

The loan delinquency essay sample

[Business](#)



Chapter I

THE PROBLEM AND ITS BACKGROUND

Introduction

According to Johnston Birchall (2004) in his book entitled “ Cooperatives and the Millennium Development Goals”, Cooperatives, as economic enterprises and as self-help organizations, play a meaningful role in uplifting the socio-economic conditions of their members and their local communities. Over the years, cooperative enterprises have successfully operated locally owned people-centered businesses while also serving as catalysts for social organization and cohesion. With their concern for their members and communities, they represent a model of economic enterprise that places high regard for democratic and human values. As the world today faces unstable financial systems, increased insecurity of food supply, growing inequality worldwide, rapid population growth and increased financial needs, it is increasingly compelling to consider the model of economic enterprise that cooperatives offer.

Despite of their willingness to extend help to the members, the cooperatives was generally a failure. As stated by the Cooperative Development Authority, it was loan delinquency that ultimately killed the 50, 000 cooperatives in the country. Presumably, these cooperatives have folded up and no longer operating. At present, there are 18, 000 cooperatives in the country who are suffering from loan delinquency. Abucay Multi-purpose Cooperative is one of those cooperatives who face a great problem regarding loan delinquency.

Headed by Mayor Ana D. Santiago, AMPC started its operation on Aug. 13, 1998. It provides loan services like business and personal assistance loan to its members. Its objective is to improve the quality of life of the members and their families and the community. In its 13 years of existence, their loan delinquency rate is increasing yearly. Delinquent accounts in AMPC resulted into adverse consequences in their credit operations and potential loss to the cooperative. Loan delinquency corroded the relationship between the members and the cooperative. If this problem will not be resolve, it may result to the closure of the cooperative, and loss to its members and to the Abucay community, since it is the first cooperative in the town that helped the Abuquenos in the upliftment of their economic needs.

In line with this, the researchers as dynamic builders and future leaders of the community wants to study the cause and effect of loan delinquency in the Cooperative and make recommendations to prevent the extremity of the problem. This research will improve the loan delinquency management of Abucay Multi-purpose Cooperative. The setting of this study will be in Calaylayan, Abucay, Bataan and the respondents will be the members of the Cooperative.

Statement of the Problem

This study aims to determine the causes and effects of delinquent members of Abucay Multipurpose Cooperative and its implications to its internal operation. Specifically, it will seek to answer the following question:

1. What is the profile of the respondents according to:

1. 1 Age

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1. 2 Personnel/Member
1. 3 Educational Attainment
1. 4 Occupation
1. 5 Civil Status
2. What are the causes of delinquency in a cooperative?
 - a. What are the effects of delinquency in a cooperative?
3. How does AMPC deals with delinquent members?
4. How effective is the loan payment scheme of Abucay Multi-purpose Cooperative?
5. Is there a significant difference between the responses of delinquent members and AMPC Personnel when grouped according to profile?

Theoretical Framework

According to Jacobsen (1996), loan delinquency happens when management does not have sufficient background on the borrower where he is spending the money how does he intend to pay it back and others. The cooperative should have a system for application and evaluation of loans. According to Rochdale (1844), loan delinquency is a result of lack of control system and procedures. It may be defective, when there is a policy but it does not sufficiently cover the extent of borrower's liabilities or management responsibilities. For example, there may not be a policy that covers sanctions or penalties for non-payment. There may be unclear arrangements as to when and where to pay the loan. According to Obana, loan delinquency occurs when leaders are delinquent in payment. It corrodes the values of the whole organization.

Collector in a cooperative is hesitant to collect from these leaders because they assume that leaders should know their obligations. If members learn of this, they start to lose faith in the cooperative and they will no longer support it. Akerlof (1970) argues that the problem of delinquency highlights the importance of relationships between lenders and borrowers. According to Fraser (2004), loan delinquency arises because leaders are imperfectly informed about the characteristics of potential borrowers and it may be impossible as a result for lenders to distinguish good borrowers from bad ones. As Fraser 2004 observes, longer and broader relationship increased the amount and flow of information to lenders enabling good borrowers to obtain better access to finance overtime.

Conceptual Framework

The figure illustrated is derived from the theories presented in the theoretical framework.

This figure reflects the flow on how AMPC can improve the loan delinquency Management.

Hypotheses

This study concentrates on the delinquent members of the Abucay Multi Purpose Cooperative and how it affects the Cooperatives operations. Ho: There is no significant difference between the responses of delinquent members and AMPC personnel when grouped according to profile.

Significance of the Study

This study will be a significant endeavor in determining potential problems or opportunities arising from delinquent accounts and reviewing the delinquent situation of the cooperative as guide for action. It will also be helpful in minimizing or preventing loan delinquency in the cooperative and identify causes of delinquency in the cooperative. Furthermore, this study will benefit the general assembly, being the most powerful force of the organization; they will be given an idea about the status of their investment with regards to the business operations and financial structure. With a clear view about the delinquent situation of the cooperative they can make suggestions for proper preventions, detections, and correction controls in managing the cooperative.

This study will also benefit the Cooperative Development Authority because it will identify the causes of delinquency in the cooperative and its impact to business operations. This will serve as the basis for affecting the appropriate actions and measures designed to improve further the policies for this area of concern. Lastly, this study will help the board of directors of the cooperative in assessing their effectiveness in terms of implementing delinquency control. Moreover, this research will provide recommendation on delinquency management. This will be helpful to the cooperative industry in dealing with their members and will also serve as a future reference for researchers in financial and operations management and cooperative businesses. Most importantly, this research will help minimize losses for the cooperative.

Scope and Limitations of the Study

This study focuses on the causes of loan delinquency in Abucay Multi-purpose Cooperative and its implication on the Cooperative's operation. The study will be conducted in Abucay Multi-purpose cooperative located at Calaylayan, Abucay, Bataan. The study involves an interview on the members and selected employees of Abucay Multi-purpose Cooperative. The selection of respondents are only limited to the AMPC members with existing loan, specifically, delinquent members of the Cooperative. The duration of this study covers operation year 2010-2011. We will conduct the study by giving questionnaire to the members.

Definition of Terms

Multi-Purpose Cooperative – combines two or more of the business activities of these different types of cooperatives (Cooperative Management Book)

Loan – something lent or furnished on condition of being returned, especially a sum of money lent at interest (New Webster College Dictionary)

Loan Delinquency – a major breach or violation of the loan agreement

(Cooperative Management Book) Losses – the amount of money by which the company's or person's expenses exceed income or profit (Financial

Management Approach, 2nd edition) Borrower – an individual, organization or company that is using funds, materials or services on credit (Financial

Management Approach, 2nd edition) Credit – a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some later date (Cooperative Development Book)

Lenders – entity that advances cash to a borrower for a stated period and for a fixed or variable rate of interest, with or without a security other than the

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borrower's signatures (Economics: Theory and Practices) Capital – one's own or borrowed money invested in a business to generate income (Cooperative Management Book) Bill – document evidencing one party's indebtedness to another, such as invoice (Financial Management Approach, 2nd edition) Finance – a branch of economics concerned with resource allocation as well as resource management, acquisition and investment. Simply, finance deals with matters related to money and the market (Financial Management Approach 2nd edition)

Chapter II

REVIEW OF RELATED LITERATURE AND STUDIES

Related Readings

LOCAL STUDIES

According to the Republic Act No. 9520, a cooperative is a duly registered association of persons with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable to contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principle.

However, the declared purpose of the law governing cooperatives (Republic Act 6938, also known as the Cooperative Code of the Philippines) is to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. The law provides important benefits to the cooperative and its empowered members, based on their

experience in handling client-cooperatives. Filipino economists and students of cooperatives in this country have often attributed the failure of cooperative societies to the following causes:

Incompetent management

Lack of proper understanding of the principles, practices true aims, and purposes of cooperative associations Improper use of credits by the borrowers, who, instead of using money borrowed for production, spent it for fiestas or luxuries.

Defective securities.

Political interference particularly in the collection of overdue accounts Lack of compensation of officers

Inadequate character and moral responsibility in handling the other fellow's money

Lack of adequate safeguard against unscrupulous officers who took advantage of their position to grant loans to themselves and their compadres which later proved disastrous to the system.

The dominance of the individualistic attitude instead of the spirit of cooperation among the people.

Inability of cooperatives to secure adequate capital

Their dependence on alien suppliers and distributors

Ineffectiveness of the government and promotion of cooperative organizations

Inadequate marketing facilities

Considering the experiences of similar societies in other countries, however,

the fundamental cause of failure in a cooperative enterprise is the lack of proper understanding of the principles and true aims of cooperative associations, and the non-adherence to them in actual operation of cooperative enterprises.

FOREIGN STUDIES

The Fair Debt Collection Practices Act (FDCPA) (effective 1978, amended 1986) applies to everyone who collects consumer debts for someone else, including attorneys who collect consumer debts.

While creditors collecting their own accounts are excluded

from the act, most creditors follow the act's mandates and prohibitions in the interest of using sound and fair business practices.

Debt collection prohibitions under the act include: threatening or using violence, using obscene or profane language, publishing a list of consumers who allegedly refuse to pay their debts and causing a telephone to ring, or engaging a debtor in telephone conversation, repeatedly or continuously.

Related Literature

LOCAL STUDIES

According to Lynda C. Corpuz of inquirer.net, a financial adviser of MoneySense, wrote an article entitled “ Cooperatives: alternatives for those who need cash”, showed that cooperatives are the other way of surviving the financial needs. “ Banks offer various products for those who need cash:

personal, home, business, or auto loans. There are also salary loans from the Government Service Insurance System and the Social Security System.

But apart from banks or government institutions, cooperatives or “coops” are also alternatives for those who need cash.” included for her first paragraphs. Another thing, she included, “Through a coop, we pool finances and talents to build capital, produce goods, raise incomes, and tap loans at lower interest rates than borrowing from informal lenders or users. The main important content in her article is that she enumerated the things to remember when joining and borrowing money from a coop:

Join voluntarily. There are five kinds of coops: credit promotes thriftiness and creates funds to grant productivity loans; consumer procures for and distributes commodities to member and non-members; producer undertakes agricultural or industrial joint production; service engages in medical and/or dental care, hospitalization, transportation, insurance, housing, labor, electric and light power, communication, among other services; and multipurpose, combines two or more of the business activities of different coop types. Member’s share is limited.

As per coop principles reformulated in 1966 in Vienna, by the 23rd Congress of the International Cooperative Alliance, a member’s share is limited to prevent domination of the coop’s affairs by affluent members. Share in the surplus or savings. The coop is designed to distribute surplus equally, again, so no member will gain at the expense of another. Surplus, upon agreement, are used to develop the coop’s business interest and provide common services to members.

This will also help a coop avoid bad debts to stabilize its operations and assure its Member's can get training. It trains members to avoid lack of understanding of the principles, aims, and purposes of the coop; improper credit use (borrowers in rural areas are known to spend borrowed money for fiestas or luxuries). It also educates those who are interested in the principles and techniques of a coop. Member's can get loans – and help an organization grow. A coop is touted to be founded for a noble purpose – even Jose Rizal, while exiled in Dapitan, established a community school and a coop store. Proponents of cooperatives hope to attract members with loans, as well as the mental and emotional rewards of supporting a helping organization's existence or preventing its failure.

FOREIGN STUDIES

From the website of Wikipedia, the development of cooperatives began 1980's with the presence of Robert Owen, a Welsh social reformer and a pioneer of the cooperative movement. Owen pursues other forms of cooperative organization and develops co-op ideas through writing and lecture. At New Lanark, Owen was responsible for overall management and general policy. His employees did not at first enjoy his attempts to regulate and improve their lives and his paternalism was more rigorous. As a successful manager of people and business, Owen displayed a skill well in advance of his day but his welfarism, which was not really that unique, had a practical side. His store helped to raise real wages and the infant school enabled mothers to return to work when their children reached the age of one year. As a financier, Owen's methods were sophisticated.

Naturally, Owen is often called the father of “ cooperation”. Despite his failures, Owen continued preaching that a cooperative production and living were the best medicines for the ills of the society. His advocacy stimulated the creation of cooperative societies, labor exchange (where handicrafts were traded based on the amount of labor involved in their making), and trade unions. Although Owen inspired the cooperative movement, another person who captured the whole idea of cooperatives is Dr William King. Naturally, King took his ideas and made them more workable and practical. He believed in starting small, and realized that the working classes would need to set up cooperatives for themselves, so he saw his role as one of instruction.

He founded a monthly periodical called “ The Co-operator”, the first edition of which appeared on 1 May 1828. Specifically, this gave a mixture of cooperative philosophy and practical advice about running a shop using cooperative principles. As a rule, King advised people not to cut themselves off from society, but rather to form a society within a society, and to start with a shop because, “ We must go to a shop every day to buy food and necessaries – why then should we not go to our own shop?” He proposed sensible rules, such as having a weekly account audit, having 3 trustees, and not having meetings in pubs (meaning, to avoid the temptation of drinking profits).

Moreover, there is the other pioneers, the Rochdale Society of Equitable Pioneers, a group of 28 weavers and other artisans in Rochdale, England, that was formed in 1844. As the mechanization of the Industrial Revolution was forcing more and more skilled workers into poverty, these tradesmen

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decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at cooperation in mind, they designed the now famous “ Rochdale Principles”.

Here are the lists of famous Rochdale Principles:

1. Open and Voluntary Membership – Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept responsibilities of membership, without gender, social, racial, political or religious discrimination. 2. Democratic Control – Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote), and co operatives at other levels are also organized in a democratic manner.

3. Dividend on Purchase – Members contributes equitably to, and democratically controls the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership. 4. Limited interest on capital – Cooperatives are autonomous, self-help organizations controlled by their members. If they

enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Political and religious neutrality – Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation. 6. Cash Trading – Cooperatives serve their members most effectively and strengthen the Cooperative Movement by working together through local, national, regional and international structures. 7. Promotion of education – Cooperatives work for the sustainable development of their communities through policies approved by their members. In relating to those principles, there is the book namely “ Cooperatives: Principles and Practices in 21st Century” written by Kimberly A. Zeuli and Robert Cropp. The authors clarified the cooperative as “ an autonomous association of persons united voluntarily to meet their economic social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise, formulated by the International Cooperative Alliances in 1995.

In this case, this definition identifies and emphasizes the most important characteristics of a genuine cooperative enterprise namely: Voluntary and Open Membership, Democratic member Control, Member Economic Participation, Autonomy and Independence, Education, Training and Information, Cooperation among Cooperatives, and Concern for Community.

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This principles can summarized as V+MADE+C2 (acronym). In a cooperative banking, “ loans” are the main basis of redistribution of financial assets over time, between the lender and the borrower. If we failed to pay our debts, we are considered delinquent. According to the Q and A’s Loans website (loans.qandas.com), a “ Loan delinquency” is one step before defaulting on loan. Whether it be a mortgage, a car loan, or a student loan, it is extremely important that the borrower make payments on time. Failure to do so can not only lead to late fees, but also put a stain on the borrower’s credit report.

When a person borrows money, he or she typically signs a loan agreement, which states the terms of the loan. This contract includes the interest rate, monthly payments, and length of the loan. If the borrower fails to repay a loan according to the terms agreed upon, he or she is in loan default. “ Defaulting on a loan” can have many negative consequences. It will probably affect the borrower’s ability to obtain future loans, and have a significant effect on his or her credit rating. In addition, if the loan was with a government agency, the borrower’s wages may be garnished until the loan is paid in full.

Cooperative Profile

The Abucay Multi-Purpose Cooperative was conceived on June 1998 right after the oath of office of the newly elected Mayor of Abucay, the Hon. Liberato P. Santiago, Jr. Its objective is to help the Abuquenos in the upliftment of their economic needs through the consolidation of their resources. The First Lady Mrs. Ana D. Santiago initiated the project with the full support and cooperation of Mrs. Lydia Soriano, Mrs. Angelina Vinzon, Mrs.

Erlinda San Miguel, Mrs. Rosario Ramos, Mrs Justina Soriano, Mrs. Corazon Escartin, Ms. Aida Aroban and other interested individuals. The first organizational meeting was held on July 1998 and the cooperative was formally organized with the election of interim officers. Considering the fact that a number of Abuquenos will benefit from the cooperative, Mrs. Ana D. Santiago, through her niece, Mrs. Felicisima Oria, invited Mr. Lino J. Obana, then the Chairperson of the Bataan Cooperative Bank and the Cooperative Union of Bataan as the consultant of the newly organized cooperative. The first Pre-Membership Education Seminar (PMES) was held on August 1998.

Fifty-nine (59) prospective members attended and completed the seminar conducted by Mr. Nelson Evangelista of CDA, Mrs. Felicisima Oria of the BNHS Muti-Purpose Cooperative and the consultant, Mr. Lino J. Obana. The formulation of the coop's By-Laws and Articles of Cooperation and its approval by the General Assembly which took almost a year delayed the registration of AMPC. With an initial Paid-Up Capital of P 32, 000. 00 and its By-Laws and Articles of Cooperation completed, AMPC got its legal personality on August 13, 1999 with Registration # PGA-3577 from the Cooperative Development Authority and the rest is history. ABUCAY MPC was envisioned to be a “ spiritually motivated, responsive and viable cooperative, owned and managed by God-loving, responsible, committed members and dedicated leaders that care for total human development, thus improving the “ Quality of Life” of members, and their families and the community.

Its reason for existence was embodied in the following mission statements:

1. We are committed to promote the cooperative as a way of life through education and everyday practices by members, making it as an effective

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vehicle to attain social, political, spiritual and economic growth and to open new horizon towards human development; 2. We are committed to be our member's source of strength and make a difference, whenever their needs are to be addressed; 3. We are committed to spur development among members through encouragement of savings consciousness leading to productive endeavor; 4. We shall always be an organization that shall strive to stay relevant and make our voice known and heard whenever the general interest of the community is at stake; and preserve the dignity of our members.

MANAGEMENT

A 7-man Board of Directors chaired by Mr. Antonio A. Tengonciang managed the affairs of the cooperative. The board, 4 female and 3 male members acts as the policy making body. Ten (11) full time employees led by Mr. Lino J. Obana, the President/General Manager, are handling the day-to-day operations of the cooperative. Aside from the board and the management staff, the cooperative has a 3 man Credit Committee who evaluated loan application and approves or disapproves them. It has also a Supervisory Committee consisting of 5-members who oversee proper disbursement of funds in accordance with the cooperative budget.

Other committees of the cooperative include the Election Committee, the Education Committee, the Management and Adm. Committee, CBU and Fund Sourcing Committee, Resource and Business Development Committee, Collection and Legal Committee, Mutual Aid and Community Development Committee, Human Resource and Development Committee, Planning and

Budget Committee and Loan Delinquency Committee. These officers and staff of the cooperative are sent to relevant training which concern Organization and Development such as Financial Management, Strategic Planning, Enterprise Management and Business Development.

MEMBERSHIP

ABUCAY MPC'S bond of membership is residential but there are individuals from other towns that would like to join the cooperative. It is for this reasons that on March 25, 2006 during their Annual General Assembly Meeting, they have amended their Articles of Cooperation and By-Laws to include associate members. From an original member of 20 in August 1999 it rose to 924 as of October 31, 2010. Of these members 302 or 33% are males, 622 or 67% are females. Regular members are 586 (63%) and 338(37%) are associates.

CAPITAL FORMATION

After its registration in August 13, 1999, with Registration No. PGA 3577, the cooperative accumulated only P32, 000. 00 in capital build up. Capital build-up campaign of the cooperative registered significant increases and as of December 31, 2009 its paid-up capital is P 13, 992, 383. 48 or P 15, 143. 27 per member.

DEPOSIT GENERATION

As a deposit – taking cooperative, AMPC is accepting deposits. Deposit generation, both regular savings and time, show an increasing trend. Total deposits in 2001 of P 2, 494. 00 increased to P 14, 834, 518. 97 as of <https://assignbuster.com/the-loan-delinquency-essay-sample/>

October 31, 2010, indicative of trust and confidence of member-depositors in the cooperative. AMPC recompense its savings deposits with 4% interest rate per annum free from withholding tax. Time deposits on the other hand are given interest rate ranging from 4% to 8% depending on the amount and terms of deposits.

ASSET SIZE

Assets of the cooperative registered a remarkable increase from P 965, 013. 98 in December 2000 to P 31, 032, 743. 62 by October 31, 2010

BUSINESS OPERATION

Abucay MPC'S membership may have not grown that big but it's various business undertakings are big deals to reckon with. Lending and Business Center Operation registered a total volume of business amounting to P47, 785, 429. 32 as of October 31, 2010. Lending program was able to release P 26, 247. 934. 75 and Business Center with grow receipts of P 879, 106. 86.

INVESTMENT OF FUNDS

Among the 67 common stockholders of the Bataan Cooperative Bank (BCB), AMPC has a paid-up share of P 68, 000. 00 from its subscribed shares and with Metro South Cooperative Bank (MSCB) with a P 10, 370. 15 investment. Aside from paid-up share from 2 coop banks, the coop has also a Time Deposit with other bank.

MEMBERSHIP IN OTHER ORGANIZATION

AMPC is noted for its linkage and networking activities. Its current President & General Manager is a former Director of the Cooperative Union of the Philippines, Chairman of the Cooperative Union of Bataan and founding Chairman of the Bataan Cooperative Bank, and currently the President of the Bataan Hotel & Restaurant Owner's Association.

COMMUNITY PROJECTS

The AMPC believes in the cooperative principle of social responsibility. For this, it has implemented the following programs.

1. Search for a Model Barangay in Abucay.
2. Organized the Abucay Community Laboratory Cooperative owned and managed by youth 17 years old and below.
3. Proposed to the Municipal Mayor for approval the series of activities for Abucay Day and Abucay Town Fiesta Celebration which includes Street Dancing Trade Fair and Exhibit and Search for “ Mutya ng Abucay”
4. Currently working on a Volunteer Program for the Clean and Green Program of LGU-Abucay
5. Adopted the Gabon Hacienda Road now Decena Avenue for its Clean & Green Project.
6. Co-sponsored with the Municipal Health Office a bi-weekly Aerobics for the community of Abucay. The Abucay Multi-purpose Cooperative updates its policies and guidelines to guide the day activities of individual members and officers. These policies express the developing direction of cooperative principles and practices as internalized in AMPC general membership. These new guidelines have been compiled from decisions and resolutions from the General Assemblies and Board Meetings.

OBJECTIVES:

1. To help the Education Committee in their re-orientation training and PMES.
 2. To assist the Board of Directors in their deliberation for the approval of application for new membership.
 3. To rationalize and facilitate the further development of the AMPC general membership.
- Classification of Members:

The AMPC classifies their cooperative members into:

1. Regular Members

Those members whose applications are approved by the Board of Directors and are entitled to all the rights and privileges of membership of AMPC.

2. Associate Members

Those members who have no right to vote nor be voted upon and shall be entitled only to such rights and privileges as the by-laws may provide. Kinds of Associate Members:

- a) Those members who have not fully paid the minimum share capital requirements after (6) months
- b) Children of members and school children who are minors and are members of the Young Savers' Club and Laboratory Cooperative.
- c) Residents of Abucay and those from Bataan who are maintaining a regular savings or time deposits with AMPC.
- d) Residents of Abucay but are staying in a foreign country.

Application for Membership

Prospective members shall undergo the following process in applying for membership with AMPC. 1. Inquires and register at the AMPC office for the

schedule PMES 2. After attending the OTC/PMES, fill-up the form provided for the purpose by AMPC. 3. Attach 1 pc. 2 X 2 and 2 pcs. 1 X 1 picture to the application form which shall be presented to the Board of Directors in their regular meeting for approval.

Payment of Fees and Subscription

A prospective member whose application for membership is approved by the Board of Director is notified by AMPC thru a call slip to report to the office for payment of the following: 1. Membership fee of P 200. 00 of which P 100. 00 goes to the recruiting member. 2. At least 25% of his / her subscribe share.

The membership agreement and subscription agreement shall provide the terms of payment on the unpaid subscription.

Duties of a member

Every member shall have the following duties:

- a) Pay the instalment on capital stock subscription as it falls due and to participate on the capital build-up of the cooperative;
- b) Patronize regularly its business;
- c) Participate in its parliamentary affairs;
- d) Attend the membership meeting, regular or special;
- e) Obey the rules and regulations provided by R. A. 6938, the by-laws, the decisions of the general assembly and the Board of Directors, and policies and decisions that may be promulgated by the Cooperative Development Authority (CDA); and
- f) Promote the aims and purpose of the cooperative,

the success of its business, the welfare of its business, the welfare of its members and the cooperative movement as a whole.

Extent of the Liability of a Member

A member is liable for the debts of the cooperative to the extent of his subscription to the share capital of the cooperative. This is the concept of limited liability of a member.

Modes of Terminating Membership

Termination of membership may be:

1. Voluntary – it is the will of the member concerned. Member can withdraw his membership by giving a 60-day notice to the Board of Directors stating the reason for his/her withdrawal. His share capital can be claimed at the AMPC office after the Board has approved his notice and buyers of such share capital have been identified. Interest on capital will be given on a date approved by the Board of Directors after the external audit has been made. However, no member shall be allowed to withdraw his/her membership during any period in which he/she has pending obligation with AMPC. 2.

Involuntarily – When the termination is brought about against the will of the member such as the following:

A. Death of a member

B. Insanity of a member

C. Associate member whose minimum share capital requirements has not been paid for more than a year.

D. Termination by a vote of the majority of the Board of Directors for any of the following causes:

1. When a member has not patronized the services of the cooperative for a reasonable period of time as may be fixed by the Board of Directors;
2. When a member has continuously failed to comply with his obligations;
3. When a member has acted in violation of the by-laws and the rules of the cooperative; and
4. For any act or omission injurious or prejudicial to the interest or the welfare of the cooperative. a. Procedure required in terminating membership by a majority of the Board of Directors: a) The member whose membership is sought to be terminated should be informed of such intended action in writing. b) The member should be given opportunity to be heard before the board may make its decision. The decision of the board should be in writing and should be communicated in person or by registered mail to the member

Related Studies

According to Reyes (1998), in his study regarding management of cooperatives, recommended that continuous education and training for members, officers and management staff should be conducted and promoted. In this study, he found out that well-educated and well-informed members make rational decisions especially in the choice for the Board of Directors and Committees. Furthermore, low level of members' involvement in the poorly-managed cooperative seemed to be attributed to inadequate or lack of knowledge of members on their responsibilities in the cooperative. Hence, continuous member education was assumed to create awareness of

their obligations in the organization. Equally important was training for officers and management staff. However, the degree and approach of trainings depended on the level of the cooperative's management performance.

He further stated that, for the properly-managed cooperative, training of officers and management staff should be along courses on advance management, project identification, preparation and implementation, records management, etc. The officers and staff should also act as resource persons in other cooperative training activities. The endeavor could provide them opportunities to exchange views and experiences with training participants from other cooperatives.

For the poorly-managed cooperative, an on-the-job training should be conducted for the officers and management staff. An on-the-job trainor should be detailed on the cooperative to teach the officers and staff to define/delineate responsibilities and system of reporting, develop control measures, devise feasible plans and programs to include a scheme for mobilizing members savings, established linkages with training institutions, market outlets for members' produce, suppliers, etc. This on-the-job training with supervision should be provided until such time that the officers and staff already manifested some degree of self management. The possible indicator for this was when the officers and staff can define their functions and responsibilities and are able to devise and implement the plans even without their trainor.

There are some other studies conducted on cooperative with commonly pointed out that: Support and assistance of different government and non-government organizations are necessary to further develop the cooperative movement; Officers, members and staff should be all involved and consulted in the design of the cooperatives various programs; cooperatives' officers must be capable enough, in terms of knowledge, experience, ability and willingness to efficiently serve and manage organizations; Cooperatives voluntarily set up by individual are becoming successful and properly managed and; Cooperatives are significant medium for economic, social, agricultural and cultural development needed by developing countries.

The aforementioned studies presented herein served as that theoretical bases in determining variable and considered in the study. The variables discussed above were basically the same parameters that were considered in this research. On the other hand, this paper, as stated in its limitations of the study did not touch on the impact of technology adaption to farmers.

Similarly, the study conducted by Seidenberg (1990) among various kinds of cooperative organizations in Germany identified the following as factors making a successful cooperative: members fully cooperated in the undertakings expected of them in terms of honesty and prompt in case of performance of duties assigned and ; members patronized the cooperative by giving what was due from them and availing of resources of the cooperative.

While, Siedenberg's research attempted to uncover the factors contributing to the success of the cooperative organizations in Germany, the present

study investigated how may the business operation of the cooperative in terms of credit services be describe. From the study of Lansang (1992), the following reasons were identified for the failure of the cooperative in the Philippines: Lack of adequate understanding of the nature and purpose of cooperative on the part of both members and officers of cooperative associations; Violation of basic cooperative principles and practices as well as sound business management. In the past, managers undertook projects and invested precious capitals without regard to members' needs and willingness and ability to support the project.

Justification of the Study

All gathered information in related literature and studies both local and foreign has a direct bearing on the study, since the researchers want to determine the causes and effects of delinquent members of Abucay Multipurpose Cooperative and its implications to its internal operations. This has aided the researchers in understanding the causes of delinquent members of Abucay Multipurpose Cooperative and how it could affect to internal operations. In the related readings, it define what loan delinquency is, and in related literature, enumerated are the different causes that contribute to the failure of the cooperative societies.

However, there is a fundamental cause that greatly gives failure in a cooperative enterprise. At the same time, the things to remember when joining and borrowing money from a cooperative are enumerated. There are also different acts which must be given emphasis due to its importance for the protection of both creditor and debtor. The several studies presented in

this chapter might give valuable insights and additional information regarding causes and effects of a loan delinquency. This information can also be used by Abucay Multi-Purpose Cooperative for them to come out for new ways to manage the problem of loan delinquency at their cooperative.

Chapter 3

METHODOLOGY AND RESEARCH

This Chapter is about the methods used by the researchers in designing the research and gathering information for the causes and implications of loan delinquency in Abucay Multi-purpose Cooperative. This includes methods and techniques of the study, the population and sampling procedure, the instruments used in gathering the data, data gathering procedures and statistical treatment applied in analyzing data.

Methods and Techniques of the Study

The researchers chose the research design that was appropriate in answering specific questions in achieving the objectives of the study.

Descriptive method was used in the study which is concerned with the methods of collecting, organizing, and presenting data. In terms of methods in collecting of data, the researchers used descriptive survey questionnaire in determining the causes and implications of loan delinquency in Abucay Multi-purpose cooperative.

Population and Sampling procedure

The respondents of this study are members of Abucay Multi-purpose Cooperative. Populations of target respondents are 70 members of Abucay
<https://assignbuster.com/the-loan-delinquency-essay-sample/>

Multi-purpose Cooperative. Universal Sampling will be used since the population of the respondent company is small.

Research instrument

This contains instrument that the researchers used in gathering data and information to answer the specific problem. A survey questionnaire was utilized to generate vital information necessary to answer the objectives of the study. The survey questionnaire comprises two parts. Part one is the profile of respondents and part two the questionnaire proper.

Data Gathering Procedures

The researchers will conduct a survey to the respondents. The researchers will also give questionnaires so that answers will lead to reliable data.