMS	FREQUENCY	%
Low price of vegetable	23	50
No money during the collection	18	40
Natural Calamities (Unwanted accident)	5	10
TOTAL	46	100%

Natural calamities was due to the typhoons, instances were; there stall was destroyed by the strong typhoon and it in needs renovation. The said reason was usually the time that they will use the loaned money.

Problems Encountered by Officers and Staff In Releasing Loans

Table 4 indicated that the most common problems they encountered in granting loans are the lack of document or insufficient documents that caused the delayed approval and release of loans.

Another problem was that the improper usage of loaned money. Instances were; they used the money in non-business purpose like; housing, tuition fee and payment for other debt. This result to borrower's delinquency.

It was also mentioned that there were instances where some documents were lost or it were arranged thus, it is difficult to find them.

In controlling loan delinquency, the respondents mentioned that the negative attitudes of the borrowers were the biggest problem they are having. They enumerated some of the bad behaviors of the borrowers such as; borrowers fabricated stories just to



have a reason why they could not pay, some borrowers also would hide or run-away if they see the collectors, they sent a another person to represent them if there are important matters to be discussed and the intention of not visiting the cooperative.

Table 4. Problems encountered by the officers and staff in releasing and controlling loans

PROBLEMS ENCOUNTERED	FREQUENCY	%
Releasing Loan		
Lack of document or insufficient document.	14	30
Improper use of loan or not intended for the purpose applied	28	60
TOTAL	46	100
Controlling Loans		
Negative attitudes of the borrowers.	28	60
Transfer residence of the members-borrowers.	9	20
Lack of commitment among officers.	9	20
TOTAL	46	100



Practices of the LTVTP-MPC to Control Loan Delinquency

The respondents were asked to identify what remedial actions they perceived to control loan delinquency. It is noted that notices and reminder letters to the delinquent is one of the primary remedial action done by the cooperative.

The respondent also mentioned that letting the delinquent borrowers to do and sign promissory note on when to pay helped the cooperative and the borrowers lessened the unpaid loans.

Preventive Actions to Control Loan Delinquency as Perceived by the Respondent and Officers and Staff

Preventive actions are shown in the Table 5. Most of the respondent agreed that the preventive actions they must use are by informing the borrowers on their responsibilities and duties such as their payment on time and strictly implement the policies as to loan payment.

Table 5. Practices of the LTVTP-MPC to control loan delinquency

PRACTICES	FREQUENCY	%
Send notices and collection letters to the delinquent members.	9	60
Let the delinquent do promissory note on when to pay and Design a plan of payment with delinquents and strictly implement it	6	40
TOTAL	15	100



On the other hand the cooperative speaks a lot of the screening of the applicants thoroughly to ensure that borrowers would use the borrowed money to the intended purpose. Project monitoring should be conducted regularly. The respondents said that by sending the person in charge in loan releasing to conduct a seminar regarding the loan policies would help lessen the occurrence of the loan delinquency.

Lastly the respondents also mentioned that loan forms must be properly filled-up by the borrowers and these forms would be kept properly at the cooperative office. The terms and conditions of loan should be well explained to the borrowers.

However some of the said preventive actions were not implemented sometimes. It is difficult to collect from busy businessmen.

Table 6. Preventive actions to control loan delinquencies by the LTVTP-MPC officers and staff

PREVENTIVE	FREQUENCY	%
Inform the borrowers on their responsibilities and duties such as their payment on time	6	40
Maintain up-to-date and accurate records on the loans of all borrowers. Strictly implement the loan forms should be properly filled-up by the borrowers and filed at the cooperative office.	4	30
The terms and conditions of the loan should be properly explained to the borrowers	2	10
Conduct regular monitoring	3	20



Measures Employed by the La Trinidad Vegetable
Trading Post Multi-purpose Cooperative

The La Trinidad Vegetable Trading Post multi-purpose Cooperative officers and staff enumerated some measure employed by them to reduce loan delinquency. Table 7 shows that 40% of the respondent said they conduct seminars and meeting such as pre-membership seminar and financial counseling so that they will have enough knowledge on where to use and when to pay their loan on time. This finding shows that training may decrease the loan delinquency.

Twenty percent (20%) mentioned that continuous education and training is important since it helps members to be active and learn more knowledge on how to handle money and used it for intended purpose. Thirty percent(30%) shows that personal approach by the collector or officer can also help reducing the loan delinquency where in they can personally converse and get the reasons for the delayed payment of their loan and they can discuss, suggest a remedies and solutions. Ten percent (10%) shows that the members also need a reminder letter for them to be prepared on the due date.



Table 7. Measures employed by the La Trinidad Vegetable Trading Post Multi-purpose Cooperative to reduce loan delinquency

MEASURES	OFFICERS AND STAFF	
	FREQUENCY	%
Conducting financial counseling and seminar	6	40
Reminding their balances before due date.	2	10
Personal approach by the collector or officer	4	30
Continues education	3	20
TOTAL	15	100

Orientation on Terms and Conditions of Loan

Table 8 shows that eighty percent (80%) of the respondent, said that the staff explain the terms and conditions of the loan before releasing the money. There were 20% who said that the staff do not explain the terms and conditions of the loan specially during busy hours.

Table 8. Orientation of terms and conditions of loan

RESPONSE	FRREQUENCY	%
Explain	37	80
Do not explain	9	20



Mode of Collecting the Loan Payment

Table 9 presents the mode of collecting loan payments by the cooperative. Fifty percent of the respondents said that they personally pay it to the cooperative, 10% said that they give their payment to a representative, while 40% said they pay through the collector. However some of the respondent said that they waited for the collector during the scheduled collection time because of the distance and they don't have enough time to visit the cooperative.

Those who personally pay to the cooperative mentioned that they prefer handling the money to the treasurer because, there were instances that when they send a representative to pay for them they just find out that they had a balance or unpaid loan.

Those who paid their loans through a representative have no time to visit the cooperative so they just entrust their payments to someone they know who is going to the cooperative.

Table 9. Mode of collecting loan payment by the La Trinidad Vegetable Trading Post Multi-purpose Cooperative

MODE OF COLLECTION	FREQUENCY	%
They personally pay it to the cooperative	23	50
They give to someone or representative	9	10
Through the collector	18	40



Suggested solutions by the Officers and Staff to Reduce Loan Delinquency

Table 10 presents the solutions suggested by the officers and staff of the LTVTP-MPC to reduce loan delinquencies. Fifty percent (50%) mentioned that by strict implementation of policies, rules and regulation regarding loans is the most preventive way to avoid loan delinquencies.

Thirty percent (30%) of the officers and staff identified that possible solution to reduce loan payment delinquencies is by re-structuring the loan. Ten percent (10%) of the officers and staff also said that other possible solution is by sending demand letter to the borrowers.

Ten percent (10%) observed that sending officers or collector to the borrowers gives a capacity to the members to pay especially those staying in far places contributed to lessening loan delinquency.

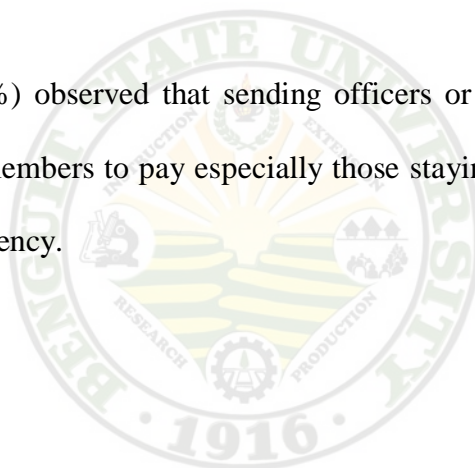


Table 10. Suggested solutions of the La Trinidad Vegetable Trading Post Multi-purpose Cooperative

SOLUTIONS	FREQUENCY	%
Re- structuring of the loan	4	30
Strict implementation of policies	8	50
Sending demand letter	2	10
Sending collector or officer to collect	1	10



SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

This study was conducted to look into the factors affecting loan delinquencies of La Trinidad Trading post vegetable Multi-purpose Cooperative in La Trinidad Benguet and the control practices of the cooperative to reduce loan delinquency.

The study was conducted to identify the factors affecting loan delinquencies, problems encountered by the member-borrowers on loan payment, problem of LTVTP-MPC in granting loans, measures employed by the coop to reduce loan delinquencies, preventive and remedial action to control the loan delinquency.

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

This was conducted at La Trinidad Vegetable Trading Post Multi-purpose Cooperative with 15 officers and staff and 46 member-borrowers who has been delinquent of the coop as the respondent.

Findings showed that majority of the respondent were female, married with ages of ranging 31 to 50 years old.

The study shows that the Agricultural loan/Regular loan has the highest percentage of delinquencies. The reason is because of the risk in agricultural production, price fluctuation of vegetable and the weather condition.

It was determined by the study that most of the problems encountered by the member-borrower on loan payment were; no money during collection, less income for the day because of low price of vegetables.



On the other hand, the problems encountered by the cooperative officers and staff to member-borrowers were; improper using of loans, lack of project monitoring and insufficient documents.

Solutions employed by the cooperative to control loan delinquency were; consider the character of member-borrower, sending reminder letter, financial counseling, continues education regarding their duties and responsibilities and impose strict collection. The sources of funds for loan payment were commonly from their sales coming from their farms and also the borrowed money from others



Conclusion

Based on the findings, the following conclusions are drawn.

1. The borrowers mostly availed of the Agricultural loan.

The reason of this was traders are also a farmer. They mentioned that they had also a farm but they had a personnel or workers who managed and operate it but they give a financial support.

2. A big factor that contributes to become a loan delinquent member was not enough money during collection time and the unstable price of vegetable.

This finding was due to some circumstances, according to them they usually experienced this during the time that they had received or experience the “bouncing checks” especially to those new buyers that may lead to the bankruptcy of their business.

3. The preventive actions perceived by the cooperative to control loan delinquency

Are as follows;

- a. Inform their borrowers to their duties and responsibilities such as paying their loan on time.

- b. Implement strict loan policy.

- c. Give sanctions or penalty to the late payee.

4. Other problem encountered by the cooperative was the lack of commitment among the officers and the transferred residence of the borrowers.

According to the respondent, some of the officers and staff do not attend some of the regular meetings and activities of the cooperative. They only visit the cooperative when they wanted something.



5. The remedial actions perceived by the officers and staff was to send reminder letters in advance or a week before the due date for them to prepared their payment or earlier.

Recommendations

For Members-borrowers

1. Borrowers should practice the habit of paying their loan on time.
2. Schedule a time to pay and set aside money for paying loans.
3. The availed loan should be used in proper purpose and not for luxury or desires.
4. Members should know their duties and responsibilities once they entered in the cooperative.

For cooperative officers and staff

1. Loan policies are to be applied and implement strictly on collection of loan.
2. To control loan delinquency the preventive and remedial actions should be practiced.
3. Continuous counseling regarding loan payment should be provided to member-borrowers.
4. The officer should be regularly reminding the borrowers before their due date.
5. The coop should come up with an activities or programs that aim to improve negative way of paying the loan they voluntarily borrowed.



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APPENDIX A

Letter to the Respondent

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

January 2009

Dear Respondent,

The undersigned is a fourth year student of Agribusiness in Benguet State University.

Conducting a research entitled “FACTORS AFFECTING LOAN DELINQUENCY AND CONTROL PRACTICES OF LA TRINIDAD TRADING POST MULTI-PURPOSE COOPERATIVE”.

In this regard, may I humbly request a portion of your time to answer the attached questionnaire? Your kindness assistance will enable me to complete the requirement in due time. Rest assured that all information you provide will be treated with utmost confidentiality.

Your favor and consideration with regards to this endeavor is fully appreciated.

Respectfully yours,

MELITA D. BANGSOYAO
Researcher

Noted by:

LUKE E. CUANGY
Adviser



APPENDIX B

Letter to the Manager

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

January 2009

Mr. Tanny Atayoc
Manager
La Trinidad Vegetable Trading Post Multi-Purpose Cooperative
Km5. La Trinidad, Benguet

Sir:

Warm Greetings!!!

I, Melita D. Bangsoyao, a student of Benguet State University taking up Bachelor of Science in Agribusiness major in Cooperative Management. I am presently conducting a research titled "FACTORS AFFECTING LOAN DELINQUENCY AND CONTROL PRACTICES OF LA TRINIDAD VEGETABLE TRADING POST MULTI-PURPOSE COOPERATIVE" as a requirement for the degree.

In connection, may I request permission to conduct my study and float my questionnaires to your members?

Thank you very much for your favorable action regarding this request. Your favorable action will be highly appreciated.

Sincerely yours,

MELITA D. BANGSOYAO
Researcher

Noted:

LUKE E. CUANGY
Adviser



APPENDIX C
Survey Questionnaire for Cooperative Officers and staff

(For Cooperative-officers)

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 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 staff involved in loans operation and many of them?

_____ Manager

_____ Loan clerk

_____ Loan officer

_____ Collector

_____ others, please specify: _____

II. Practices on Loan Delinquency Control

What are your loan requirements?

_____ Share capital

_____ Savings deposit

_____ Business permit



_____ Co-maker

a) How many co-makers do you require _____

b) What are the 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 other private lending firms operating in the place

_____ Others, please 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 that the borrowers did not used their loan for the intended purpose?

_____ 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, please specify

How do you collect loans?



_____The borrowers personally pay it to the cooperative.

_____They just send it to someone who goes to the cooperative.

_____Through the collector.

Do you remind the borrowers regarding their due date? Yes_____ No_____

If yes, how do you remind them?

_____By giving notice/collection letters.

_____By sending staff.

_____By restructuring the loan.

_____By collecting from their co-makers.

_____Others, please 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 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 reminders 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 borrowers 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 perceived to collect delinquent loans.

REMEDIAL ACTIONS

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

_____ Ask the help of other officers in the collections.

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

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

_____ Make collection to the Delinquent's co-maker and spouse.

_____ Provide amnesty on fines.

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



APPENDIX C

Survey Questionnaire for Member-borrowers

(For Members-Borrowers)

I. GEOGRAPHIC INFORMATION

1. Name of cooperative _____

2. Address of Cooperative _____

II. GENERAL INFORMATION ON THE RESPONDENT

3. Name _____

4. Age _____ 5. Sex _____ Male _____ Female 6. Civil status _____

7. Highest educational attainment

_____ Elementary _____ High School

_____ College, please specify course _____

1. Position in the cooperative

_____ Officer, specify _____

_____ Manager, specify _____

III. REPAYMENT OF LOAN

1. What was the latest loan you availed in the cooperative?



2. What was the purpose of the loan?

Type of loan	Amount	Term
Emergency loan	_____	_____
Agricultural loan	_____	_____
Others, specify	_____	_____

4. How did you pay your loan?

_____ Through collector from cooperative

_____ personally went to the cooperative

_____ sent payment through representative

_____ Others, specify _____

5. Methods of payment (please check)

_____ Full payment _____ Installment

_____ Others, specify _____

1. If installment, what were the terms of payment?

_____ Weekly _____ Installment

_____ Monthly _____ Annually

2. Describe the maturity period of your loan?

_____ Short _____ Just enough

_____ Long _____ Others, specify _____



V. MEASURES EMPLOYED BY THE COOPERATIVE TO REDUCE LOAN DELINQUENCY

6. Methods of collecting payments

_____ Full payment

_____ Installment

_____ Others, specify _____

3. If installment, what are the terms of payment employed?

_____ Weekly

_____ Quarterly

others, specify _____

_____ Monthly

_____ Annually

