International Journal of Business and Economic Affairs (IJBEA)
2(4), 240-252 (2017)
DOI: 10.24088/IJBEA-2017-24003
ISSN: 2519-9986

Factors Affecting the Collection Efficiency of Ma-a Parish Multi-Purpose Cooperative: Basis for Policy Formulation

PAMELA A. TONGO [1*], DEOGRACIA B. CORPUZ [2], LEONORA L. CAMINADE [3]

[1,2, 3] University of the Immaculate Conception, Davao, Philippines

Abstract: Ma-a Parish Multi-Purpose Cooperative (MPMPC) is mainly engaged in lending operations. As such, collection is integral in its operations. For MPMPC, the existing credit and collection policy and practices are ineffective. The ratio of their overdue accounts is escalating in the past years. In 2015, past due accounts already comprise 31.28% of the total loans granted. The primary purpose of the study is to recommend policies that will improve the collection efficiency of MPMPC. The study used participatory action research. It also used quantitative and qualitative research methods. Documentary analysis was done using the data available in the office of MPMPC. Then, we administered the survey questionnaire to the members. To validate the result in the survey, we conducted two Focus Group Discussions (FDG), one for the borrowers and another for the officers. The study concluded that several factors contribute to the collection inefficiency of MPMPC. These factors include inconsistency of sending collection letters, payment and spending priority of borrowers, mismatch of payment terms and schedule of payments between borrowers' preference and cooperative practices, borrowers' perception about penalties, borrowers paying habit, and lack of Cooperative Credit and Collection Policy Manual. The research findings and conclusions arrived at led to recommendations to the Board of Directors of MPMPC. These recommendations include conducting income generating project seminars, encourage young professionals to join the cooperative, ensure proper monitoring of the post-dated checks from borrowers, regularly send Statement of Accounts (SOA) to all borrowers, monitor the business of those who borrowed for business purposes, maximize the services of the collector, review the classification of loans and its respective terms of payment, formulate a credit and collection policy manual, and conduct continuing cooperative members' education.

Key Words: Collection efficiency, Credit unions, Credit and collection policy, Parish-based cooperative, Philippines

Received: 15 March 2017 / Accepted: 20 May 2017 / Published: 25 August 2017

INTRODUCTION

Background of the study

A credit cooperative creates a pool of savings for which loans may be granted to its members (Philippine Cooperative Code, 2008). However, the loan collection process requires a human-intensive effort (Fedaseyeu, 2015). Debt collection must be properly managed because the unrecovered monies would create a negative impact on their continued solvency. (Anteris Consulting, 2015).

A study made by Addae-Korankye (2014) concluded that the causes of loan default include: high-interest rate, inadequate loan sizes, poor appraisal, lack of monitoring and improper client selection. Further, it shows that measures to control default were found to include training before and after disbursement, reasonable interest rate, monitoring of clients, and proper loan appraisal. Also, the Americans for community co-operation in other Nations, (Wittlinger, Carranza, & Mori, 2008) published an article entitled Best Practices in Collections Strategies. The article enumerated four (4) practices to improve collection efficiency such as the adoption of proactive strategies to quell delinquency before it starts, improvement of internal productivity of the collection area, ensuring quality information gathering and management and development of well-defined strategies for collection of delinquent loans.

*Corresponding author: Pamela A. Tongo
†Email: ptongo@uic.edu.ph

Ma-a Parish Multi-Purpose Cooperative (2015) is mainly engaged in extending loans to its members. As of December 31, 2015, their total loans receivable comprises more than 78% of the total assets and more than 100% of the total members' capital. Philippine Cooperative Code (2008) sets the performance standards for credit cooperatives wherein past due accounts with one day missed payment shall not be more than 5% of the total loans outstanding. For MPMPC, past due accounts are more than 50% of the total loan outstanding. Also, it sets a standard wherein a loan overdue of over 12 months must provide 100% allowance for uncollectible accounts. If MPMPC abides by this standard, it will wipe out the net earnings of the cooperative, and this will mean no income distribution to members in the form of interest on capital and patronage refund.

The Board of Directors of MPMPC is alarmed with the high ratio of overdue accounts despite their practices to quell delinquency. Based on MPMPCs manual, the loanable amount of each member for a regular loan is 200% of his share capital. If the borrower loan exceeds his share capital, he must have a co-maker who must also be a member in good standing. They have a coop loan officer who conducts credit investigation and inspection/appraisal of collaterals. They also have a credit committee who decides whether the loan is approved or not. Committees are also formed to monitor the members' standing in the coop, and to monitor also the adequacy and effectiveness of the cooperative's management and control system. They also have a screening mechanism for aspiring applicants for membership. To sum it up, Addae-Korankye (2014) and Wittlinger et al., (2008) theory are being practiced; yet, the cooperative's collection efficiency is challenged.

REVIEW OF RELATED LITERATURE

Credit Cooperatives offer a mix of financial products tailored to the various needs and wants of its poor members (Owusu, Oppong, Agyeiwaa, & Abruquah, 2015). Offering various financial products improves their services, but it could result in multiple loans from its borrowers that may eventually lead to loan default. Default management is every credit cooperatives issue (Chaiya, Janbanklong, & Kerpasit, 2016; Daniels, 2013). It affects loan portfolio quality, thus, affecting the general performance of the cooperative (Onuko, Muganda, & Musiega, 2015). The struggle for credit management lies in the fact that debt collection by its very nature can be emotive, and if the negotiation is managed poorly, the result can be a negative member experience, increasing the likelihood of a complaint (Anteris Consulting, 2015) that may lead to withdrawal from membership and discourage potential members.

A concern for how critical analyses of everyday engagements with debt and credit (Deville and Seigworth, 2015) is indeed challenging. This challenge is usually handled by the cooperatives loan officer who would investigate the borrowers repayment background and determine the borrowers ability through savings and deposit as well as examining borrowers loan objectives and getting borrowers additional information from either relatives or neighbors (Evusa, Mudaki, & Ojala, 2015). Also, loan size matters when it comes to efficiency of Savings and Credit Cooperatives (Tesfay & Tesfay, 2013). Thus, the loan officer would not only endorse prospect borrowers to the credit committee, but they would also recommend the amount of loan that can be granted to them. In doing so, the loan officer may have done his best to ensure loan collectability, but the information he has may still be lacking.

According to Everett (2015), loans granted by relationship lenders with accurate soft information have a lower risk of default and a lower cost. However, at present, this facility is only available to banks and not to cooperatives. Because the cooperatives rely only on limited information they are susceptible to borrowers having multiple loans outside the cooperative, these borrowers loans to the cooperative are prone delinquency. However, in the study of Ionescu and Ionescu (2012), they concluded that increase in debt burdens alone cannot explain the increase in default rates. However, the article of Gupton, Gates, and Carty (2000) support the logic that multiple loans has a strong (and negative) influence on the recovery of unsecured loans, though, it has no appreciable influence on secured loans. If this theory is observed, to reduce the risk of bad debt incidence to the barest minimum, a financing institution should reduce the percentage of the unsecured loans (Agarana, Anake, & Adeleke, 2014). It is however not conclusive. According to Eales and Bosworth (1998), loans with collaterals unexpectedly yield still-high severity of loss sustained on loans.

Developing an official credit-rating system was recommended by Akterujjaman (2010) for proper loan management. As to lending for business purpose, the loan officer should consider that that overestimating business income may lead to financial liabilities, including unpaid loan, additional commercial debt, and possible business closure (Lorence, Lawrence, Salsbury, & Goertz, 2014).

Objectives of the study

The purpose of the study is to identify the factors that affect the collection efficiency of MPMPC in order and make recommendations to the Board of Directors in formulating their policies to improve the collection efficiency. It also gives the University of Immaculate Conception faculty, who are members of the Accountancy and the Business Administration Program, a venue to share their expertise with the community of Ma-a.

METHODS

This study used participatory action research. It is an approach to research in communities that emphasizes participation and action. The members of the cooperative and its officers, together with the researchers, participated in the data gathering. At the end of the study, a set of an action plan is proposed to address the issues and help improve the operation of the cooperative.

The research locale is a parish-based multi-purpose cooperative based in Ma-a, Davao City, Philippines. Members of the cooperative are primarily residents or workers within the barangay of Ma-a. Members who are non-residents and non-workers of Ma-a are recognized as associate members. As of December 31, 2015, there were 532 regular members and 65 associate members.

We used quantitative and qualitative research methods. Documentary analysis was done using secondary data available in the office of MPMPC to classify all loan accounts, determine the loan balances at cut-off dates and age the accounts, respectively. A two-part survey questionnaire was prepared by the researchers to gather the demographic profile of the borrowers, and the common reasons why borrowers cannot pay their loan accounts on due dates. Part I is composed of eight items describing the demographic profile of the participants. Part II consists of nine items related to the participants' loans accounts. The survey questionnaire was administered to all who attended the Special General Assembly held last September 24, 2016, at the St. Francis of Assisi Formation Centre, Ma-a, Davao City. We explained to them the purpose of the research as well as the significance of informed consent. Then, we distributed and collected the consent forms together with the survey questionnaires. The whole process lasted approximately 30 minutes.

To validate the answers in the survey questionnaire, we conducted a FGD to member-borrowers. A group of twelve borrowers was purposively selected to be part of the FGD, composed of eight delinquent borrowers and four good borrowers. We sent a letter of invitation stating the purpose of the FGD to the selected participants for their acceptance. To protect the identity of the participants, they were coded. The proceedings of the FGD were voice-recorded for objective retrieval of data.

For triangulation of data gathered, we also conducted another FGD of nine participants representing the management side. The participants are composed of four directors, three members of the credit committee, one from the mediation committee, one from the audit committee and the Coop Manager. Each FGD lasted approximately 1.5 hours. The FGD was conducted at the Formation Centre Building located at St. Francis of Assisi Parish grounds near the MPMPC office. The FGD guide questions were prepared after the initial gathering of data from the survey questionnaire and documentary analysis. The financial data gathered from the documentary evidence were analyzed using percentages and ratios. Data from the survey questionnaires were likewise analyzed using percentages, ratios, and enumerations. The information gathered in the FGD was summarized using the Emergent Thematic Approach. Due to the sensitivity of the data gathered we asked the consent of the MPMPC board of directors to conduct the study. During the regular monthly board meeting held on August 28, 2016, a Board Resolution was passed allowing the administration of the research.

RESULTS AND DISCUSSION

Profile of the respondents

Even with the best models on collection efficiency, there will be occasions where a debt is not matched to the optimal collections strategy (Anteris Consulting, 2015). A mismatch could emanate from the debtors incapacity to their pay their loans. Hence, we looked into the profile of the respondents to ascertain whether these members are indeed capable of paying loans.

Table 1 shows that senior citizens who may rely only on pensions are more attracted to become cooperative members. On the other hand, majority of the members are married, who may have a lot of other expenses to consider. Majority of the respondents are regular members. It means that most of them live or work within Maa community and should not have difficulty paying their loans. The survey shows that majority of the respondents have either no dependent or with only 1-2 dependents. It may be because 1/3 of the members are senior citizens, whose children are no longer dependent on them.

Table 1: Profile of respondents

	Frequency	%
Age bracket		
21-30	4	3.42%
31-40	16	13.68%
41-50	27	23.08%
51-60	27	23.08%
Over 60	39	33.33%
No answer	4	3.42%
Total respondents	117	100.00%
Civil status		
Single	18	15.38%
Married	81	69.23%
Separated	1	0.85%
Widow/er	17	14.53%
No answer	0	0.00%
Total respondents	117	100.00%
Membership category		
Regular	100	85.47%
Associate	14	11.97%
No answer	3	2.56%
Total respondents	117	100.00%
Number of dependents		
0	45	38.46%
1-2	37	31.62%
3-4	25	21.37%
5 or more	8	6.84%
No answer	2	1.71%
Total respondents	117	100.00%

Table 2 shows that majority of the respondents are living in their own house, with salary as the main source of income. It also shows that of the 33.33% senior citizens 18.8% rely on their pension. Although a total of 58.12% of the respondents are either employed or engaged in business, 47.01% earns a monthly income of P10,000 and below. This data imply that their members either minimum wage earners or micro-entrepreneurs.

Table 2: Profile of respondents

	Frequency	%
Ownership of residence		
Owned	93	79.49%
Mortgaged	1	0.85%
Rented	7	5.98%
Living with relatives	12	10.26%
No answer	4	3.42%
Total respondents	117	100.00%
Source of income		
Salary	41	35.04%
Pension	22	18.80%
Business	27	23.08%
Mixed sources of income	20	0.85%
No regular income	7	5.98%
No answer	0	0.00%
Total respondents	117	100.00%
Average monthly income		
10,000 and below	55	47.01%
10,001 to 20,000	31	26.50%
20,001 to 30,000	15	12.82%
30,001 to 40,000	6	5.13%
40,001 to 50,000	2	1.71%
50,001 and above	3	2.56%
No answer	5	4.27%
Total respondents	117	100.00%

Profile of the loans availed

In Table 3, the survey shows 56.41% have outstanding loans and the loan type mostly availed of is the regular loan followed by the Special Loan. Most borrowers are on the Regular Loan because it is easy to avail as it does not need collateral. The Special Loan, on the other hand, requires a collateral either real estate or motor vehicles. This practice is consistent with Eales and Bosworths article (1998) that says residential real estate is one of the best forms of collateral commonly available. The Special Loan is open to members with business and the amount of loan that can be availed ranges from P50,000 to P300,000. Results, however, show that only 13.23% (7.44%+5.79%) availed of loans over P50,000. Most of the borrowers (26.45%) availed of the loan amount ranging from P10,001-P50,000.

Though there were 51 (42.15%) respondents have no outstanding loans at the time of the survey, forty (40) respondents have loan experience that has fully paid their accounts at the survey cut-off date. Only eleven (11) did not avail of loan since membership.

MPMPCs term of loan per policy is 12 months. Table 4 shows that 40.50% of the respondents opted for a loan term of 7-12 months. It could be a factor why they are having difficulty in paying their loans. To improve collection, the cooperative can consider Awunyo-Vitors article (2012), saying that an increase in repayment period more likely would not default on loan repayment. Only two respondents (1.65%) opted for 19-24 month, and these loans arise from restructured delinquent loans. MPMPC do have a leeway in making foreclosure decisions and be more willing to work out solutions short of foreclosure-such as a new payment schedule - for some defaulting borrowers (Yinger, 1996).

As to the purpose of availing the loan, most of the respondents borrowed for business purposes. This signifies that they should be able to pay their loans with the business income. This also connotes that the coop is living its mission of helping the community.

Fedaseyeu (2015) said that the collection process requires debt collectors to constantly communicate with borrowers. At MPMPC, majority of the respondents pay thru the office cashier, and only

20.51% pay thru the collector. They prefer to pay personally at the office and on Sundays when they attend masses. The problem with this is when the installment payment due date does not fall on a Sundays because most borrowers pay on the following Sunday. This practice will cause some accounts to become delinquent.

Table 3: Profile of loans availed

	Frequency	%
Status of loan		
With outstanding loan	66	56.41%
No outstanding loan	51	43.59%
No answer	0	0.00%
Total respondents	117	100.00%
Type of loan availed		
Regular loan	54	44.63%
Special loan	15	12.40%
Emergency loan	1	0.83%
No outstanding loans	51	42.15%
Total responses	121	100.00%
Amount of loan		
10,000 and below	22	18.18%
10,001-50,000	32	26.45%
50,001-100,000	9	7.44%
100,001 and above	7	5.79%
No outstanding loans	51	42.15%
Total responses	121	100.00%

Table 4: Profile of loans availed

	Frequency	%
Term of loan		
1 to 6 months	19	15.70%
7 to 12 months	49	40.50%
13 to 18 months	0	0.00%
19 to 24 months	2	1.65%
No outstanding loans	51	42.15%
Total responses	121	100.00%
Purpose of availing loan		
Business purposes	28	23.93%
Tuition fee of children	21	17.95%
Others	21	17.95%
Home improvement	14	11.97%
Pay utility bills	8	6.84%
Hospitalization and medicines	8	6.84%
Purchase of appliances	5	4.27
Pay rental	1	0.85%
No loan since membership	11	9.40%
Total respondents	117	100.00%
Manner of Paying the Loans		
Thru the office's cashier	70	59.83%
Thru the collector	24	20.51%
Thru collector, and thru the office's cashier	8	6.84%
Others	4	3.42%
No loan since membership	11	9.40%
Total respondents	117	100.00%

Note: The total number of respondents is 117. Respondents with multiple loans outstanding may have more than one response, hence, there are items labelled as total responses.

Types of loans

Table 5 shows the composition of the total outstanding loans as of December 31, 2015. The top two types of loans are the Special Loan and the Regular Loan.

Table 5: Types of loans

	Amount	%
Special loan	3,571,812.38	47.69%
Regular loan	3,445,645.24	46.00%
Emergency loan	16,000.00	0.21%
DORSI loan	441,315.20	5.89%
Others	14,998.04	0.20%
Total	7,489,770.86	100.00%

Although there are more borrowers of regular loan than special loan (Table 3), the total amount availed for Special Loans is bigger than the Regular Loans. The smallest type of loan categorized as "Others" is composed of the BEC Loan, Rice Loan, and Grocery loan. These are loan windows that were previously offered by MPMPC. The remaining uncollected accounts for these loans were closed to this account when the granting of these loan types halted.

Table 6: Profile of loans availed

	Frequency	%
Term of Loan		
1 to 6 months	19	15.70%
7 to 12 months	49	40.50%
13 to 18 months	0	0.00%
19 to 24 months	2	1.65%
No outstanding loans	51	42.15%
Total responses	121	100.00%
Purpose of availing loan		
Business Purposes	28	23.93%
Tuition fee of children	21	17.95%
Others	21	17.95%
Home improvement	14	11.97%
Pay utility bills	8	6.84%
Hospitalization and medicines	8	6.84%
Purchase of appliances	5	4.27
Pay rental	1	0.85%
No loan since membership	11	9.40%
Total respondents	117	100.00%
Manner of Paying the Loans		
Thru the office's cashier	70	59.83%
Thru the collector	24	20.51%
Thru collector, and thru the office's cashier	8	6.84%
Others	4	3.42%
No loan since membership	11	9.40%
Total respondents	117	100.00%

Table 6 shows the aging of the total loans receivable. Of the total loans, 68.72% is not yet due but 31.28% (100%-68.72%) is already overdue, and of this amount, 22.95% are over 120 days overdue. The past due rate is quite high as compared to the performance standard for credit cooperatives which is only 5% (Philippine Cooperative Code, 2008). The Cooperative Development Authority (CDA), is constantly monitoring the performance of every cooperative through the submitted annual reports. Thus, a high past due rate is not only detrimental to the operations of the coop but also reflect an undesirable standing with the CDA.

Table 7: Profile of loans availed

	Frequency	%
Term of Loan		
1 to 6 months	19	15.70%
7 to 12 months	49	40.50%
13 to 18 months	0	0.00%
19 to 24 months	2	1.65%
No outstanding loans	51	42.15%
Total responses	121	100.00%
Purpose of availing loan		
Business Purposes	28	23.93%
Tuition fee of children	21	17.95%
Others	21	17.95%
Home improvement	14	11.97%
Pay utility bills	8	6.84%
Hospitalization and medicines	8	6.84%
Purchase of appliances	5	4.27
Pay rental	1	0.85%
No loan since membership	11	9.40%
Total respondents	117	100.00%
Manner of Paying the Loans		
Thru the office's cashier	70	59.83%
Thru the collector	24	20.51%
Thru collector, and thru the office's cashier	8	6.84%
Others	4	3.42%
No loan since membership	11	9.40%
Total respondents	117	100.00%

Table 7 shows that among the types of loans, the Regular Loans yielded the highest percentage of over 120 days overdue accounts (26.36%) followed by the Special Loans (21.56%) and Emergency Loans (18.75%). The percentage of overdue account is quite high compared to the standard set by the Code for credit cooperatives. As to Special Loans that require collateral 21.6% is still overdue. Indeed, loans with collaterals unexpectedly yield still-high severity of loss sustained on loans (Eales & Bosworth, 1998).

Collection practices as experienced by the respondents

Table 8 summarizes the practices done by MPMPC. Though majority of the respondents affirmed that their Personal Information Sheet (PIS) was updated, 17.95% said that they did not update their PIS.

Proper records of all borrowers should be well-kept (Evusa et al., 2015) because incorrect information, such as the borrowers address will lead to non-delivery of notices. Also, 11.97% of the loan applicants said that there was no credit investigation when they applied for the loan. A total of 75.21% of the respondents affirmed that they received collection reminders and the most common manner of reminder (67.05%) is the letter of reminder. There were also, 60.68% who affirmed that they received a SOA. Although most of the respondents answered that they received reminder letters or SOA, we cannot discount those borrowers who have not received any reminder. All borrowers must be reminded and given SOA every month to embolden loan repayment.

Table 8: Collection practices

Indicators	Frequency	%
Personal information sheet updating requirement		
Yes	95	81.20%
No	21	17.95%
No answer	1	0.85%
Total respondents	117	100.00%
Administration of credit investigation		
Yes	91	77.78%
No	14	11.97%
No loan since membership	11	9.40%
No answer	1	0.85%
Total respondents	117	100.00%
Regularity of reminders on due dates and loan payments due		
Yes	88	75.21%
No	18	15.38%
No loan since membership	11	9.40%
Total respondents	117	100.00%
Manner of reminding		
Letter of reminder	59	67.05%
Text message	14	15.91%
Phone call	2	2.27%
Mixed approach	13	14.77%
Total responses	88	100.00%
Regularity of billing statements/SOA distribution		
Yes	71	60.68%
No	33	28.21%
No loan since membership	11	9.40%
No answer	2	1.71%
Total respondents	117	100.00%

Factors affecting collection inefficiency

Table 9 shows that the most common reason for the delinquency is "I have other expenses to attend to" with 49.57% respondents. Truly, external pressures to divert the money and behavioral biases in decision-making (e.g., lack of self-control) are collection efficiency factors related to the loan benefactor (Owusu et al., 2015).

Table 9: Reason for delinquency

	Frequency	%
Reason for delinquency		
I have other expenses to attend to	58	49.57%
Delay in salary	16	13.68%
Others	12	10.26%
I am not regularly reminded	3	2.56%
I have other loans	2	1.71%
Forget	2	1.71%
Regular payment	13	11.11%
No loan since membership	11	9.40%
Total respondents	117	100.00%

Reasons of collection inefficiency from the perspective of the borrowers and officers
Qualitative data analysis revealed seven primary themes across the two focused groups-the borrowers and the officers. Table 10 shows ten recurring ideas from the perspective of the borrowers. The officers, on the other hand, have eight recurring ideas as shown in Table 11.

Table 10: Reasons of collection inefficiency from the perspective of the borrowers

Themes	Recurring Ideas
Lack of collection process	Absence of a collector
	Office hours are not payor-friendly
	Insufficient information drive of the condonation program
	Absence of demand letter from a lawyer
	Lack of enforcement of the co-maker policy
Mismatch of members preferences on schedule of payments	Get tired of going to the office to pay if due date falls on days other than Sunday
	Preference of paying in lump-sum
Not pressured by the penalty	The immateriality of the penalty does not pressure a borrower to pay on time
Personal factor as non-good payers	Paying loan is not a priority
	Negative attitude of the borrower as regards to paying obligations

Table 11: Reasons of collection inefficiency from the perspective of the officers

Themes	Recurring Ideas
Negative character of the borrower	Negative attitude of the borrower as regards to paying obligations
	Unwillingness on the part of the borrower to prioritize payment of the loan
	Borrowers treat coop penalties as immaterial
Lack of credit and collection policy (manual)	The access of coop to credit information is limited to the declaration of the borrower
	Failure of the borrower to declare complete information about his credit accounts
	Lack of collection procedure that would address varying situations and characters
	Lack of follow-up from the office
Unfavorable circumstances of the borrower	When the borrower is confronted with financial problem

Reasons of collection inefficiency from the perspective of the borrowers
Lack of collection process
There was a time when the collector resigned. The respondents felt difficulty paying their accounts at that time. Two FGD participants also commented on the office hours of the cooperative and recommended that the office should be open from 12:00 noon to 1:30 pm. There were also three FGD participants who agreed that the condonation program was helpful. However, the information drive was inadequate. They recommended that cooperative must intensify the information drive for the program. Majority of the FGD participants also believe that the borrowers will be intimidated if they receive a demand letter from a lawyer. Three FGD participants also believe that if a co-maker is required to pay the principal borrower's delinquency, they have a better chance of collecting delinquent accounts.

Mismatch of borrowers preference on the schedule of payment
The most convenient time for the borrowers to pay is on Sunday (church day). If their due fall on other days, they prefer to pay late because the transportation cost of going to the office outweighs the penalty for the delayed payment. There are also two participants who prefer to pay their account in lump-sum because they borrow money to finance a small business where the return is highly seasonal.

Not pressured by the penalty
The cooperative's penalty rate of 2% per month (24% per annum) is at par with other cooperatives. However, the borrowers consider this immaterial. The collection can be improved if the consequences of neglecting the dates of the payments are more serious than a penalty to pay (Rios-Solis, Saucedo-Espinosa, & Caballero-Robledo, 2017).

Personal factor as non-good payers
According to the participants, the delinquent borrowers may not have money to pay their overdue accounts because they have other bills and loans to pay. Said finding confirms the result of the survey as presented in Table 9. They have money if they want to pay, but paying their coop loan is their least priority. To pressure the borrowers, the coop may conduct financial literacy workshops, early alert systems, and personal counseling as recommended in Daniel's study (2013).

Reasons of collection inefficiency from the perspective of the officers
Negative character of the borrower
The officers agreed that even if a delinquent borrower has money, loan repayment is not their priority and they also treat coop penalties as immaterial. This is consistent with the comment of the borrowers and the survey respondents.

Lack of credit and collection policy (manual)
For MPMPC, the access to credit information is limited to the declaration of the borrower. Furthermore, borrowers may deliberately declare incomplete and misleading information about his credit accounts to avail of a loan. All the participants agreed that creating a policy of conducting thorough credit investigation will help address this limitation. This is consistent with Owusu et al. (2015) which concluded that sound management practice and effective supervision could reduce non-performing loans. Four of the participants made suggestions as to the contents of the Credit and Collection Manual. The first suggestion was granting of credit ratings to the borrowers. The second was the inclusion of the collection process for a particular type of borrower on the manual. The third was the inclusion of the process that should be done to enforce collection of all accounts, especially past due accounts. Lastly, the manner of proceeding to legal actions to enforce collection from wayward delinquent borrowers was suggested. Litigation will only commence when all other recovery efforts have been exhausted (Anteris Consulting, 2015).

Unfavorable circumstances of the borrower
The participants agreed that there are borrowers who are experiencing untoward circumstances that occurred only after availing the loan. Evusa et al. (2015) suggested that a more comprehensive insurance cover should be available for all borrowers to cater for the unforeseen circumstances, e.g., the death of the borrower.

CONCLUSION AND RECOMMENDATIONS

We sought to identify the factors that affect the collection inefficiency at MPMPC. From the factors identified in our study, we also make recommendations to the Board of Directors for policy formulation. These findings and recommendations are enumerated below.

A major factor affecting the collection efficiency at MPMPC is the attitude of the borrowers. Their delinquent borrowers usually repay when only when pressured. Though the cooperative has credit and collection practices to address this, are not consistently administered. The management should strictly implement the cooperative policies and procedures.

Also, they don't regularly send the letter of reminder and SOA to all the borrowers. With the attitude of the borrowers, a constant reminder is imperative to all borrowers. Moreover, for wayward delinquent borrowers, a lawyers demand letter is necessary and helpful.

The condonation program can be very helpful to those borrowers who are unfortunately facing financial difficulty. However, the information drive is inadequate. The management should ensure that the delinquent borrowers are aware of this program. Furthermore, they should ensure that the borrowers understand how the program can help them.

The officers may consider revising their payment scheme. Lump-sum payments may be permissible depending on the purpose of availing the loan.

The penalty for late payment is an additional burden to those struggling to pay. However, some of the borrowers consider the penalty immaterial. MPMPC should conduct financial literacy workshops, early alert systems, and personal counseling to the delinquent borrowers as recommended by Daniels (2013).

Because there are some borrowers who are facing inevitable unfavorable circumstances, MPMPC should include loan insurance or a loan protection program to cater for the unforeseen circumstances, e.g., the death of the borrowers (Evusa et al., 2015). MPMPC can avail of the services of the CLIMBS Life and General Insurance Cooperative or the Cooperative Insurance System of the Philippines (CISP).

At present MPMPC do not have a credit and collection policy manual. The Board of Directors should expedite the creation of this manual. Furthermore, their credit and collection practices that are currently being utilized are not fully implemented. It is the managements responsibility to ensure that the policies of the cooperative should be strictly enforced.

REFERENCES

Agarana, M. C., Anake, T. A., & Adeleke, O. J. (2014). Application of linear programming model to unsecured loans and bad debt risk control in banks. *International Journal of Management, Information Technology and Engineering, 2*(7), 93-102.

Akterujjaman, S. M. (2010). Problems and prospects of SMEs loan management a study on mercantile bank limited, Khulna branch. *Journal of Business and Technology, 5*(2), 1-15.

Anteris Consulting. (2015). Research into the Australian debt collection industry. Retrived from goo.gl/VjDW3j

Awunyo-Vitor, D. (2012). Determinants of loan repayment default among farmers in Ghana. *Journal of Development and Agricultural Economics, 4*(13), 339-345.

Chaiya, K., Janbanklong, T., & Kerpasit, P. (2016). Factors affecting policy implementation of student loan funds, case study: Suan Sunandha Rajabhat University. *International Journal of Business and Administrative Studies, 2*(5), 118-123.

Daniels, R. W. (2013). *A Study of the impact of default management practices and other factors on student loan default rates in public two-year community colleges* (Unpublished doctoral thesis). The University of Toled,Toledo, OH.

Deville, J., & Seigworth, G. J. (2015). Everyday debt and credit. *Cultural Studies, 29*(5-6), 615-629.

Eales, R., & Bosworth, E. (1998). Severity of loss in the event of default in small business and larger consumer loans. *Journal of Lending and Credit Risk Management, 80*, 58-65.

Everett, C. R. (2015). Group membership, relationship banking and loan default risk: The case of online social lending. *Banking and Finance Review, 7*(2), 1-31.

Evusa, Z., Mudaki, J. S., & Ojala, D. O. (2015). Evaluation of the factors leading to loan default at equity bank, Kenya. *Journal of Economics and Sustainable Development, 6*(9), 1-10.

Fedaseyeu, V. (2015). *Debt collection agencies and the supply of consumer credit* (Working Paper No. 15-23). Department of Finance, Bocconi University, Milan, Italy.

Gupton, G. M., Gates, D., & Carty, L. V. (2000). *Bank loan loss given default. Moodys investors service, global credit research.* Retrived from goo.gl/KUFMRU

Ionescu, F., & Ionescu, M. (2012). *The interplay between student loans and credit cards and amplification of consumer default* (Working Paper No. 2012-014). Department of Economics, University of Chicago, Chicago, IL.

Addae-Korankye, A. (2014). Causes and control of loan default/delinquency in microfinance institutions in Ghana. *American International Journal of Contemporary Research, 4*(12), 36-45.

Lorence, J., Lawrence, D. J., Salsbury, S. A., & Goertz, C. M. (2014). Financial attitudes, knowledge, and habits of chiropractic students: A descriptive survey. *The Journal of the Canadian Chiropractic Association, 58*(1), 58-65.

Ma-a Parish Multi-Purpose Cooperative (2015). *Policy manual.* Retrived from goo.gl/Ktf1wZ

Onuko, L. K., Muganda, M., & Musiega, D. (2015). *Effects of credit risk management on loan portfolio quality of tier one Commercial Banks in Kenya* (Unpublished doctoral thesis). Jomo Kenyatta University of Agriculture and Technology, Juja, Kenya.

Owusu, A. D., Oppong, A., Agyeiwaa, D., & Abruquah, L. (2015). Reducing loan default rate among Microfinance Institutions (MFIs) in Ghana through innovative product design, delivery and efficient loan management. *International Journal of Economics, Commerce and Management, 3*(3), 1-15.

Philippine Cooperative Code (2008). *Republic act 9520.* Retrived from goo.gl/DPD4En

Rios-Solis, Y. A., Saucedo-Espinosa, M. A., & Caballero-Robledo, G. A. (2017). Repayment policy for multiple loans. *Plos One, 12*(4), 1-12.

Tesfay, H., & Tesfay, A. (2013). Relative efficiency of rural saving and credit cooperatives: An application of data envelopment analysis. *International Journal of Cooperative Studies, 2*(1), 16-25.

Wittlinger, B., Carranza, L., & Mori, T. (2008). Best practices in collections strategies. Retrived from goo.gl/os7mED

Yinger, J. (1996). Why default rates cannot shed light on mortgage discrimination. *Cityscape, 2*(1), 25-31.

— This article does not have any appendix. —