

## **BIBLIOGRAPHY**

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## **ABSTRACT**

This study was conducted to determine/know the following: profile of the borrowers, purpose of loan acquired, credit policies, factors affecting loan delinquency, and the problems encountered by the loan borrowers. This was conducted at La Trinidad Vegetable Trading Post Multipurpose Cooperative with 30 member-borrowers of LTVPTMPC as respondents in January 2006.

The mean age of the respondents was 36 years old, majority were female, all of them had formal education and most of them were college graduate, majority were engaged in vegetable trading with very few farmers.

Members availed of productive loan for vegetable production and for vegetable trading business. Emergency loans were used mostly for education purpose. It is the policy of the cooperative to loan only to those who have paid their membership fee, their minimum share capital, attended and completed the PMES, and have been a member for at least two months. The maximum amount to be borrowed is two times one's paid-up share capital. The cause's delinquencies were: borrowers used their money for other purposes, bankruptcy due to natural calamities, and loans were not used for the intended purpose.

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## **INTRODUCTION**

### Rationale of the Study

The La Trinidad Vegetable Trading Post Multipurpose Cooperative (LTVTMPC) was registered on September 9, 1992 with the Cooperative Development Authority (CDA). It was originally named as La Trinidad Vegetable Trading Post Allied Services Cooperative (LTVTPASC) and later was amended as it is named today, upon insistence of CDA in accordance with the new cooperative guidelines.

Records showed that the cooperative started its operation with initial paid up share capital of Thirteen thousand Five Hundred Pesos (P13,500.00) only. This was contributed by the 15 members at P900 each. In the course of time, more people joined the cooperative as members. They were private and government employees, businessmen and women, vegetable traders and producers. As of February 28, 2003, there were 897 members and the paid-up share capital and total asset amounted to P11,240,036.80 and P36,083,226.69, respectively. They owned a four-storey building located at Wangal, La Trinidad, Benguet.

The foregoing remarkable growth of the cooperative in ten years speaks well of the loyalty of the members, the strong determination and commitment of the Board of Directors, committee members and management staff who had been serving, the cooperative as volunteers in the beginning years. The cooperative had been providing loans to its members which have helped them in their personal businesses. It is on this basis that this study was conducted to evaluate the credit operation of the cooperative in order to find out their good practices that can be emulated by other cooperatives.



### Statement of the Problem

The following questions set the focus of the study:

1. What is the profile of the borrowers?
2. What are the purposes of the loan acquired by the borrowers?
3. What are the credit policies of the cooperative?
4. What are the factors affecting loan delinquency of loan borrowers?
5. What are the problems encountered by the borrower?

### Objectives of the Study

This study attempted to describe the Credit Operation of the La Trinidad Vegetable Trading Post Multi Purpose Cooperative and determine the profile of the borrowers.

1. Determine the profile of the borrowers.
2. To find out the purpose of loan acquired.
3. To know the credit policies of the cooperative.
4. Find out the factors affecting loan delinquency of loan borrowers.
5. To find out the problems encountered by the loan borrowers.

### Importance of the Study

The results of this study would guide the board of directors and other officers in making plans for the improvement of the cooperative operations. Furthermore, it could also serve as a source of information for further research on other related studies.



### Scope and Delimitation of the Study

This study focused on the evaluation of the credit operation of La Trinidad Trading Post Multipurpose Cooperative to find out if their loan policies are being followed in their actual lending and collection as perceived by the members.



## **REVIEW OF LITERATURE**

### Definition of Cooperative

According to Onagan (1997), a cooperative is an association of persons who join together to carry an economic activity for their mutual benefit. A cooperative differ from a corporation in the sense that sharing of benefits in a cooperative is based on the principle of equity unlike the corporation that is based on shares of stocks or the amount of capital invested in the business. Membership of the cooperative is open and voluntary, meaning that anyone who satisfies certain non-decimator conditions may join the cooperative. Each member of the cooperative is entitled to only one vote.

Aquino (1991) stated that a cooperative is a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social and economic end, making equitable contributions to the capital required and accepting a fair share of the risk and benefits of the undertaking in accordance with the universally accepted cooperative principles.

### Legal Basis of Cooperative

Republic Act Number 6938, Article 2, otherwise known as the Cooperative Code of the Philippines, declared that it is a state policy to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people's power toward the attainment of economic development and social justice. The state shall encourage sector to undertake actual formation and organization of cooperatives and shall create atmosphere that is conducive to the growth and development of their cooperative.





Toward this end, the government and all its branches, subdivision, instrumentalities and agencies shall ensure the provision of technical guidance, financial assistance and other services to enable the said cooperatives to develop into viable and responsive economic enterprises that thereby brings a strong cooperative movement that is free from any condition that might infringe upon autonomy or organizational integrity of the cooperatives.

### Purpose of Cooperatives

Article 6 of Republic act 6938 states that a cooperative may be organized and registered by at least 15 members for any of the following purposes:

- a. To encourage thrift and savings mobilization among members.
- b. To encourage among members systematic production and marketing.
- c. To generate funds and extend credit to members for productive and provident purposes.
- d. To promote goods and services and other requirements to the members.
- e. To acquire lands and provide housing benefits for the members.
- f. To ensure against losses of the members.
- g. To promote and advance the economic, social, educational status of members.
- h. To establish, own, and lease operate cooperative banks, cooperative wholesale and credit complexes, insurance and agricultural and industrial processing enterprise and public markets.
- i. To coordinate and facilitate the activities of the cooperatives.
- j. To undertake any and all other activities for the effective and efficient implementation



of the provision of the code.

### Types of Cooperative

Nolledo (1976) mentioned different types of cooperatives, credit cooperative, consumer cooperative, marketing cooperative, producers cooperative, and service cooperative. Majority of the cooperatives registered with the CDA are multipurpose cooperatives. Being a multipurpose cooperative, they offer more than one type of service depending on the need of their members. The credit union is a type of cooperative that pool the money of the members then give them as loans to their members.

### Causes of Failure of Credit Cooperatives

According to Taganas (1979), the failure cooperatives are often due to the failure of member-borrowers to pay their loan or the delinquency of members in paying their loans. The failure of farmers to pay their loans on time according to Taganas was because the money was diverted to non-farm activities such as food, house repair, education and recreation. Some loans were used to settle other accounts from suppliers of farm inputs.

Cawaon (1982) stated that the practice of requiring loan collateral for loaning is the protection of the investors for losses due to the failure of the business or bad faith of borrowers. Credit cooperatives are faced with viability problem caused mainly by the delinquency on loan receivables. Loan capacity is impaired by such delinquency so that other possible beneficiaries lose opportunity to borrow and use loans as complements for sustaining capital. This is especially true in community based cooperative. Trends show high seasonal peaks of loan application. Sometimes resulting in suspension of loan



releases definitely displease members a consequent of these delays or suspension of loan releases.

Singh (1977) stated that repayment capacity is a test of economic feasibility. It is generally assumed that if an investment is profitable, the loan can be paid without any difficulty. The poor payment of a farmer may due to either a one or more of the following:

1. Small size of the farm business which results to small income.
2. Low productivity due to poor land.
3. Low price of farm products, distress sales and low infrastructure.
4. High production cost.
5. Diversion of loan for unproductive purposes.
6. High cost of living.

As stated on the handbook on Agrarian Reform and Taxation (1975), one of the main problem of the cooperative development is the lack of competent staff at various level of qualification. This shortage of adequately trained staff is especially acute in the field of management; hence, some kind of emergency action is acquired in many cases of cooperative in order that the members apply their role as efficient instrument of social and economic development.

### Causes of Loan Delinquency

The causes of difficulty in loan payment by farmers as identified by Biase (1979) were as follows: money of the farmers was spent for other purposes, low production, crop damaged due to natural calamities, wrong timing of collection, low market price, high



cost of production, and lack of transportation facilities. Biase further mentioned that the personal characteristics of the farmer affect loan repayment delinquency. These personal characteristics included household size, educational attainment, and farming experience.

Ganawed (1997) also identified natural calamities, low market price, high cost of production, and lack of transportation facilities.

### Loan Security

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 debt. In order to make a loan, lenders require security that will reduce 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 source fails for some reason, the collateral value of the security. Most lenders will not make a loan unless the firm has sufficient expected cash flows to make proper servicing of debt probable. To reduce their risk further, lenders require security. Secured lending arrangements are mostly costly to administer than unsecured loans and that the incremental cost is passed on to the borrower in the form of fees and higher interest costs than 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).



## **METHODOLOGY**

### Locale and Time of the Study

This study was conducted at La Trinidad Vegetable Trading Post Multipurpose Cooperative from January to February 2006.

### Respondents of the Study

The respondents of this study were the Manager and Bookkeeper of La Trinidad Vegetable Trading Post Multipurpose Cooperative and 30 member borrowers.

### Data Collection

An interview guide was used to obtain data from the manager and officers of the cooperative. For the member-borrowers, a prepared questionnaire was floated to them. Points that need to be clarified were asked personally by the researcher from the respondents. Existing written credit policies as well as loan documents were the other sources of information on operations procedure, type of loan applied for; and payments of loans.

### Data Collected

In order to answer the objectives, the following data were collected: purpose of loan, credit policies of the coop, factors affecting loan delinquency of loan borrowers.



### Data Analysis

The data gathered was analyzed and interpreted according to the objectives of the study. Statistical tools such as frequency counts, means, and percentage were used in the analysis.



## RESULTS AND DISCUSSION

### General Information About the Respondents

Table 1 presents the age, sex, civil status, educational attainment and occupation of the respondents.

Sex. Among the 30 respondents, 73.33% were female and 26.67% were male. According to many of the respondents, females are greater in number than the males in the cooperative membership because the female had enough time to attend all the cooperative activities. The males on the other hand, were always busy on their business transaction on the field especially for farmers.

Age. As shown in the table, the respondents' mean age was 36 years old. Most 36.67% belonged to the age bracket of 36 -45 years old. Some 23.33% belonged to age bracket of 25 – 35 years old, 30% belonged to 46 -55 years old and 10% belonged to 55 - 60 years old.

Civil status. Table 1 shows that most (63.33%) of the respondents were married, 26.67% of the respondents were single, and 10% were respectively widowed.

Educational attainment. On the educational attained, almost all (100%) of the respondents had gone to school. Table 1 shows that most of the respondents (46.67%) had finished college education; 36.67% high school, 16.67% were elementary graduates, and 6.67% were vocational graduates.

Occupation. Most (40%) of the respondents were vendors; 33.33%, vegetable dealers; 13.33%, vegetable traders, 10%, were farmers, and 3.33%, retailer.





Table 1. Profile of the respondents

PARTICULARS	FREQUENCY	PERCENTAGE
a. Sex		
Female	22	73.33
Male	8	26.67
Total	30	100
b. Age		
25 – 35	7	23.33
36 – 45	11	36.67
46 – 55	9	30
56 - 60	3	10
Total	30	100
c. Civil Status		
Single	8	26.67
Married	19	63.33
Widowed	3	10
Total	30	100
d. Educational Attainment		
Elementary	3	10
High School	10	33.33
College	14	46.67
Vocational Graduate	2	6.67
Total	30	100
e. Occupation		
Dealer	10	33.33
Farmer	3	10
Vendor	12	40
Retailer	1	3.33
Trader	4	13.33
Total	30	100



### Purpose of Loaning

Table 2 presents the two types of loan according to purpose:

Productive loan. As presented, most of the individual borrowers (60%) obtained loans for vegetable production and (40%) for business capital.

Emergency loan. The table shows that educational loan was the major purpose of most individual borrowers with a percentage of 66.67% followed by hospitalization and medical with percentage of 26.67% and dry goods, sari-sari store, both with 3.33%.

Table 2. Loaning purpose of individual borrowers

PURPOSES	FREQUENCY	PERCENTAGE
a. Productive Loan		
Vegetable production	18	60
Business capital (Trade)	12	40
b. Emergency Loan		
Hospitalization/Medical	8	26.67
Education	20	66.67
Dry Goods (wagwagan)	1	3.33
Sari-sari store	1	3.33

### Requirements Submitted by the Borrowers When They Applied for Loan

The requirements submitted by the respondents when they applied for loan real estate mortgage and chattel mortgage as mentioned by 33.33% and 30%, respectively. Nine respondents or 30% said they submitted a promissory note while one respondent each submitted a fixed deposit certificate, and a checking account (Table 3).



Table 4 presents the reasons why they submitted all these requirements. As mentioned by 53.33% of the respondents, these requirements served as security measure for the cooperative while 14 or 46.67% said that it is the traditional practice of the cooperative. This finding implies that at least the member-borrowers were aware of the credit policies of the cooperative.

Table 3. Requirements submitted by the members when they applied for loan and the reasons for the requirements

REQUIREMENTS	FREQUENCY	PERCENTAGE
Real estate mortgage	10	33.33
Chattel mortgage	9	30
Promissory note	9	30
Fixed deposit	1	3.33
Checking account	1	3.33
Total	30	100
REASONS		
Security measure for the cooperative	16	53.33
Traditional practice in lending operation	14	46.67
Total	30	100

#### Duration of Loan Processing

Table 4 presents the duration of loan processing by the loan borrowers. It shows that most 93.33% of the respondents processed their loan from three to seven days,



3.33% of the respondents processed their loans for two to three weeks, and 3.33% of loan borrowers processed their loans for four weeks and above. This means that the borrowers usually get their loan less than a week after filing. The duration of processing also depends on the type of loan and the requirements to be attached to the application form.

Table 4. Duration of loan processing by loan borrowers

DURATION	FREQUENCY	PERCENTAGE
1 week and below	28	93.33
2 – 3 weeks	1	3.33
4 weeks and above	1	3.33
Total	30	100

#### Perceptions of Borrowers on the Release of Loans

Table 5 presents that most response of the borrowers regarding the immediate release of approved loans. The borrowers were asked if approved loans were released immediately, almost all (93.33%) the respondents had a positive response. This implies that almost all the borrowers received their loans upon approval. However, there were 2 who said that their approved loans were not immediately released because the credit committee did not meet first before the approval of the loan.



Table 5 . Reponses of borrowers if approved loans are immediately release

RESPONSE	FREQUENCY	PERCENTAGE
Immediately released	28	93.33
Not immediately released	2	6.67
Total	30	100
Reason for not releasing immediately		
Credit committee has to meet first	2	100

#### How the Loan was Released

The borrowers were asked if the cooperative released their loans either in full cash or installment. As found in Table 6, all the respondents received their loan in full cash after it was approved. This finding implies that the cooperative usually release loans of their members in full cash. There may be a rare case when the loan was released on installment but this is not the usual practice of the cooperative.

Table 6. How approved loan were released

METHODS	FREQUENCY	PERCENTAGE
Full cash	30	100
Installment	-	-
TOTAL	30	100



Sufficiency of Amount Borrowed  
for Purpose Indicated

Table 7 presents the responses of the borrowers if the amount borrowed was enough for the purpose stated in the loan form. The result shows that 70% responded that the amount loaned was enough for the purpose but 30% said that the loan was not enough for their purpose. The amount borrowed may not be enough because the capital requirement for their business was bigger than what they could borrow from the cooperative. However, the cooperative cannot loan the whole amount they needed because it was not in accordance with their policy.

Table 7. Opinion on the sufficiency of amount borrowed

RESPONSE	FREQUENCY	PERCENTAGE
Sufficient	21	70
Not sufficient	9	30
TOTAL	30	100

Loan Repayment by Borrowers

Table 8 presents that the borrowers paid their loans either through the loan collector or personally go to the office of the cooperative and pay there. Twenty five or 83.33% paid to the loan collector and five or 16.67% paid their loan at the office of the cooperative. This implies that majority of the member-borrowers paid their loans to the collector. The table further shows that 20% of the borrowers paid their loan in full cash



upon maturity, while 80% paid their loans on installment. This finding implies that majority of the borrowers pay their loan on installment.

Terms of installment payment. Of the 24 respondents who paid on installment, 43.33% repaid their loans weekly, 16.67% repaid their loans monthly, and 20% repaid their loans quarterly.

Table 8. Practices of respondents in paying their loans

PARTICULAR	FREQUENCY	PERCENTAGE
a. To whom payments were given		
Through the collector	25	83.33
Pay to the cashier at the office	5	16.67
Total	30	100
b. Mode of payment		
Lump sum payment	6	20
Installment	24	80
Total	30	100
c. Installment interval		
Weekly	13	43.33
Monthly	5	16.67
Quarterly	6	20.00
Total	24	100



### Loan Repayment Delinquency

Table 10 presents the responses of the respondents as to whether or not they had been delinquent in paying their loans. According to 11 respondents or 36.67% they had been delinquent in paying their loans while 63.33% said they have not been delinquent. This finding implies that the incidence of delinquent borrowers in the cooperative was high as evidenced by the percentage of respondents who have been delinquent.

Table 10. Responses of borrower-respondents if they had been delinquent

RESPONSE	FREQUENCY	PERCENTAGE
Yes	11	36.67
No	19	63.33
Total	30	100

### Causes of Loan Repayment Delinquency

Table 11 shows that most (30%) of the respondents mentioned natural calamities as the cause of their inability to pay their loan on time. This was followed by low production yield (20%), others were unexpected drop in the number of customers (16.67%), increase of rental and license fee (13.33%) and commodities are sold on credit basis with 20%. This finding shows that most of the causes of their delayed payment was beyond the control of the borrowers.





Table 11. Causes of loan repayment delinquency

CAUSES OF DELINQUENCY	FREQUENCY	PERCENTAGE
Natural Calamities	9	30.00
Low Production/yield	6	20.00
Unexpected drops in number of customers	5	16.67
Increase of rental and licenses	4	13.33
Products were sold on credit basis	6	20.00
Total	30	100

#### Payments of Interest by the Borrowers

Table 12 shows that 100% of the borrowers paid their interest through deduction from the loan borrowed. This finding shows that the cooperative is collecting interest on loans in advance.

Table 12. Payment of interest by the borrowers

PAYMENTS	FREQUENCY	PERCENTAGE
Deduction from the loan borrowed	30	100
Paid at maturity date	-	-
Amortization	-	-
TOTAL	30	100



### Problems Encountered by Borrowers in Securing Loan

Table 11 presents the problems of the borrowers related to loan application, loan repayment, and loan enhancement.

Problems on loan application. There were 50% of loan borrowers who commented on the long duration for processing before loan is released, 46.67% of the respondents said that they were unaware of the procedures in borrowing, and 3.33% mentioned delayed approval.

Problems on repayment. There were 3 or 10% who said that they prefer to use money for other purposes than to use it for paying their loan. Half of the respondents said they have problem on repaying their loan because of bankruptcy due to natural calamities. Fourteen or 46.67% mentioned they were unaware of the procedure in borrowing, 7 or 23.33% said they had no money to pay since the loan since the loan was not used for its intended purpose.



## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### Summary

This study was conducted to: determine the profile of the borrowers, find out the purpose of loan acquired, know the credit policies of the cooperative, find out the factors affecting loan delinquency of loan borrowers, and find out the problems encountered by the loan borrowers. This was conducted at La Trinidad Vegetable Trading Post Multipurpose Cooperative with 30 member-borrowers of LTVPTMPC as respondents. This was conducted in January 2006.

The mean age of the respondents was 36 years old, majority were female, all of them had formal education and most of them were college graduate, majority were engaged in vegetable trading with very few farmers.

Most of the respondents borrowed from the cooperative for vegetable production purpose while some of them borrowed for capital in their vegetable trading business. For the emergency loan majority availed for education purpose. The respondents submitted the following requirements as when they borrowed from the cooperative: real estate mortgage, chattel mortgage, promissory note, fixed deposit certificate, and time deposit certificate. Almost all the respondents were able to get their approved loans in less than one week, except for two respondents whose loans were released after more than two weeks. All their loans were released in full cash by the cooperative.

Majority of the respondents paid their loan on installment basis. Some paid on a weekly basis while some paid on a monthly installment and others paid on a quarterly basis. Very few paid their loan in full amount. There were some respondents who had



been delinquent in paying their loans and most of them reasoned that their business was bankrupt due to natural calamities.

The respondents pointed out the following problems related to their loan availment: long duration of processing their loan, unawareness of the procedure in borrowing that caused them to process the loan for a long time, delayed approval, although it was experienced by just one respondent, delinquent in paying their loans because they used their money for other purposes instead of paying it to the cooperative, bankruptcy due to natural calamities, and no money to pay their loan because they did not use their loan for the purpose they intended to use the loan.

### Conclusions

Based on the findings of the study, the following conclusions were arrived at:

1. Majority of the members of LTVPTMPC are female, with college education and are engaged in vegetable trading.
2. Majority of the borrowers availed of the productive loan from the cooperative for vegetable production and vegetable trading purposes. And most of them borrowed emergency loan for education purpose.
3. The cooperative accepts real estate mortgage, chattel mortgage, fixed deposit certificate and time deposit certificate as collaterals for loans.
4. It takes less than one week for the cooperative to release approved loans.
5. Majority of the borrowers paid their loans on installment basis



6. Some borrowers were delinquent in paying their loans because their business is either bankrupt due to natural calamities or they used their loan for non-productive purpose.
7. It took some members to process their loans for several days because they were unaware of the procedure in applying for a loan.

### Recommendations

1. The cooperative should post their loaning procedure in their bulletin board so that members would know how to process their loan and this would shorten the time for loan processing.
2. The cooperative should mandate their credit committee to check if loans were used for the purposes stated in the loan form that were used as bases for releasing their loans. If loans would be appropriately utilized by the borrowers then delinquency would be minimized.



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## APPENDICES

### A. Letter to the Respondents

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

January 2006

Dear Sir/Madam,

The undersigned is a BSU graduating student currently conducting her research entitled "CCREDIT OPERATION OF LA TRINIDAD VEGETABLE TRADING POST MULTIPURPOSE COOPERATIVE" This research is one of the requirements for graduation.

In this connection, may I request you to answer my questionnaire honestly. Your full cooperation is highly appreciated and rest assured that any data you would provide will be treated with utmost confidence.

Thank you very much for sharing a part of your most precious time to answer my questionnaire.

Sincerely Yours,

KIMBERLY G. TODYOG  
Researcher

NOTED BY:

CLIFTON D. LLANES  
Adviser

### B. Survey Questionnaire



CREDIT OPERATION OF LA TRINIDAD VEGETABLE  
TRADING POST MULTIPURPOSE COOP

I. GENERAL INFORMATION

1. Name (optional) \_\_\_\_\_ Sex \_\_\_\_\_ Age \_\_\_\_\_
2. Occupation \_\_\_\_\_ No. of years in occupation \_\_\_\_\_
3. Highest educational attainment \_\_\_\_\_
4. Civil status: ( ) single ( ) married ( ) separated ( ) widowed
5. Number of household members \_\_\_\_\_

II. MEMBERSHIP IN THE COOPERATIVE

1. Date of membership in the cooperative \_\_\_\_\_
2. How did you become a members of the cooperative?
  - ( ) influenced by friends
  - ( ) influenced by relatives
  - ( ) others \_\_\_\_\_
3. Are you a member of other cooperatives? ( ) yes ( ) no
4. If yes, what cooperative? \_\_\_\_\_
5. Why did you join the cooperative?
  - ( ) the coop is the best place to invest my money
  - ( ) so that I could borrow money
  - ( ) because I believe in the principles of the cooperative





( ) others \_\_\_\_\_

### III. BORROWINGS

1. What type of loan have you borrowed from the cooperative?

( ) productive loan      ( ) commercial loan      ( ) emergency loan

2. What were the requirement you submitted with your loan application? \_\_\_\_\_

\_\_\_\_\_

3. How many days did it take the cooperative to release your loan? \_\_\_\_\_

4. What collateral did you submit? \_\_\_\_\_

5. How many days did it take you to process your loan? \_\_\_\_\_

6. What was the purpose of your loan? \_\_\_\_\_

7. Was there a time you were delinquent in paying your loan? ( ) yes      ( ) no

8. What caused you to be delinquent? \_\_\_\_\_

9. How did you pay your loan? ( ) installment      ( ) full payment

10. If installment, what is the interval? \_\_\_\_\_

11. What problem did you meet in applying for a loan? \_\_\_\_\_

\_\_\_\_\_



## EXHIBIT 1

## CREDIT POLICIES OF THE COOPERATIVE

1. Lending Operation of the cooperative.

An application for loan will only be considered if the applicant has:

- a. paid the required membership fee of P500.00,
- b). paid the hospitalization aid fund (MAF) fee of P100,
- c. paid the medical aid fund fee of P100,
- d). subscribed and paid a minimum share capital of P5,000.00.
- e. opened and maintained a savings deposit account of P1,000 minimum
- f. Attended and completed the PMES
- g. have been a members for at least two (2 ) months

2. Loanable Amount

- a. First time to borrow - two time (2x) the amount of share capital. It must, however, be collateralized if the amount involved need collateral.
- b. Second time to borrow- three times the amount of share capital if the members has a good credit standing. It must, however, be collateralized if the amount involved needs collateral.

The amount that needs collateral is P30,000 and above. The acceptable collaterals are as follows: OR/CR of motor vehicle, lot title/tax declaration , share capital. However, if share capital is P30,000, the members may be granted a loan of P50,000 without collateral.

3. Security/Collateral of loan

- a. Time deposit holdout- time deposit could part of collateral; the certificate of time deposit must be surrendered to the cooperative during the term of the loan.
- b. Real estate mortgage- location shall be limited to within Baguio and the 13 municipalities of Benguet. The area, if agricultural should be devoted to agricultural production. The area may be residential lot or with building/ other improvement therein.

The member-borrower shoulders the expenses incurred in the appraisal and processing of the property being offered as collateral.

- c. Chattel Mortgage – good running condition vehicle/jeep complete with OR/CR regardless of model maybe accepted as collateral for loan.
- d. Share capital could be part of collateral

#### 4. Approving and Signing Authorities

- a. P30,000 and below – manager
- b. P31,000 to P60,000 – manager and credit committee
- c. P61,000 and above- credit committee and board of directors

#### 5. Penalty and Grace Period

Tend (10) days grace period after due date. Two percent (2%) maintaining interest and five percent (5%) is charged monthly after the grace period until such obligation has been fully paid/settled.

#### 6. Restructuring of Loans

Loans adversely affected by the following shall be considered eligible for restructuring: natural calamities, pest and diseases and other incidents not attributed to member-borrower negligence.

#### 7. Reavailment of Loan



On the grounds that members opted to keep on re-availing loans by paying regularly the corresponding interest and other charges because of the nature of their regular business undertakings. This practice therefore, being regular needs appropriate reclassification of terminology as REAVAILMENT OF LOAN RESTRUCTURING shall stay as is for future application.

#### 8. Co-makers

Two (2) co-makers who are of good credit standing must sign a loan except:

- a. when the amount of loan granted is equal or within the range of the share capital, and
- b. when the loan amount is fully collateralized.

#### 9. Prohibitions

- a. No member shall be a co-maker for his/her spouse, sisters/brothers or for more than two (2) borrowers.
- b. Members with past due accounts are not qualified as co-makers.
- c. no board of director acts a co-maker to another board of director.

#### 10. Collection of Past Dues

The manager to serve notices to co-makers regarding the past dues of member borrowers whom they have granted to present persons with Past dues.

