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**CORRELATES OF LOAN REPAYMENT STATUS AMONG MEMBERS OF THE HOLY
CROSS COLLEGE OF CALINAN MULTI-PURPOSE COOPERATIVE**

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Chapter 1

INTRODUCTION

Background of the Study

A successful cooperative has committed members and effective leadership. A cooperative like any other organization must have a good organizational and financial structure (Fajardo & Abella 1999). The recognition of a common need is essential to the success of a cooperative. Article 3 of the Philippine Cooperative Code 2008, defines cooperative as “an autonomous and duly registered association of persons with a common bond of interest, who have voluntarily joined together to achieve their social, economic, and cultural needs and aspirations by making equitable contributions to the capital required, patronizing their products and services and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principle”.

Every cooperative has its own problems; one of which is the delinquency of the members in terms of loan repayments. Cooperative

movement dawned in India a century ago to eradicate indebtedness and to accelerate agricultural production in the country. However, credit risk is acute in a cooperative credit system (Justin, 2010). In the United States delinquency of payment is the main problem. Based on the statistical data published by Reuter last May 2013, delinquency rate in all loans rose to 7.25 percent from 7.09 percent in the first quarter. One of the reasons why cooperatives fail is that members who borrowed money from cooperatives in the form of loans fail to do their responsibility that is paying the amortization promptly.

In many developing countries, like the Philippines, increase in population puts intense pressure on government agencies. Thus, cooperative sector is making an important socio-economic contribution in serving poor communities through sustainable development programs. Many of them started with a handful of members who pooled their meager resources to address their financial problems. But despite the sprouting of many cooperatives, there are still problems experienced by management in terms of loan repayments. According to Kiwan-en (2007), one of the factors affecting loan repayment delinquency is the diversion of the member-borrowers of their loan proceeds to other purposes instead of investing their money to earn profit.

Holy Cross College of Calinan Multi-purpose Cooperative (HCCCMC) was created in 1991 with 25 members and was registered at the Cooperative Development Authority (CDA) in 1992 with certificate no. RN-9520-11008337. HCCCM cooperative is located at

Datu Abing in Calinan inside Holy Cross College campus. Today HCCCM cooperative has more than 70 members including teaching and non-teaching employees. The cooperative offers cash loan and consumer credit in the form of grocery items. The cooperative is composed of General Assembly, five (5) Board of Directors, three (3) members of Audit and Inventory Committee, three (3) members of Election Committee, three (3) members for Credit Committee, three (3) members for Conciliation and Mediation Committee, three (3) members for Ethics Committee, six members for Education Committee, one (1) bookkeeper, one (1) manager, two (2) cashiers, and five (5) staff members.

Today the cooperative has successfully helped its members in fulfilling their needs. But just like any other cooperatives, there are problems encountered by the HCCCMC. One of these problems faced by the cooperative manager is the delayed loan repayment of its members. With the aforementioned issue, this study is being pursued to determine what caused members to be delinquent in paying their monthly loan amortization.

Statement of the Problem

This study was undertaken to determine the correlates of loan repayment status among HCCC Multi-purpose Cooperative members.

Specifically, it sought answer to the following questions:

1. What is the socio-economic profile of the respondents in terms of:
 - a. Civil status;

- b. Income;
 - c. Size of family;
 - d. Amount of loan borrowed;
 - e. Amount of contribution; and
 - f. Amount of amortization?
2. What is the level of satisfaction of the respondents towards the following organizational factors;
- a. Loan rates;
 - b. Supervision; and
 - c. Penalties?
3. How do the respondents ascribe to the following behavioral factors:
- a. Use of credit funds/ management of funds;
 - b. Willingness to pay; and
 - c. Indebtedness?
4. What is the loan repayment status of the cooperative members?
5. Is there a significant relationship between the loan repayment status and the following factors:
- a. Socio-economic profile;
 - b. Organizational factors; and
 - c. Behavioral factors?

Objectives of the Study

This study aimed at examining the factors contributory to the member's loan repayment status in the cooperative. This also further aimed at determining the socio-economic status of the members,

behavioral aspects, and organizational factors that may affect the loan repayment status of members. Also, this aimed at determining the significant relationship between the loan repayment status and the following factors, such as: Socio-economic Factors; Organizational Factors; and Behavioral Factors.

Significance of the Study

This study is significant to the following stakeholders.

HCCC Cooperative Management. The result of this study may serve as a foundation for the Holy Cross College of Calinan Multi-purpose Cooperative to find ways on how to deal with delinquent members in terms of loan repayments. Moreover, this may also serve as basis for the management to look for strategies in the collection of loan repayments from its members. This may also be the basis for strengthening its collection policies and improved systems relative to granting and repayment of loans.

HCCC Cooperative Members. The result of this study may provide more information to the members for them to be aware of their duties and responsibilities in terms of paying their loans promptly. Also, for them to be mindful on how to wisely use their loan proceeds.

Other Cooperatives. It will also serve as a basis for other cooperatives to improve their policies on loan collections.

Researcher. The result of this study would help him be aware, as member of the cooperative, to be a member in good standing and said result also would be his contribution to the cooperative.

Scope and Limitation of the Study

This study focused on the factors that are perceived to have contributed to the loan repayment status of the members of the cooperative. The socio-economic factors include civil status, income, size of family, amount of loan borrowed, amount of contribution, and amount of amortization. The organizational factors include loan rates, supervision, and penalties while the behavioral factors include the use of credit funds/ management of funds, willingness to pay and indebtedness. The respondents of the study were the faculty and staff of Holy Cross College of Calinan who are members of the cooperative.

This study started last June 2014 and the study made use of primary data gathered using a survey questionnaire, which was a validated questionnaire. Secondary data were gathered from the files and records of the members provided by the cooperative manager and accounting staff of the school.

Definition of Terms

The following terms were operationally defined for better understanding of this study.

Amount of amortization refers to the payment or cash installments paid on loan by the members of the cooperative in certain terms and conditions.

Amount of contribution refers to the amount of money or share capital contributed by each member of the cooperative.

Amount of Loan borrowed refers to amount of money, property or other material goods lent by the cooperative to its members in exchange for future repayment of the principal amount along with interest or other finance charges.

Civil Status refers to the present status of an individual whether single, married, widow, and separated.

Income refers to the money that an individual receives in exchange for providing a good or service or through investing capital.

Indebtedness refers to the state of being in debt or having a contingent liability, such as loans other than credit loan from the cooperative.

Loan rates refer to the interest rate applied to a loan.

Loan Repayment Status refers to the non-delinquency and delinquency of members in paying monthly loan amortizations.

Management of funds refers to the use of cash in a productive way.

Penalties refer to the punishment, in terms of money, imposed by the cooperative to its members due to the non-fulfillment of prompt loan repayment.

Size of family refers to the number of members inside a household specifically the number of children.

Supervision refers to the action or process of watching and directing the operations of the cooperative in terms of policy implementation.

Willingness to pay refers to the readiness of cooperative members to attend to its obligations like paying the loan amortization on time.

Chapter 2

REVIEW OF LITERATURE AND THEORETICAL FRAMEWORK

This chapter presents the related literature and studies. Included herein are the theories where this study was anchored and its conceptual framework.

Related Literature and Studies

This section tackled literature and studies related to the present study. Topics include overview of the cooperative, factors affecting loan repayment like socio-economic factors, organizational factors and behavioral factors.

Overview of the Cooperative

The earliest cooperatives appeared in Europe in the late 18th and 19th centuries during the Industrial Revolution (Garcia and Guanzon 2004). As people moved from farms into the growing cities, they had to rely on stores to feed their families because they could no longer grow their own food. Working people had very little control over the quality of their food or living conditions. Those with money gained more and more power over those without. Early co-ops were set up as

a way to protect the interests of the less powerful members of society—workers, consumers, farmers, and producers.

In 1843, workers in the textile mills of Rochdale, England went on strike. When the strike failed, the millworkers began to look for other ways to improve their lives. Instead of calling for another strike or asking charitable groups for help, some of these people decided to take control of one of the most immediate and pressing areas of their lives. They believed they needed their own food store as an alternative to the company store. Twenty-eight people founded the Rochdale Equitable Pioneers Society, which later also known as Rochdale Principle.

The historical development of cooperative businesses cannot be disconnected from the social and economic aspects that shaped them (Zeuli and Cropp 2004). The cooperative model has been adapted to numerous and varied businesses. Cooperative benefits may include better prices for goods and services. People who organize and belong to cooperatives do so for a variety of economic and social reasons. Cooperating with others has often proven to be a satisfactory way of achieving one's own objectives while at the same time assisting others in achieving also their objectives.

Tam (2012) cited that whenever there is a problem beyond the capability of individuals or the response of one could cause conflict, this might seem appropriate to suggest that those concerned with the problem should cooperate with each other to find a satisfactory solution.

Factors Affecting Loan Repayment

In the Philippines, despite of its positive prospects in economic development, it continues to be confronted with the problems of poverty and income inequality. According to Sibal (2011), cooperatives and other labor enterprises are among the major pillars of the people empowerment movement. In spite of growing numbers of cooperatives in the Philippines, still they suffer problems of their own, and one of these is the misbehavior of its members specifically the delinquency in paying their obligations at expected time. Factors affecting loan repayment delinquency in most credit cooperative includes the following: a. socio-economic factors; b. organizational factors; and c. behavioral factors.

Socio-economic factors. The basic reason for having cooperative as a form of economic enterprise in an economy is to help people work together and move forward in a collective way (Perilla and Escala 2009). Cooperatives are considered to be the best form of economic enterprise because they are capable of seeking a balance adjustment between spirit and individual rights. Most cooperatives are created due to the willingness of some people to expand their sources of credit to help them establish their own marketing system and have the opportunity to share equally the incomes and benefits that are derived from the cooperatives. According to Zeuli and Cropp (2004), the historical development of cooperative businesses cannot be

disconnected from the social and economic aspects that shaped them. Also, having a cooperative will uplift the living conditions of people especially in depressed areas. To establish a cooperative, one of the considerations is to assess the socio-economic status of a person before he becomes a member. This includes the age, civil status, income, size of family, or his socio-economic profile. This determines if a member can suffice the requirements of the cooperative and if he can pay the amortization and the amount borrowed.

Civil Status. This means being single, married, separated, divorced, or widowed. In the simplest sense, the only possible answers are married or single. Marriage is a socially or ritually recognized union or legal contract between spouses that establishes rights and obligations between them and their children. Marriage is one of the most important institutions affecting people's life and well-being (Stutzer and Frey 2004). This commitment has positive and negative effects. Most people are more likely to get married. Married life offers wonderful benefits, but none are without challenges (Scott 2014).

Working through marriage problem in a healthy way can be very challenging. One of these problems is financial issue. Stress and fighting over money constitute one of the most cited marriage problems. When couples fight about money, their dispute is really symbolic of something different. Marriage may or may not increase the income of couples. According to Ahituv and Lerman (2005), several studies have examined the positive association between marriage and earnings, because the effect of marital status on the commitment to

work will increase the number of hours worked by married person. Furthermore, upon entering into marriage, individuals increase their commitment to work substantially but in the long run the marriage increment to hours worked declines.

In La Trinidad Benguet Multi-Purpose Cooperative, as cited by Kiwa-En (2007) majority of their members were married which means that the highest percentage rates of delinquency were committed by married members. For married members, one of the problems being encountered is the family's need, which becomes the reason for re-juggling the loan proceeds to another purpose. Jordan, A. & Zitek, E. (2012) cited that another problem is lack of money management because they have no clear plan for getting things together financially. Due to the inflation rate, married people are directly affected as the prices go high their needs will remain or even will go higher. High and rising debt is a justifiable concern. Finance is one of the building blocks of modern society. Without finance and without debt, countries are poor as well as on the part of a family. When they can borrow and save, individuals can consume even without current income.

Income. This refers to money or other forms of payment received periodically or regularly from commerce, employment endowment, investment, and royalties (Business Dictionary.com, 2014). Income differs because of economic inequality, because there is a gap between rich and poor. A study entitled "Divided We Stand: Why Inequality Keeps Rising" (Gurria 2011), cited that the earnings of the richest 10 percent of employees have taken off rapidly, relative to the

poorest 10 percent in most cases. This means that top earners have been moving away from middle earners faster than the lowest earners. Furthermore, his study reveals a number of findings why inequality keeps rising; globalization had little impact on both wage inequality and employment trends. Even though trade flows between countries around the world have been increasing rapidly, companies have been investing more and more directly in other countries, and imports from emerging economies, such as China and India, have surged, these trends were not major drivers of inequality in Organization for Economic Cooperation and Development (OECD) countries.

Because of these reasons, people come and gathered in a cooperative to address this issue (Shaw L. 2006). But sometimes it is the reason why an individual becomes delinquent to his obligation in a cooperative. An individual who avail credit should have sufficient income to pay his obligation on time. Chapter 2 Article 6 of the Cooperative Code of the Philippines states that, "A cooperative may be organized and registered for the purpose of thrift and savings mobilization among the members". But the availability of credits affects or distorts the way of thinking of some individuals, because they tend to relax and forget that credit is not free and have to be paid for when the due date comes, plus the interest and other charges (Briones 2005).

Size of the family. This can be an important contributor to household poverty (Orbeta 2005). The advent of children brings another potential source of marriage problems. Children are

wonderful, and can bring wonderful and meaningful gifts into the couple's lives. However, having children can bring additional stress into a marriage because the caretaking of children requires more responsibility as well as a change in roles. It provides more fodder for disagreement and strain, and reduces the amount of time available to bond as a couple and also it affects the income of both working parents. This implies that the incidence of poverty rises as family size increases or having more children.

According to a study of the Rwanda Cooperative Agency (2011), one of the causes of delinquency related to borrowers is family issues or problems like conflict with spouse or misappropriation of funds after the loan has been disbursed. Most of the members of the cooperative with large members of family have high percentage in repayment delinquency, because the loan was not used for the intended purpose. Number one reason is for the education of their children. A study shows that family size and birth order or the number of children they have will affect the education of their children as well as the income. According to Booth and Kee (2005), those families with large family members, their children will most likely receive unequal shares of the resources from their parents especially in their education. That's why in order to balance their resources they will rely heavily on credit that will lead them into delinquency because of higher credit than their income.

Amount of Loan Borrowed. A loan is a debt provided by one entity (organization or individual) to another entity at an interest rate,

and evidenced by a note, which specifies, among other things, the principal amount, interest rate, and date of repayment (Matassa, F. 2011). A loan entails the reallocation of the subject asset for a period of time, between the lender and the borrower (<http://en.wikipedia.org/wiki/Loan>). In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time. Typically, the money is paid back in regular installments, or partial repayments; in an annuity, each installment is the same amount. The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan (Cole, R. 2008). In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants (Devi, R. U. 2012). Acting as a provider of loans is one of the principal tasks for financial institutions like cooperative.

The biggest challenge that every cooperative encounter is handling delinquency (Aeschliman, C. 2007). Cooperatives have their own way of evaluating the borrower's capacity to pay, including the character of the borrower (Medina R. 2007). In a cooperative, the determinant of how much amount that a member shall borrow is through his share capital. Share capital is the money paid or required to be paid for the operations of the cooperative (Art. 76 Cooperative Code of the Phil. 2008). Before a member can borrow, he has to be a bona-fide or regular member of the cooperative, the borrower has fully

paid the minimum share capital, and he has no default on any outstanding loan to the cooperative. An individual maybe granted a credit based on his capacity to pay or more than his share capital (Medina 2007).

Amount of Contribution. According to Bolzano (2012), in traditional cooperatives, relationship between members and the cooperatives can be characterized by information asymmetry since members usually have small amount of equity investment and are not obliged to use any or all of the cooperative's business. But due to their democratic organization and their economic orientation, cooperative members contribute significantly to social integration, job creation to reduce poverty. Members of cooperative contribute equally in terms of monetary and no member of the primary cooperative shall own or hold more than ten percent of the share capital of the cooperative (Article 73 of Cooperative Code of the Philippines 2008).

As Robb A., Smith, J., & Webb, J.T. (2010), capital for the operation and improvement of the cooperative business can come from three main sources; directly from members themselves in which cooperatives may source their capital requirements from the members' share capital. From retained surpluses generated by the cooperative business, where funds created through the retention of cooperative business surpluses that are not directly allocated to members are another important source of cooperative capital. Lastly, from external sources in which cooperatives often make use of external sources of funds to run their operations or to finance investments.

These non-member sources of funds may include cooperative or commercial banks, suppliers, government or donor agencies. External funding may be provided in different ways like, as grant, as a short-term loan, as a long-term loan, and as trade credit offered by a supplier (Papias, M.M. 2008).

Commercial providers of funds, such as banks, generally provide credit or loans that are legally secured by collateral (pledged assets of the cooperative) (Briones 2005). They are motivated by profit and seek to minimize risk. Non-commercial providers, such as governments or donors, generally provide credit on more generous terms at below market rates of interest or provide grants. Their motivations may be social, political or economic - often a mixture of all three.

Amount of Amortization. Amortization refers to the gradual elimination of a liability in regular payments over a period of time. The payments must be sufficient to cover both principal and the interest. According to Drever (2010), the problem of late payment of trade credit has existed for a number of decades. Small businesses like cooperatives may suffer from their debtors-members not paying. It is a growing concern and its perpetuation or long term existence is the primary objective of these institutions. When an account becomes problem, it is definitely unwise to take drastic steps immediately, if an amicable or friendly option is available. One of the friendly efforts in recovery of credit is the term extension, where a creditor simply adds few more days, weeks, or even a month to the due date of an account.

This gives the borrower-debtor extra time to recognize his resources and make good on his obligation.

As in the case of Simbayan Ni Maria Multi-Purpose Cooperative (SMMPC), a study conducted by Sebastian, A. (2005), loan delinquency reach at the highest level. To arrest the problem the cooperative set a loan ceiling that a member could only avail one type of loan only and the capacity to pay is the primary consideration. Tam (2012) cited that whenever there is a problem beyond the capability of individuals or the response of one could cause conflict. It may seem appropriate to suggest that those concerned with the problem should cooperate with each other to find a satisfactory solution.



Organizational Factors.

Effective regulation and supervision of all financial institutions safeguard the stability of company's financial system. A cooperative with poor organizational policies and strategies will lead to the closure of operation. The Board of Directors must establish a proper loan policy, such as proper review of loan application before approval. The credit committee must perform their duties in terms of evaluating loan applications and must create a harmonious relationship towards their members (Williamson 2000). In an organization like cooperative, a policy should make it clear in terms of loan rates, supervision, and penalties. One of the common issues on the drawback of every cooperative is the misbehavior of the members in terms of repayment of their credit which also known as "delinquency". Delinquency of cooperative credit is due to default, both

non-willful and willful. However, willful default is identified as the main reason for mounting over dues. Based on the same studies conducted by other researchers, they found out that one of the reasons affecting loan repayment delinquency is the character of the member-borrower (Royer 2007).

Loan Rates. Interest can be considered as either short-term or long-term. According to Todaro (1992), interest rate is the amount the borrower must pay to the lender over and above the total borrowed expressed as the percentage of the total amount of the funds borrowed. Traditional finance theory says that as the size of loan expands, the interest rate on that loan rises to accommodate the increased risk associated with the loan (Bernard 2011). High interest rates coupled with lack of entrepreneurial skills were seen as the major factors that have direct bearing with loan repayment among loan customers.

In the case of Victoria Savings and Credit Cooperative, a study conducted by Absanto and Aikaruwa (2013), failure of their members to pay the debt on time is attributed to high interest of the amount borrowed. The higher the amount borrowed, the higher the interest that is why they came with rationing and screening of the members before they can borrow money. A member will undergo the following rationing process like checking borrower's guarantor capacity, examining borrower's loan objectives, and checking the borrower's loan collateral. The causes of poor loan recovery as revealed by banking and non-banking institutions are high interest rates, poor

appraisal and weak monitoring, late disbursement of loans and the negative attitude towards loan. The high interest rates affect the ability of an individual to service fully their loans. It heightens the incidence of default and constrains the lending institutions' ability to advance loans to others.

Supervision. The most important economic and social achievements of human beings have been through participation. The cooperatives' development in the Third World Countries seems to be superficial and no intention has been paid to implementing the in-depth philosophical principles of the cooperatives (World Council of Credit Unions).

According to Amini and Ramezani (2006) on their study about the "Effective Factors on Success on Poultry Farm Cooperatives in Province of Isfahan – Iran", to achieve success, the members and the cooperative manager should have a wide understanding of cooperative principles and objectives. The success of cooperative is in the hands of the managers' expertise because they are the ones who implement and monitor the policy. According to Nkhoma (2011) in her study conducted entitled "Factors Affecting Sustainability of Agricultural Cooperatives", failure of cooperative was attributed to lack of managerial skills of managers. As a result, the members were demotivated and failure of the members to invest more in the cooperative affected the sustainability of the cooperative.

In a cooperative the following officers and personnel have their function to monitor the performance and the operation of the

cooperative (CCP 2008). The Board of Directors in which the body entrusted with the management of the affairs of the cooperative under its articles of cooperation and bylaws. The Chairperson shall sets the agenda for board meetings in coordination with the other members of the BOD; Preside over all meetings of the Board of Directors and of the general assembly; Sign contracts, agreements, certificates and other documents on behalf of the cooperative as authorized by the Board of Directors or by the General Assembly. The Committee, which refers to anybody entrusted with specific functions and responsibilities under the bylaws or resolution of the general assembly or the board of directors. The General Manager shall oversee the day to day business operations of the cooperative by providing general direction, supervision, management and administrative control over all the operating departments subject to such limitations as may be set forth by the Board of Directors or the General Assembly.

Penalties. The by-laws of a cooperative may prescribe a fine on unpaid subscribed share capital. Provided, that such fine is fair and reasonable under the circumstances (Art. 77 R. A. 9520). The imposition of the penalties shall be without prejudice to the imposition of other administrative sanction and to the filing of a criminal case. Failure to settle the full amount of the fines within the period or on the day prescribed shall be subject to additional penalties, fines, and surcharges (Sec. 5.5 of Savings and Credit Cooperatives in the Philippines).

The by-laws of De La Salle Credit cooperative (<http://www.dlsu.edu.ph/affiliates/dlsc/DLSCC-bylaws.pdf>), states that a loan shall bear interest according to the guidelines set by the CDA. A member failing to make payment upon a loan when due shall pay a fine at the rate of two percent a month on amounts default, provided that in no case shall each monthly fine be less than twenty centavos and such fine to be in addition to the interest due. If the default in payment continues for three months, such member may be suspended or his membership terminated at the discretion of the Board and his loans become due and payable on demand at the discretion of the Board.

In the article entitled “Philippines : Solons bat for condemnation of unpaid interests/ penalties of farmers' loans” stated that Representatives Cresente Paez and Anthony Bravo (Party-list, COOP-NATCCO) filed House Bill 280, which provides for the condemnation of unpaid interests, penalties and surcharges on loans secured by farmers, fisher folks and agrarian reform beneficiaries. Briones (2005), also cited that credit has also hidden cost which the lending company may charge, and one of these is the processing fee or service fee which adds up to the difficulty of the borrower/lender in paying the amortization on due time.

Behavioral Factors. Another factor to consider on delayed payment of credit is the behavior of the creditor or the borrower. According to Medina (2007) before credit is granted, the risk involved

is evaluated. This is done after the information has been gathered. In evaluation of a credit risk, there are four C's of evaluation, which refers to capital, capacity, conditions, and character. The capital refers to the financial resources of the credit applicant. The capacity refers to the ability of the applicant to operate successfully and the capacity to repay the credit. In terms of condition, it refers to the environment required for the extension of credit. In this aspect things to consider are; the use of credit or loan, willingness to pay of the member-borrower, and the indebtedness of the member.

Credit investigation must be made thoroughly by the cooperative to the borrowing member. The capacity and the character of the member of cooperatives both in should be the first consideration. As the cooperatives are essentially peoples' movement, there is a need to restore the democratic character management and business process to suggest ways to improve their borrowing membership. Ali (2012) cited that lending and borrowing is balanced if the interests of both sides are ensured, because borrowers and lenders always strive to safeguard their own interest.

Management of funds. Credit cooperatives and other types of cooperatives with lending activities have established themselves to be effective vehicles in the improvement of the social and economic conditions of their members, particularly those in the countryside. By providing their members access to financial services including savings, cooperatives have encouraged thrift and opened opportunities to the

poor that other formal financial institutions may not be willing to provide.

Agricultural cooperatives are formed to improve their bargaining power, reduce cost, and reduce risk (Carr 2005). In agricultural sector, one of the problems encountered by the member-borrower is the low productivity of their farm. According to Rediff (2013), one of the reasons why people borrow is to pay their losses. People borrow to trade, and when they make losses they need to borrow money to repay their losses. Credit cooperatives and lending companies should adjust their policies in terms of credit payment. So it is important to manage funds and see to it that it will be used for the right purposes.

Willingness to pay. According to Rwanda Cooperative Agency (n.d.) in their article entitled “Financial and Delinquency Management for the Umurenge Saccos”, the delinquency of the members of the cooperative is classified into three. Willing but unable to pay, where the defaulter has the will to pay but does not have the capacity to. Unwilling but able to pay, where the defaulter has the capacity to repay but he does not have the will. Willing and able to pay but lacks self-discipline, where the defaulter has the will and capacity to repay but needs to be reminded that he has to pay. A study conducted by Ulimwengu (2011) stated that willingness to pay for one service should be significantly and positively interrelated with their willingness to pay for other services.

Credit cooperatives must have an effective delinquency control system. Also the Board of Directors should establish a proper loan policy and they should continue giving education and information to the members of the cooperative.

Indebtedness. Indebtedness refers to an obligation to pay money to another party. With the burgeoning of the lending institution it is easy to access credit anytime. Borrowers can now choose what type of credit they want to avail, due to different services that lending institutions offered. Every borrower borrows money to suffice his needs. Debt is a two-edged sword (Cecchetti, Mohanty, and Zampolli 2011), if it is used wisely and in moderation it will improve welfare. But, when it is used imprudently and in excess, the result can be disaster. For individual households and firms over borrowing can lead to bankruptcy and financial ruin.

The primary objective of every cooperative is to improve the quality of life of its members. With strong credit cooperatives operating in a viable and efficient manner, creative and innovative loan products and financial services suited to the needs of the poor will continuously be offered and enhanced (Pavard, B. & Dugdale, J. n.d.) By providing greater access to quality financial products and services, cooperatives with savings and credit activities can greatly contribute to the improvement of the lives and welfare of their constituents. In return the members of cooperative have duties and responsibilities to fulfill. A member should, pay the installment of the capital share subscription

as it falls due; participate in the capital build-up of the cooperative; patronize its business regularly; attend the general annual assembly; obey rules and regulation as provided by their by-laws; and promote the aims and purposes of the cooperative. People joining a cooperative should understand what a cooperative is, how it operates, and its possible benefits and limitations (Savage, J. & Volkin, D., 2005).

Theory Base

The term cooperative is derived from the word cooperation which is the main theme of every organization whether a non-profit or profit organization. This study was anchored on the Principles of Cooperativism. Article 4 of Cooperative Code of the Philippines 2008, stated that “every cooperative shall conduct its affairs in accordance with Filipino culture, good values and experience and the universally accepted principles of cooperation which include, but not are limited to the following: a. voluntary and open membership; b. democratic member control; c. member economic participation; d. autonomy and independence; e. education, training and information; f. cooperation among cooperatives; g. concern for community”. Cooperative forms of associated labor and self-help communities long predate the capitalist era (Vietai 2010). The structure of problems determines the form and content of an effective solution must take (Ratner 2009). Problems must be solved in unison because problems cannot be solved separately and independently.

Pre-modern examples of cooperative experiences include groups practicing collaborative production and mutual aid, the economic life of the commons, and the social organization of many indigenous communities. In the modern era, cooperatives developed as bottom-up responses to the callous exploitation of emergent industrial capitalism, in synchrony with other worker organizations such as friendly societies, mutual associations, and unions. According to Schmidt (1995) the existing theoretical works on credit cooperative emphasize three principles of cooperative organization that are particular significance to their performance.

Identity principle (solidarity principle) – refers to the fact that the members of the cooperative are the clients and owners. This self-contained structure is a prerequisite for the application of a simple, cheap and effective credit technology, namely peer monitoring. Many credit cooperatives were originally set up as self-help groups based on ideal solidarity.

Nominal capital principle – it means that the equity capital of the cooperative members is; in economic terms, really only a shareholder's loan as it can, in principle, be reclaimed at any time and then repayable at nominal value.

Equality principle (“one man – one vote”) – which implies that voting rights at the general meeting are not proportionate to the capital invested, undermines in principle of motivation and invites a “free rider” mentality.

Conceptual Framework

Figure 1 shows how the independent variables affect the dependent variable. The independent variables are the socio-economic factors, organizational factors, and behavioral factors. Socio-economic factors include the following: civil status, income, family size, amount loan borrowed, amount of contribution, and amount of amortization. These are said to be the factors that will affect the dependent variable, which is the loan repayment status of the members of the cooperative. In terms of organizational factors the following: loan rates, supervision, and penalties of the cooperative also affect the loan repayment status of the members. In terms of behavioral factors, the use of credit or loan, willingness to pay, and indebtedness are also said to be the factors that will affect the repayment status.

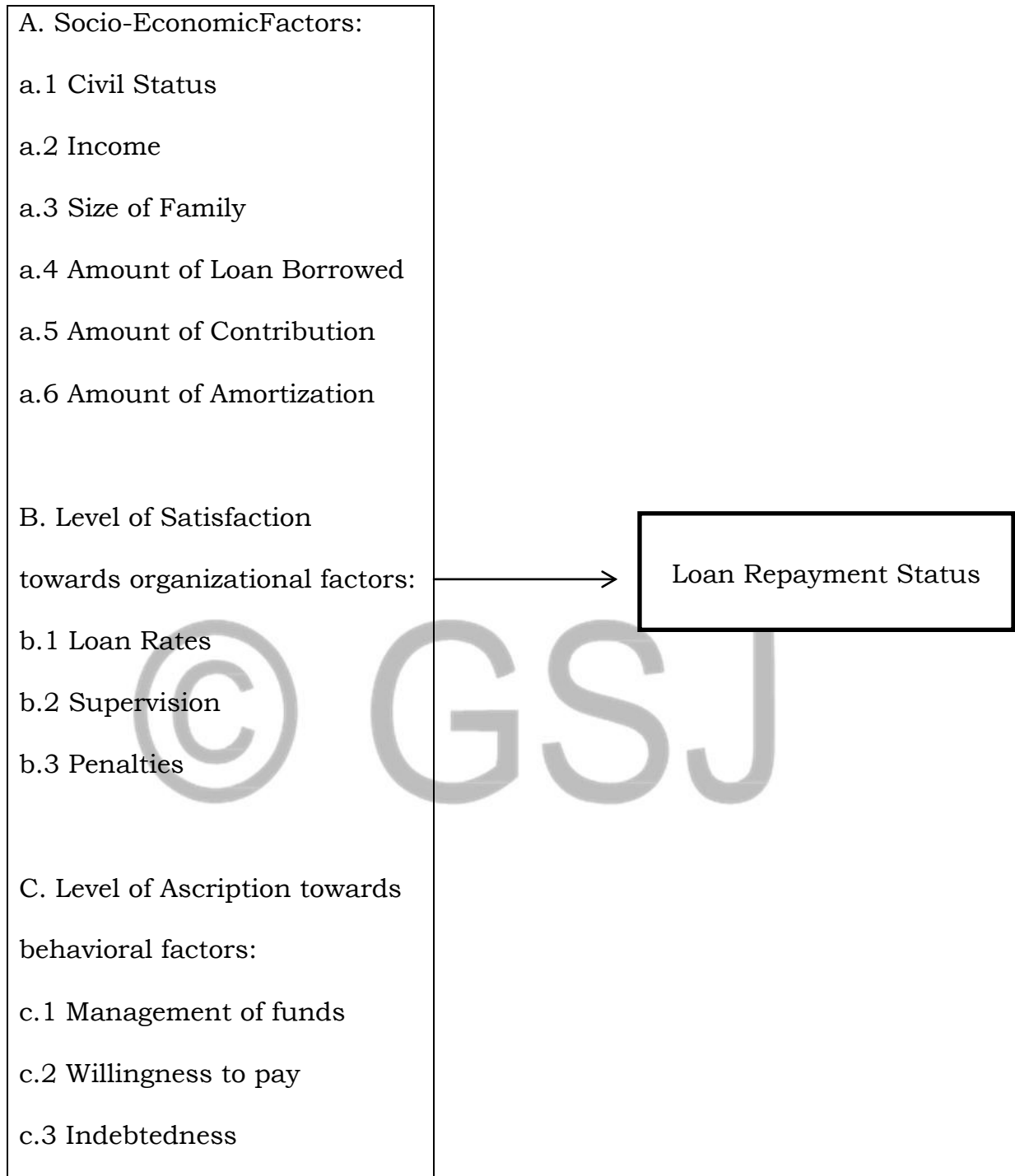


Figure 1. The Conceptual framework

Hypothesis

The study tested the hypothesis that:

1. There is a significant relationship between the loan repayment status of the members of HCCCMC and the following factors:
 - a. Socio-economic;
 - b. Organizational; and
 - c. Behavioral factors.

Chapter 3

METHODOLOGY

This chapter presents the methodology in the study. It includes descriptions of the method used, sources of data, the data gathering instrument, sampling technique, procedure of the study and statistical treatment.

Method Used

The method used in this study was descriptive-correlational method. A descriptive correlation is one that helps to determine if two or more variables are associated with each other by explaining their relationship (Lomax and Li, 2013). This method was used to determine the relationships between socio-economic, organizational, and behavioral factors and loan repayment status of the respondents.

Sources of Data

This study made use of both primary and secondary data. The primary data was sourced out from the answers of the respondents from the questionnaire given by the researcher. The secondary data

was obtained from files and documents that the cooperative provided to the researcher especially the history, background information, and the credit history of the members. Also another source of secondary data was requested from the accounting staff personnel of Holy Cross with regards to the salary of the respondents.

Data Gathering Instrument

The research instrument that was used in this study was a questionnaire. The researcher prepared a questionnaire consisting of items, which describe the level of satisfaction of the members of the cooperative towards the following: loan rates, supervision, and penalties being imposed by the cooperative. Also on how will the respondents ascribed to the following behavioral factors like use of loan proceeds or management of funds, willingness to pay, and indebtedness. The questionnaire was validated by the manager and the chairman of the Board of Directors of the cooperative and a faculty member of Holy Cross College of Calinan. The Likert scale, the description, and the corresponding interpretation are presented in Table 1.

Table 1. Likert scale, the description and interpretation

Scale	Range	Description	Interpretation
5	4.50 - 5.00	Strongly Agree	Very Satisfied/Very High
4	3.50 - 4.49	Agree	Satisfied/High
3	2.50 - 3.49	Moderately Agree	Moderately Satisfied/Moderately High
2	1.50 - 2.49	Disagree	Dissatisfied/Low
1	1.00 - 1.49	Strongly Disagree	Very Dissatisfied/Very Low

Sampling Technique

The researcher used complete enumeration or also known as census survey. A census is the procedure of systematically acquiring and recording information about the members of a given population (Zulueta and Perez,2010). The respondents of this study were all the members of Holy Cross College of Calinan Multi-purpose cooperative.

Procedure of the Study

The study started with the conceptualization of the research problem in consultation with the adviser. Upon the approval of the adviser, the researcher started gathering related literature and studies in order to define the variables in the study that became the basis in formulating the conceptual framework as well as the research instrument. The researcher requested permission from the management of Holy Cross College of Calinan to conduct a survey on factors affecting loan repayment among the faculty members who are members of the HCCCM cooperative. The first three chapters plus the survey questionnaire were presented to the thesis advisory committee during the proposal defense for some comments and suggestions. After integrating such comments and suggestions, the researcher proceeded to the validation of the questionnaire through three experts. The researcher then proceeded with the distribution of questionnaires. The data gathered were presented, analyzed, and interpreted based on the research problems. On the basis of the major findings, conclusions and recommendations were made. Finally, completed study was

presented for final defense to the thesis advisory committee for final comments and suggestions.

Statistical Treatment

The following statistical tools were used in this study:

Graphical presentation, specifically the use of pie charts, was used to present the socio-economic profile of the respondents in terms of civil status, income, size of family, amount of loan borrowed, amount of contribution, and amount of amortization while tabular presentation was used to present the loan repayment status of the respondents.

Mean was used to describe the level of satisfaction of the respondents towards loan rates, supervision and penalties as well as describing their ascription to the behavioral factors such as management of funds, willingness to pay, and indebtedness.

Pearson Product Moment Correlation Coefficient or Pearson r and ANOVA were used to test for significant relationship between loan repayment status and such factors as socio-economic, organizational and behavioral.

Chapter 4

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

This chapter presents the analysis and interpretation of the data collected based on the statement of the problem presented.

Socio-Economic Profile of the Respondents

The profile of the respondents includes civil status, income, size of family, amount loan borrowed, amount of contribution, and the amount of amortization.

Civil Status.Figure 2 shows that there is an equal distribution of the single and married respondents, which is 47.30 percent, while only 5.40 percent represents the widow/separated respondents.

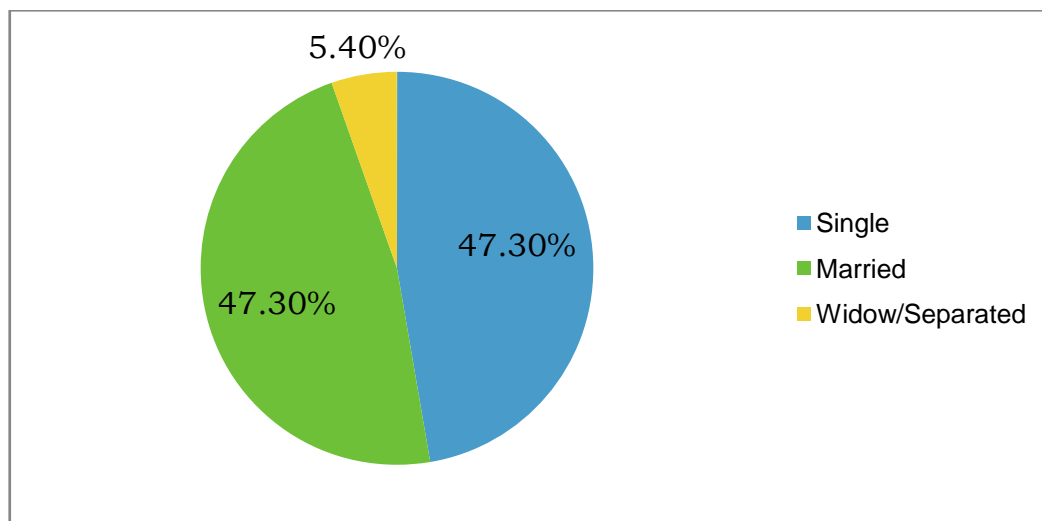


Figure 2. Distribution of Respondents According to Civil Status

Income.Figure 3 shows that majority of the respondents have an income of Php10,000 and below comprising almost 53 percent. Only 21.6 percent have an income under the bracket of Php 10,001 to 15,000 and 25.7 percent earned Php 15,001 above.

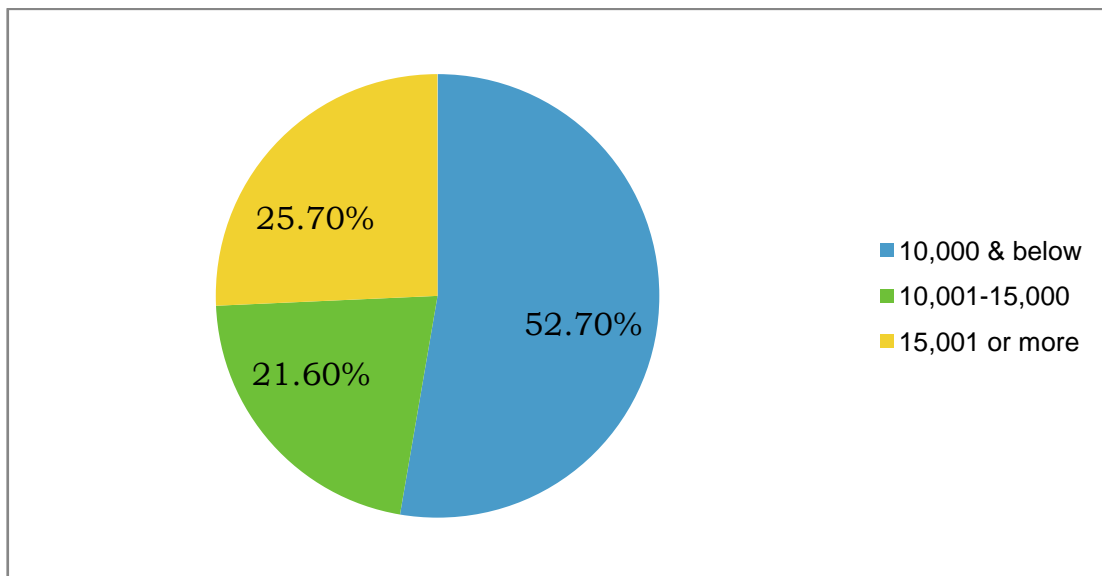


Figure 3. Distribution of Respondents According to Income

Family Size. Figure 4 shows the size of family of the respondents or the number of children the family has. As shown 54.10 percent have no children at all. Then, there was an equal distribution on the number of children, that is 23 percent having 1 to 2 children and so with those having 3 or more children. It indicates that majority do not have children.

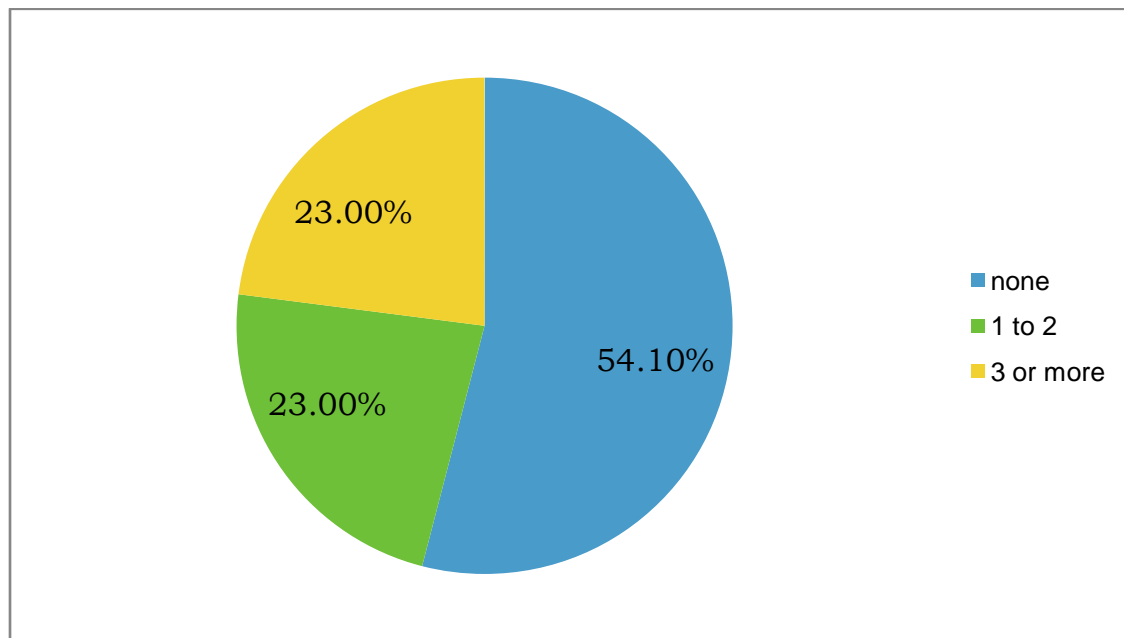


Figure 4. Distribution of Respondents According to Size of Family (Number of Children)

Amount of Loan Borrowed. Figure 5 shows the amount of loan borrowed. Among the respondents, 12.2 percent availed of a loan amounting to Php 5,000-10,000. On the other hand, 13.5 percent have loans from Php 10,001-20,000. There was an equal distribution among the respondents, which is 5.4 percent, who availed a loan amounting to Php 20,001-30,000 and more than Php 30,000. It is interesting to note that majority of the respondents, which is 63.5 percent, have no loans.

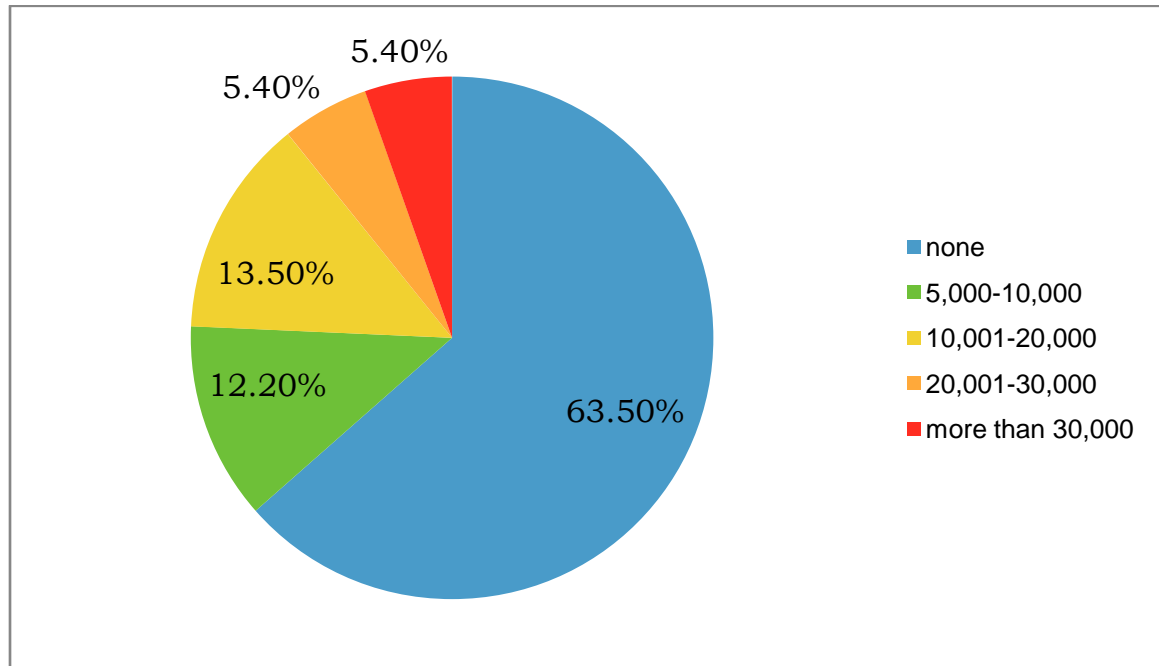


Figure 5. Distribution of Respondents According to Amount of Loan Borrowed

Amount of Contribution. Figure 6 shows the amount of contribution of the members. It shows that 32.4 percent of the respondents have Php 2,000 and below share of capital, 13.5 percent with Php 2,001 to 4,000. An equal distribution, which is 10.8 percent, has a contribution of Php 4,001 to 6,000 and Php 6,001 to 8,000, respectively while 32.4 percent has a share capital of more than Php 8,000.

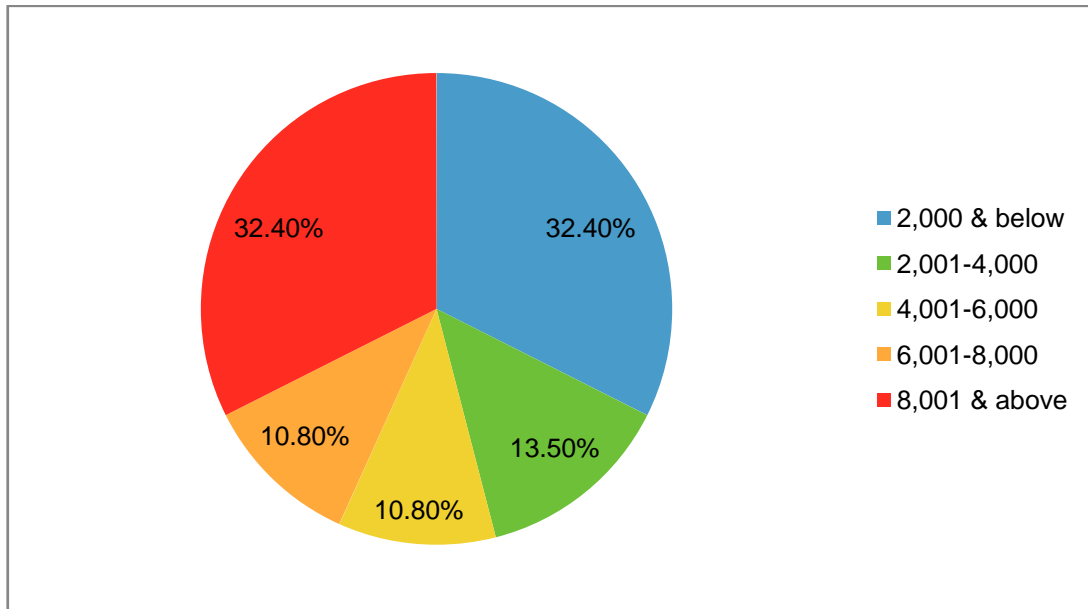


Figure 6. Distribution of Respondents According to Amount of Contribution

Amount of Amortization. Figure 7 shows the amount of amortization of the respondents of the cooperative per month. Respondents with Php 800 to 1,000 amortization per month are at 9.5 percent, members with Php 1,001 to 1,500 amortization per month are at 4.1 percent, respondents with monthly payment of Php 1,501 to 2,000 are at 10.8 percent, while respondents with Php 2,001 and above monthly payment are at 12.2 percent. This means that most of the respondents who availed loan from the cooperative have monthly amortization of Php 2,001 and above. It is implied in Figure 7 that majority of the respondents prefer to pay their amortization in shorter terms as indicated by bigger amount of amortization. As cited by Drever (2010), amortization refers to the gradual elimination of a liability in regular payments over a period of time and the payment must be sufficient to cover both the principal and the interest.

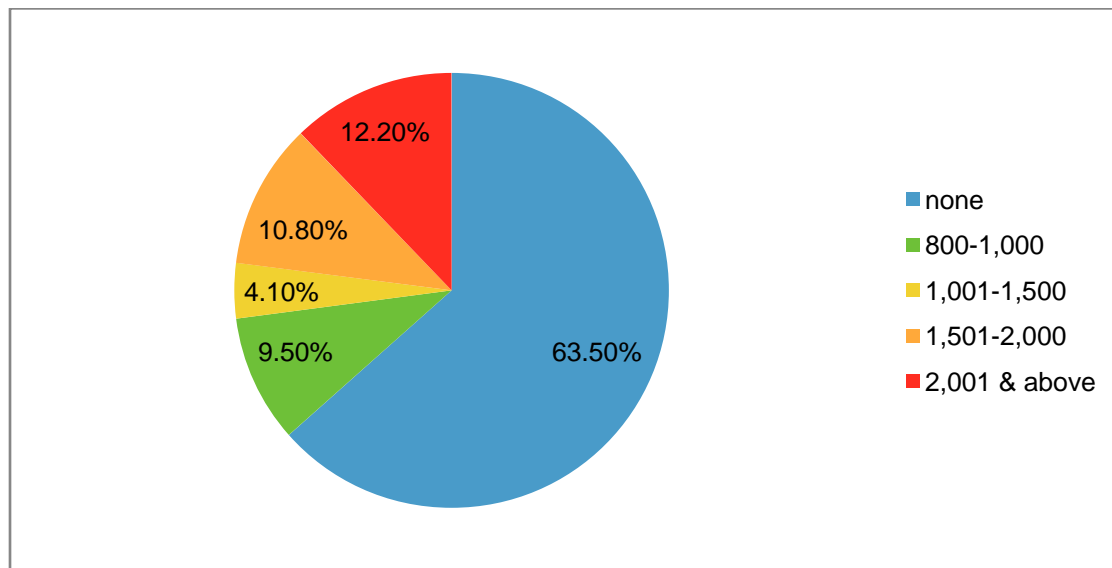


Figure 7. Distribution of Respondents According to Amount of Amortization

Level of Satisfaction of the Respondents Towards Organizational Factors

The respondents were asked whether they are satisfied towards the following organizational factors, such as loan rates, supervision and penalties.

Loan Rates. Table 2 shows the level of satisfaction of the respondents towards loan rates. As Todaro (1991) cited that the interest rate or loan rate is the amount the borrower must pay to the lender over and above the total borrowed expressed as the percentage of the total amount of the funds borrowed. Results reveal that members of the HCCC cooperative “agree” that the rates being imposed help the cooperative to grow with a mean rating of 4.30 with an interpretation of “satisfied”. Also, the cooperative members “agree”

to the statement that the HCCC Cooperative has imposed reasonable rates, with a mean rating of 3.96 with an interpretation of “satisfied”.

The overall mean of 4.14 with the description of “agree” indicates that HCCC cooperative members are satisfied with the loan rates being imposed by the cooperative. Absanto, et. al. (2013) cited that failure of the member of the cooperative to pay the debt on time is attributed to high interest of the amount borrowed, because the higher the amount borrowed the higher the interest. The HCCC Cooperative has imposed the diminishing loan policy which means that the lower the principal amount the lower the interest that the borrower will pay.



Table 2 Level of Satisfaction of Respondents towards Loan Rates

Items	Mean	Description	Interpretation
HCCC Coop has imposed reasonable rates	3.96	Agree	Satisfied
Rates being imposed help the coop to grow	4.30	Agree	Satisfied
Overall Mean	4.14	Agree	Satisfied

Scale

Description

4.50 – 5.00	Strongly Agree
3.50 – 4.49	Agree
2.50 – 3.49	Moderately Agree
1.50 – 2.49	Disagree
1.0 – 1.49	Strongly Disagree

Supervision. Table 3 shows the level of satisfaction of the respondents towards supervision. As a result, members of the HCCC cooperative “strongly agree” that the cooperative manager keeps on reminding on their part due account with an interpretation of “highly satisfied”. While, the cooperative members “agree” that the cooperative has effective delinquency control system with a mean rating of 3.99 with an interpretation of “satisfied”.

The overall mean of 4.22 with the description of “agree” implies that HCCC cooperative members are satisfied with the supervision done by the cooperative manager and the Board of Directors and officers of the cooperative. Aminiet. al (2006), cited that to achieve the success the members and the cooperative manager should have a wide understanding of cooperative principles and objectives. The Cooperative Manager will oversee the overall day to day business operations of the cooperative by providing general direction, supervision, management and administrative control over all the operating departments especially in monitoring the loan applications of the borrowers. The HCCC Cooperative Manager always provides written reminder, which is given to each member every payday. Moreover, Nkhoma (2011) cited that failure of cooperative was attributed to lack of managerial skills of the managers. As a result, the

members were demotivated and failure of the members to invest more in the cooperative affected the sustainability of the cooperative.

Table 3 Level of Satisfaction of Respondents towards Supervision

Items	Mean	Description	Interpretation
The coop manager keeps on reminding the members on their past due account	4.57	Strongly Agree	Highly Satisfied
The coop has effective delinquency control system	3.99	Agree	Satisfied
Overall Mean	4.22	Agree	Satisfied

Penalties. Table 4 shows the level of satisfaction of the respondents towards penalties. As a result, members of the HCCC cooperative “agree” to the statement that the penalties being imposed by the cooperative are aligned to what is mandated by the Cooperative Development Authority (CDA) with a mean rating of 4.23 with an interpretation of “satisfied”. In the same way, the cooperative members “agree” to the statement that the HCCC Cooperative has imposed reasonable penalties with a mean rating of 4.07 with an interpretation of “satisfied”.

The overall mean of 4.13 with the description of “agree” indicates that HCCC cooperative members are satisfied with the penalties being imposed by the cooperative. The imposition of the penalties shall be without prejudice to the imposition of other administrative sanction

and to the filing of a criminal case. "Article 77 of Cooperative Code of the Philippines", stated that such fine is fair and reasonable under the circumstances. As Briones (2005) cited that aside from fines and penalties, other lending institutions have imposed other charges such as processing fee and service fee which make the borrower or lender difficult to pay their obligation on time. In the article entitled "Philippines : Solons bat for condonation of unpaid interests/ penalties of farmers' loans" stated that Representatives Cresente Paez and Anthony Bravo (Party-list, COOP-NATCCO) filed House Bill 280, which provides for the condonation of unpaid interests, penalties and surcharges on loans secured by farmers, fisher folks and agrarian reform beneficiaries. The HCCC Cooperative has imposed 3 percent for the past due accounts but the Cooperative Manager will give at least three days grace period after the account due. Furthermore, the Cooperative also imposed 5 percent for the overdue account, which means that at the end of the term of loan the unpaid amount will be penalized by 5 percent of the amount.

Table 4 Level of Satisfaction of Respondents towards Penalties

Items	Mean	Description	Interpretation
HCCC Coop has imposed reasonable penalties	4.07	Agree	Satisfied
Penalties being imposed are aligned to what is mandated by the CDA	4.23	Agree	Satisfied

Overall Mean	4.13	Agree	Satisfied
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Level of Ascription of the Respondents towards Behavioral Factors

The respondents were asked how they ascribed towards management of funds, willingness to pay and indebtedness.

Management of funds. Table 5 shows the level of ascription of the respondents towards management of funds. As a result, members of the HCCC cooperative “agree” that the loan they avail from the cooperative was used for the intended purpose with a mean rating of 4.15 with an interpretation of “high”. Also, the cooperative members “agree” that the loan proceeds enhance the status of their living with a mean rating of 3.62 with an interpretation of “high”.

The overall mean of 3.87 with the description of “agree” implies that the level of ascription of the members of HCCC cooperative towards management of their fund is high. According to Rediff (2013), one of the reasons why people borrow is to pay their losses. People borrow to trade, and when they make losses they need to borrow money to repay their losses. The HCCC Cooperative imposed a policy that when a member borrows money from the cooperative, he must fill out a form and indicate the purpose of the loan. The cooperative will evaluate the form based on the reason given by the borrower of what is the purpose of the loan.

Table 5 Level of Ascription of Respondents towards Management of Funds

Items	Mean	Description	Interpretation
I used the loan for the intended purposes	4.15	Agree	High
Loan proceeds enhance my status of living	3.62	Agree	High
Overall Mean	3.87	Agree	High

Scale	Description
4.50 – 5.00	Strongly Agree
3.50 – 4.49	Agree
2.50 – 3.49	Moderately Agree
1.50 – 2.49	Disagree
1.00 – 1.49	Strongly Disagree

Willingness to pay. Shown in Table 6 is the level of ascription of the respondents in terms of willingness to pay. As a result, members of the HCCC cooperative “agree” to both statements that they are willing to pay their obligation on time and they are willing to pay extra charge/ penalties for their past due account with a mean rating of 4.20 with an interpretation of “high”. Likewise, the cooperative members “agree” to the statement that they do not have difficulty in paying their obligation on time with a mean rating of 3.96 with an interpretation of “high”.

The overall mean of 4.04 with the description of “agree” implies the level of ascription of the members of HCCC cooperative towards willingness to pay is high. As Ulimwengu (2011), cited that willingness to pay for one service should be significantly and positively interrelated with their willingness to pay for other services. The HCCC cooperative members show that they are willing to pay their obligation as much as possible on time, but some other reasons why they cannot pay on time due to emergency cases like when their family member will get sick and the money will be used for hospitalization. Also they are fully aware that when their account will become due, the cooperative will penalize the amount that they borrow and they are willing to pay that certain amount.

Table 6 Level of Ascription of Respondents towards Willingness to Pay

Items	Mean	Description	Interpretation
I am willing to pay my obligation on time	4.20	Agree	High
I do not have the difficulty in paying my credit on time	3.77	Agree	High
I am willing to pay extra charges/penalties for my past due account	4.20	Agree	High
Overall Mean	4.04	Agree	High

Indebtedness. Table 7 shows the level of ascription of the respondents towards indebtedness. As a result, members of the HCCC cooperative “moderately agree” to the statement that they have loan from PAG-IBIG with a mean rating of 2.55 with an interpretation of “moderate”. On the other hand, the cooperative members “disagree” to the statement that they have personal loan from Holy Cross with a mean rating of 1.64 with an interpretation of “low”.

Table 7 Level of Ascription of Respondents towards Indebtedness

Items	Mean	Description	Interpretation
I have personal loan from PAG-IBIG	2.55	Moderately Agree	Moderate
I have personal loan/cash advance from Holy Cross	1.64	Disagree	Low
Overall Mean	2.12	Disagree	Low

The overall mean of 2.12 with the description of “disagree” implies the level of ascription of the members of HCCC cooperative towards indebtedness is low. Cecchettiet. al. (2011) cited that debt is a two-edged sword if it is used wisely and in moderation it will improve welfare. But, when it is used imprudently and in excess, the result can be a disaster. Members of HCCC cooperative have minimal loans outside from the cooperative. Those members who have loans from PAG-IBIG and advances from the school are somewhat having difficulty to pay their account on the exact due date, because those

members have loans from the said institutions will be deducted from their salary by the accounting personnel, the one who make the payroll every payday.

Loan Repayment Status of the Respondents

Table 8 shows the loan repayment status. Out of 74 respondents of the HCCC cooperative 65 percent have not availed loans while the rest or 35 percent have loans. Among those who availed loans, 4.1 percent have delayed payment from one to one and a half months described as somewhat delinquent, 20.3 percent have delayed payments up to two months described as moderately delinquent in their status and which comprised the majority.

Table 8 Loan Repayment Status

Status	Frequency	Percent
Non-delinquent(1)	47	64.9
Somewhat Delinquent(2)	3	4.1
Moderately Delinquent(3)	15	20.3
Delinquent(4)	3	4.1
Very Delinquent(5)	5	6.8
Total	74	100.0

Respondents having a delayed payment of 2.5 months reached 4.1 percent described as delinquent in their status while the remaining 6.8 percent who have delayed payments of at least three months were described as very delinquent.

Relationship between the Loan Repayment Status and Socio-Economic, Organizational, and Behavioral Factors

This section presents the relationship between the loan repayment status of the members of HCCC Cooperative and socio-economic, organizational, and behavioral factors.

Socio-economic profile. As shown in Table 9, there is a significant relationship between loan repayment status and the socio-economic factors in terms of civil status ($F = 4.25$, $\text{Sig.} = .018$), income ($r = .289$, $\text{Sig.} = .013$), amount of loan ($r = .783$, $\text{Sig.} = .000$), amount of contribution ($r = .806$, $\text{Sig.} = .000$), and amount of amortization ($r = .582$, $\text{Sig.} = .000$). Those members who are married have higher chances of becoming delinquent compared to those who are widow or separated. In terms of income those members with higher income have also a higher chance of becoming delinquent. In terms of amount of loan, the higher amount borrowed the higher chance of becoming delinquent.

In terms of contribution, those respondents with lower income have also lower amount of loan thereby lower chances of becoming delinquent. But regardless of the amount contributed by the member, still they contributed equally, as Article 73 of Cooperative Code of the Philippines cited that “no member of the primary cooperative shall own more than 10% of the share capital of the cooperative. In terms of amortization, respondents with lower income were having difficulty in paying their debt on time.

As the case in La Trinidad Multi-Purpose Cooperative in Benguet, where majority of their delinquent members were married due to their family needs which led to the diversion of their loan to other purposes. According to Ahituv and Lerman (2005), several studies have examined the positive association between marriage and earnings, because the effect of marital status on the commitment to work will increase the number of hours worked by married person.

Furthermore, upon entering into marriage an individual increase his commitment to work substantially but in the long run the marriage increment to hours worked declines. On the other hand, there is no significant relationship between loan repayment delinquency and the socio-economic factors in terms of size of the family ($r = .173$, $\text{Sig.} = .141$). This implies that whether a respondent is married or not, they have a chance of becoming delinquent on their payment of their loan.

Table 9 Relationship between the Loan Repayment Status and the Socio-Economic Factors

Socio-Economic Profile	Test Statistic	Significance
Civil Status	$F = 4.25^*$	.018
Income	$r = .289^*$	.013
Family Size	$r = .173^{ns}$	.141
Amount of Loan	$r = .783^{**}$	.000
Amount of Contribution	$r = .806^{**}$	.000
Amount of Amortization	$r = .582^{**}$	.000

** - Significant at 1% level

* - Significant at 5% level

ns –not significant

Organizational Factors. As shown in Table 10, there is no significant relationship between loan repayment status and the level of satisfaction towards organizational factors in terms of loan rates ($r=.112$, $\text{Sig}=.341$), supervision ($r=-.139$, $\text{Sig}=.236$) and penalties ($r=.047$, $\text{Sig}=.693$). This means that members of the cooperative have a clear understanding about the policy of the HCCC cooperative being imposed and the credit committee performed their role. As Williamson (2000) cited that in an organization like cooperative a policy should make it clear in terms of loan rates, supervision, and penalties.

Table 10 Relationship between the Loan Repayment Status and the Organizational Factors

Organizational Factors	Pearson r	Significance
Loan rates	$r = .112_{\text{ns}}$	.341
Supervision	$r = -.139_{\text{ns}}$	.236
Penalties	$r = .047_{\text{ns}}$	.693

ns –not significant

Behavioral Factors. Table 11 shows the relationship between loan repayment status and behavioral factors. Result shows that there is significant relationship between loan repayment status and indebtedness ($r=.230$, $\text{Sig}=.048$). On the other hand there is no significant relationship between loan repayment status and behavioral factors in terms of management of funds ($r=.201$, $\text{Sig}=.086$) and

willingness to pay ($r=.089$, $\text{Sig}=.451$). The result shows those respondents who have loan from the cooperative, and who have also loans outside, loans from SSS and PAG-IBIG are having difficulty in paying their credit on time because of their salary deduction on their other loans outside even if they are willing to pay on time. As Rediff (2013) cited that one of the reasons why people borrow is to pay their losses. People borrow to trade, and when they make losses they need to borrow money to repay their losses. Credit cooperatives and lending companies should adjust their policies in terms of credit payment. So it is important to manage funds and see to it that it will be used for the right purposes. Ulimwengu (2011) stated that willingness to pay for one service should be significantly and positively interrelated with their willingness to pay for other services.

Table 11 Relationship between the Loan Repayment Status and the Behavioral Factors

Behavioral Factors	Pearson r	Significance
Management of Funds	$r = .201_{ns}$	.086
Willingness to Pay	$r = .089_{ns}$	.451
Indebtedness	$r = .230^*$	.048

*- Significant at .05 level
Ns- not significant

Chapter 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of the findings of the research study. It also contains the conclusions and recommendations drawn from the results of the study.

Summary

The study looked into the correlates of loan repayment status among members of the Holy Cross College of Calinan Multi-purpose Cooperative.

A questionnaire was used in gathering data. The respondents were the members of HCCC multi-purpose cooperative. The data gathered was tabulated and analyzed using the following statistical treatment: frequency distribution in determining the socio-economic profile of the respondents; average or mean in determining the level of satisfaction of the respondents towards organizational factor and loan repayment delinquency of the respondents; correlation in determining the significant relationship between socio-economic, organizational, and behavioral factors.

On the socio-economic profile, results showed that there were as many single as that of married respondents comprising almost 95 percent; majority were earning at most Php10,000, having no children, and were not availing the loans offered by the cooperative. As to the amount of contribution, most of the respondents contributed the

lowest contribution of Php 2,000 and below. The amount of amortization ranged from Php800 to more than Php2,000 depending on the amount of money borrowed and the number of payment period.

In terms of the level of satisfaction of the respondents, they were satisfied as to loan rates, supervision and penalties. The levels of ascription to behavioral factors in terms of management of funds, willingness to pay were high while indebtedness has low level of ascription. As to the loan repayment status, majority of those who availed loans were moderately delinquent which means up to two months of delayed payment.

As to the test of relationship, significant results were obtained between loan repayment status and such factors as civil status, income, amount of loan, amount of contribution or share capital, amount of amortization and indebtedness. On the other hand no significant relationships were observed between loan repayment status and such factors as family size, level of satisfaction on loan rates, supervision and penalties, management of funds and willingness to pay.

Conclusions

Based on the findings presented, the following conclusions were made:

This study concluded that there is significant relationship between loan repayment status and socio-economic factors such as: civil status, income, amount of loan borrowed, amount of contribution, and amount of amortization except the size of family. Hence, the null hypotheses of no significant relationship are rejected except for size of the family.

There is no significant relationship between loan repayment status and organizational factors such as loan rates, supervision and penalties. Thus, the null hypotheses of no significant relationship are hereby accepted.

There is no significant relationship between loan repayment status and behavioral factors such as: management of funds and willingness to pay except for indebtedness. Hence, the null hypotheses of no significant relationship are hereby accepted for management of funds and willingness to pay, but rejected for indebtedness.

Recommendations

Based on the major findings and conclusions drawn, the following recommendations are made:

1. The Holy Cross College of Calinan Multi-Purpose cooperative management may devise programs to continuously provide updates on items like loans and credit collection policies so as to minimize if not eliminate loan payment delinquency.
2. With indebtedness from other financing institution as a significant factor contributing to loan repayment delinquency, the Credit Committee should require a copy of the recent pay slip of the borrower so as to evaluate his/her capacity to pay.
3. HCCC Multipurpose Cooperative may continuously provide training, education to their members for them to be aware of the consequences for not paying their account on due date.
4. Similar studies may be conducted in the future which will widen the scope, that is, instead of only one cooperative as the focus, several cooperatives say for instance cooperatives in the Third Congressional District of Davao City and develop a model predicting the chances that a borrower becomes delinquent.

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