

Extent of Implementation of Debt Collection Strategies of Microfinance Institutions

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Abstract: Debt collection strategies have been implemented by the microfinance institutions in order to protect the business from a possible loss due to borrowers' delinquency. Some loans are not secured by collateral and trust alone is the only basis of granting credit to borrowers. Thus, this descriptive research was conducted to determine the extent of implementation of debt collection strategies of the total 32 registered Microfinance Institutions (MFIs) in Tanauan City, Batangas. The self-made questionnaire helped the researchers to gather informations which were needed in the study. The collected data had been subjected for analysis and interpretation using frequency and percentage method, weighted and composite mean, and chi-square. The researchers found out that MFIs are implementing their collection strategies to a great extent and there is still a need for improvement. However, there was no significant relationship between the MFIs' profile and extent of implementation of their debt collection strategies. Based on the result of the study, proposed enhancement strategies regarding the use of debt collection agency and renegotiating debt were formulated to improve debt collection of MFIs.

Keywords: microfinance institutions, debt collection strategies.

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Introduction

Business nowadays is getting stronger and broader as the economy of the Philippines is continuously growing. This is because of the businesses that create employment and opportunities for the Filipinos. The main purpose of all businesses is to gain profit to help the community elevate. One of the classifications of these businesses is the microfinance institutions (MFIs) that offer different financial services, especially for poor families. These microfinance institutions help not only small individuals but also private business organizations and the government. Extending loan is the most common type of service they provide for their customers to support their daily lives and to compete in the industry and collecting payment, of course, is another thing. In addition, Beck (2015) stated that microfinance can be defined as attempts to provide financial services to households and micro-enterprises that are excluded from traditional banking services. Typically these are low-income, self-employed or informally employed individuals, with no formalized

ownership titles on their assets and with limited formal identification papers. It is important to distinguish the difference between the concept of microfinance and the providers of microfinance service, which comprise an array of different microfinance institutions, ranging from commercial banks trying to reach out to the low-end of the market with a specialized program and commercial microlenders, non-governmental organizations to cooperative banks.

In 2013, Rose and Hudgins said that making a loan to fund consumptions and investment spending is the principal economic functions of banks closest competitors. How well a lender performs in fulfilling the lending function has a great deal to do with the economic health of its region, because loans support the growth of new businesses and jobs within the lenders' market area. Moreover, loans frequently convey information to the marketplace about a borrower's credit quality, often enabling a borrower whose loan is approved to obtain more and somewhat cheaper funds from other sources as well. Despite all the benefits of lending for both lenders and their customers, the lending process bears careful monitoring of all times. When a lender gets into serious financial trouble, its problems usually spring from loans that have become uncollectible due to mismanagement, legal manipulation, misguided policies, or an unexpected economic downturn.

Furthermore, one of the main keys to a bank's successful internal debt collection strategies is early and consistent contact with banking customers whenever there is a problem. According to Lopez (2018), the business world seems to shrink, the need for knowledge in both business-to-consumer is necessary for the sustainable success of the company. When a checking account goes into default or goes over its overdraft protection privileges, contact needs to be made within five to ten days to the customer. Determine what the problem is if there is something you can do to help, in when to expect the account brought back in good standing (Belhocine and Dell Erba, 2013).

In Tanauan City, it can be observed that microfinancing business is continuously increasing for the high demand of the borrowers on loan availment which is essential to their daily lives. The aim of this research was to determine the extent of implementation of debt collection strategies of MFIs in Tanauan City, Batangas, and on how to collect delinquent loans from their debtors using different strategies to avoid credit risk. Indeed, it is very typical and known to us that granting credit always has the probability that the debtor may not perform their obligation to pay and some credits are not secured by collateral, and trust alone is the only basis of granting a loan. The result of this study provides pieces of information on how they can enhance their collection scheme especially for those who practiced default payment. One of the reasons why the researchers conducted this research is to help not only the MFIs but also themselves to be aware of how the credit collection department performs their job since they are taking up a financial management program and in the near future, there might be a possibility that they may be assigned in that kind of position or any position related to credit and collection. Thus, the implementation, approval, and collection strategies of microfinance institutions depend to client's attitude and behavior (Aceron, 2015; Aceron *et al.*, 2018).

Materials and Methods

The quantitative research approach was used in this study to determine the extent of implementation of debt collection strategies of MFIs in Tanauan City, Batangas. Descriptive method of research design was used by the researchers which helped them in answering the problems raised at the beginning of the study.

The descriptive survey method was the general procedure employed in the study for the purpose of determining the importance of the phenomena (Bueno, 2016).

The researchers gather the needed information through gathering data from books, articles, and made use of the internet to gather more information needed. Reviewing various kinds of literature from different sources greatly helped the researchers in gathering relative and factual data. Questions used for were made by the researchers and validated by panel of examiners and experts in the field of business.

Data Collection

The primary data gathering used by the researchers was the survey questionnaire, which helped them to evaluate the extent of implementation of the debt collection strategies of microfinance institutions. The researchers gathered the list of registered MFIs in Tanauan and Sto. Tomas City.

The researchers administered to their MFIs-respondents in Sto.Tomas City, Batangas for dry-run or reliability survey, to ensure the reliability and validity of the survey questionnaire which obtained 99%, marked as passed. Data collected throughout the actual and pre-survey test were tabulated, interpreted and analyzed with the help of the statistician.

Ethical Issues

The researchers observed neutrality in conducting the study. They make sure that before the actual conduct of the study, the MFIs' managers understood the objectives of the research. They assured that the data gathered were accurate through validation. The researchers personally disseminated and retrieved the survey questionnaires and validated the result from the respondents and assured that all information provided were treated with utmost confidentiality and were used for research purposes. Acknowledgement of the sources was considered through proper citation.

The researchers ensured that the research design and statistical tools are appropriate to the data as they collaborated with efforts of experts in the field of research and statistics.

Data Analysis

Different statistical techniques were utilized in the study to analyze and interpret the gathered data. The information and response of the respondents were processed and subjected to statistical treatment such as frequency and percentage, weighted and composite mean and chi-square test of independence. To determine the significant relationship between the debt collection strategies of MFIs and their profile, Chi-square test of independence was used in order to test the null hypothesis of the study.

Results and Discussion

Each group of data was analyzed and interpreted based on the problems raised in the study, with the corresponding tables presented sequentially to give clarity on data presentation analysis.

Business Profile of the Microfinance Institutions

Capitalization: The profile of the respondents in terms of business capitalization was determined and interpreted using frequency and percentage. Table 1 presents the respondents' profile according to its business capitalization.

Table 1. Distribution of MFIs in Terms of Capitalization

Capitalization	Frequency	Percentage
Less than Php 1,000,000	7	22
Php 1,000,001 – Php 3,000,000	4	13
Php 3,000,001 – Php 5,000,000	3	9
Php 5,000,001 – Php 10,000,000	6	19
Php 10,000,000 and more	12	37
Total	32	100%

As shown that majority of the respondents' capitalization is ranging from Php 10,000,001 and more, having the frequency of 12 and percentage of 37. The second highest in terms of their capitalization belongs to the range of less than Php1,000,000 having a frequency of seven (7) and a percentage of 22. Third highest response belongs to the Php5,000,001- Php10,000,000 having a frequency of six (6) and a percentage of 19. Second to the lowest response in terms of capitalization belongs to the range of Php1,000,001- Php3,000,000 having a frequency of four (4) or 13 percent. The lowest number of respondents fall under the range of Php3,000,001- Php5,000,000 of capitalization having a frequency of three (3) and a percentage of 10.

It can be explained that majority of the respondents are stable in terms of their capitalization, and since they are new in running a business they purchased, a lot of equipment and other fixed assets to support their long-term objectives.

The BSP Circular No. 822 which states that for the microfinance institution outside the NCR region the required minimum capital should be 20,0000. Peavler (2016) says that the word "Capitalization" can have many meanings in small business. Capitalization is the first or seed money. It is an investment that the business owner and any other investor make in the firm. Combined with the operating cash flows, it enables you to start, to continue and to grow.

Length of Business Operation: The profile of the respondents in terms of length of business operation was determined and interpreted using frequency and percentage. Table 2 presents the respondents' profile according to its length of business operation.

Table 2. Distribution of MFIs in Terms of Length of Business Operation

Length of Business Operation	Frequency	Percentage
1-5 years	10	31
6-10 years	8	25
11-15 years	5	16
16 years and above	9	28
Total	32	100%

As shown in the table, majority of the respondents belongs to a length of business running from 1 to 5 years of operation having a frequency of 10 and a percentage of 31. The second highest number of respondents in terms of length of business is running from 16 years and above of operation having a frequency of nine (9) and a percentage of 28. The third highest number of respondents is from the length of business operation from 6 to 10 years having a frequency of eight (8) and a percentage of 25. Lastly, the range of 11 to 15 years in terms of their length of business operation having a frequency of five (5) and a percentage of 16 has the least number of the respondents.

It can be assessed that majority of the respondents are considered as newbies in terms of operation. It is primarily because since there is a great demand for the services of microfinance institution with respect to loan availment and other related transactions, private individuals engaged themselves in running one with an objective of earning a profit and at the same time contributing to the national economy. It is supported by the study of Economist Intelligence Unit (2009) which states that Peru, Bolivia and Philippines top the Economist Intelligence Unit's first annual global microfinance index. The commitment to microfinance of late has been particularly strong in Latin America, Asia boasts two strong finishers, India, along with the Philippines, and two hail from Sub-Saharan Africa. That is why microfinance operations in the country continued to expand in the Philippines, reflecting the country's need for specialized financial services to lower-income individuals.

Average Gross Monthly Income: The profile of the respondents in terms of average gross monthly income was determined and interpreted using frequency and percentage. Table 3 presents the respondents' profile according to its average gross monthly income.

Table 3. Distribution of MFIs in terms of Average Gross Monthly Income

Average Gross Monthly Income	Frequency	Percentage
Less than Php100,000	10	31
Php100,001 – Php500,000	9	28
Php500,001 – Php1,000,000	6	19
Php1,000,001 and above	7	22
Total	32	100%

Table 3 shows that mass of the respondents with a frequency of 10 or 31 percent falls under the range of less than Php100,000 of average gross monthly income. The range of Php100,001- Php500,000 average gross monthly income got the second highest frequency of nine (9) and a percentage of 28. The table above shows that the third highest number of respondents belongs to the Php1,000,001 and above. The lowest range of average gross monthly income having a frequency of six (6) and the percentage of 19 falls under Php500,001 – Php1,000,000. It means that most of the respondents do not have yet a large amount of gross monthly income mainly because the majority of the respondents are new in their business, so they offer less interest to their debtors to get a larger number of clients.

The result of the study is supported by the study of Abocejo *et al.*, (2012), entitled "Microfinance Lending Program of Cooperatives in Cebu, Philippines" which states that MFIs gross monthly income is Php17,140.

Number of Employees: The profile of the respondents in terms number of employees was determined and interpreted using frequency and percentage. Table 4 presents the respondents' profile according to its number of employees.

Table 4. Distribution of MFIs in Terms of Number of Employees

Number of Employees	Frequency	Percentage
1 – 9	17	53
10 – 99	6	19
100 – 199	1	3
200 and above	8	25
Total	32	100%

As presented, 1-9 numbers of employees got the highest number of frequencies which is 17 and a percentage of 53. It seconded by 200 and above of a number of employees which has a frequency of eight (8) and the percentage of 25. Second, to the last belongs to the range of 10-99 number of employees having a frequency of 6 and a percentage of 19. It can be assessed that some of the microfinance institutions in Tanauan City, Batangas have 10-99 employees within the institutions. The lowest number of employees falls under the range of 100-199 having a frequency of one (1) and a percentage of three (3).

The result implies that since a majority of the respondents are operating for less than five (5) years, it is anticipated that they employed an only small number of employees.

The result is supported by the study of Castillo *et al.*, (2016), wherein they stated that based on the categories, it is classified as micro, small, medium, and large enterprises regardless of the type of business ownership. And by the number of employees, it is categorized as micro if they are 1-9 employees, small if there are 10-99 employees, medium if there are 100-199 employees, and large if there are more than 200 employees.

Estimated Number of Debtors Served: The profile of the respondents in terms estimated number of debtors served was determined and interpreted using frequency and percentage. Table 5 presents the respondents' profile according to its estimated number of debtors served.

Table 5. Distribution of MFIs in terms of Estimated Number of Debtors Served

Estimated Number of Debtors Served	Frequency	Percentage
Less than 100	2	6
100 – 150	4	13
151 – 200	6	19
201 – 250	3	9
251 – 300	2	6
301 and above	15	47
Total	32	100%

As shown in the table 5 that out of 32 respondents, 15 or 47 percent falls under the range of 301 debtors and above. The range of 151 to 200 debtors got the second highest frequency of six (6) and a percentage of 19. The lowest number of debtors having a frequency of two (2) and a percentage of six (6) falls under the range of less than 100 and the range of 251 to 300 debtors.

This means that the majority of the respondents have a large number of borrowers due to the reason that they have enough capital to cater all the financial transactions and since they are new in the business, they offer fewer interest rates than what their competitors offer, thereby, attracting more borrowers. The result is supported by BSP (2015) wherein it stated that in order to be called the institution an MFI there must be at least 500 active borrowers.

1. How do the respondents assess the extent of implementation of their debt collection strategies along with the following:

Use of Debt Collection Agency: Table 6 presents the assessment of the respondents on the extent of implementation of their debt collection strategies in terms of the use of debt collection agency. The results were presented using weighted mean and composite mean and its verbal interpretation.

Table 6. Use of Debt Collection Agency

Statement	Mean	Verbal Interpretation
Our microfinance institution...		
1. hires a collection agency to make an aggressive move to collect the overdue account.	2.72	Implemented to a Great Extent
2. considers the skills and capability of a collection agency to make the collection efforts easier and more effective.	2.94	Implemented to a Great Extent
3. specifies the tasks to be accomplished by the collection agent.	3.06	Implemented to a Great Extent
4. gives the overall control to the third-party debt collection agency in collecting receivables.	2.81	Implemented to a Great Extent
5. gives a percentage of the amount collected as compensation for the collection agent's efforts.	2.94	Implemented to a Great Extent
Composite Mean	2.89	Implemented to a Great Extent

It is reflected that the statement "specifies the tasks to be accomplished by collection agent" gathered the highest weighted mean of 3.06 with a verbal interpretation of implemented to a great extent. The result implies that the respondents give clear work instructions to the collection agent to avoid repetition or duplication of efforts and to meet the expected outcomes within the specified time frame. In this study, respondents tend to specify the task to be accomplished by the collection agent because they are confident that the hired third-party collector will do their best effort. The result is supported by the study of Karungari (2012) wherein she stated that outsourcing to third-party debt collection is one strategy option. According to her, collection agencies are professionals and they use proven tactics and yield effective results from past due debtors.

The statement which obtained the second highest weighted mean is "considers the skills and capability of a collection agency to make the collection efforts easier and more effective." and "gives a percentage of the amount collected as compensation for the collection agent's efforts.". Based on the result, it has a weighted mean of 2.94 with a verbal interpretation of implemented to a great extent. This implies that the respondents are concerned about the skills of their collection agent and compensate them for their efforts done.

Lastly, it is reflected in the table that the statement "hires a collection agency to make an aggressive move to collect the overdue account" garnered the lowest number of the weighted mean of 2.72. The result implies that since an agent is an extension of the personality of the principal (microfinance institution), the latter maintains professionalism in all its actions through not employing a collection agent for the purpose of making or doing abusive actions against the debtors.

The result is supported by the study of Fhima *et al.*, (2012), wherein they stated that the central question in agency theory is how a principal ensures that the agent acts in accordance with the principal's goals in a situation characterized by asymmetric and uncertainty, yet it cannot run the reality that when there is some difficulties and challenges when working across borders and with agents that the principal is not always in control with every decision and moves done by their collection agent.

In general, a majority of the respondents are implementing to the great extent the use of debt collection agency having a composite mean of 2.89.

Personal Visits: Table 7 presents the assessment of the respondents on the extent of the extent of implementation of their debt collection strategies in terms of personal visits. The results were presented using weighed mean and composite mean and its verbal interpretation.

Table 7. Personal Visits

Statement	Mean	Verbal Interpretation
1. The microfinance institution sends a collection person to confront the customer.	3.34	Implemented to a Great Extent
2. The debtor is notified of the amount due and also of the name of the collection agent.	3.53	Implemented to a Very Great Extent
3. The collector takes an appointment from the debtor for the visit	2.97	Implemented to a Great Extent
4. During interactions with the debtor, the collector does not use threats or verbal or non-verbal intimidation.	3.19	Implemented to a Great Extent
Composite Mean	3.26	Implemented to a Great Extent

Table 7 reflects that the statement “The debtor is notified of the amount due and also of the name of the collection agent” gathered the highest weighted mean of 3.53 with an interpretation of implemented to a very great extent. It implies that the microfinance institutions are hands-on with regard to their responsibilities accompanied by the collection activities. It can be gleaned also that the respondents want to ensure that necessary information is disclosed to the concerned debtors.

The result is supported by the study of the Australian Competition and Consumer Commission in their article *Dealing with Debt* (2011) which states that visiting home, or another agreed location should only occur if there is no other way the debt collector can make effective contact with the borrower. The second highest number of respondents got the statements “The microfinance institutions sends a collection person to confront the customer” with a weighted mean of 3.34 and with a verbal interpretation of implemented to a great extent, this implies that the respondents send a collection person to confront the customer.

Lastly, it is reflected in the table that the statement “The collector takes an appointment from the debtor for the visit” garnered the lowest number of the weighted mean of 2.97 with a verbal interpretation of implemented to a great extent.

This implies that some of the respondents’ dislike setting appointments with debtor since they are encouraging debtors to pay on time. In general, a majority of the respondents are implementing to the great extent the use of personal visits having a composite mean of 3.26.

Use of Demand Letter and Other Legal Options: Table 8 presents the assessment of the respondents on the extent of implementation of their debt collection strategies in terms of use of demand letter and other legal options. The results were presented using weighted mean and composite mean and its verbal interpretation.

Table 8. Use of Demand Letter and Other Legal Options

Statement	Mean	Verbal Interpretation
Our microfinance institution... 1. evaluates the facts of the case like debtor's personality and history of dealing with payment before writing a demand letter.	3.38	Implemented to a Great Extent
2. addresses the demand letter to the right person or company.	3.53	Implemented to a Very Great Extent
3. sends another letter when payment is not received on the due date to inform the debtor that his or her account is not yet paid.	3.41	Implemented to a Great Extent
4. files a lawsuit in small claims court if the amount owed falls within the limited time allowed.	3.09	Implemented to a Great Extent
5. speaks with an attorney about all other possible options.	3.28	Implemented to a Great Extent
Composite Mean	3.34	Implemented to a Great Extent

Table 8 reflects that the statement addresses the demand letter to the right person or company.” garnered the highest weighted mean of 3.53 with a verbal interpretation of implemented to a very great extent. It implies that the respondents want to ensure that the demand letters will be given to the right recipients on time to avoid possible conflicts. It can also be gleaned that they address the demand letter to the right person to ensure that prompt actions will be taken by the recipients upon the receipt of the letter. The result is supported by the study of St. Romain (2018) which explains that if the respondents do not address the demand letter to the specific person, it may take a little extra research to determine who is the appropriate person for the letter, it’s unreasonable to expect that the letter will magically find its way to the right person or company.

The second highest number of respondents got the statements “sends another letter when payment is not received on the due date to inform the debtor that his or her account is not yet paid.” with a weighted mean of 3.41 and with a verbal interpretation of implemented to a great extent. This implies that the respondents send another letter when payment is not received on the due date to inform the debtor that his or her account is not yet paid. Lastly, it is reflected in the table that the statement “files a lawsuit in small claims court if the amount owed falls within the limited time allowed.” garnered the lowest number of the weighted mean of 3.09 with a verbal interpretation of implemented to a great extent. It can be inferred that some of the respondents are practicing the filing of a lawsuit against delinquent debtors if all other collecting strategies were utilized but to no avail. The result is supported by the study of Milam (2016), wherein she stated that in a few cases, a creditor will use an attorney just as if they were a collection agency and send them accounts that are not to be sued upon at all. If an account is sent to a collection agency, the collection agency will, of course, attempt contact through letters and on the phone. The creditor sets the guidelines for the length of time that these collection efforts are pursued. After the collection agency has exhausted its collection efforts, it may send an account to an attorney for suit. In general, the majority of the respondents are implementing to the great extent the use of demand letters and other legal options having a composite mean of 3.34.

Renegotiating Debt: Table 9 presents the assessment of the respondents on the extent of implementation of their debt collection strategies in terms of renegotiating debt. The results were presented using weighted mean and composite mean and its verbal interpretation.

Table 9. Renegotiating Debt

Statement	Mean	Verbal Interpretation
Our microfinance institution...		
1. reduces the interest rates on the loans and/or extending the due date.	2.72	Implemented to a Great Extent
2. offers less than what is owed to their debtors.	2.84	Implemented to a Great Extent
3. discloses to the debtor the nature and features of their credit and their financial situations.	3.28	Implemented to a Great Extent
4. provides a basis for agreement between the debtor and the financial creditors and the financial creditors inter se.	3.34	Implemented to a Great Extent
5. documents all the relevant steps in order to show that the restructuring was fair.	3.13	Implemented to a Great Extent
Composite Mean	3.06	Implemented to a Great Extent

It is reflected that the statement “provides a basis for agreement between the debtor and the financial creditors and the financial creditor inter se.” obtained the highest weighted mean of 3.34 with a verbal interpretation of implemented to a great extent. It implies that the respondents want to have a clear and defined agreement to their debtors to avoid misunderstanding and to show that there is no bias with regard to the terms and conditions of the payment plan. The result is supported by the study of Leroy (2011) wherein she states that negotiation requires some basic understanding based on the good faith. The debtor must disclose its true situation, and the creditors must also disclose to the debtor and to the other creditors the specificities of their financial situation.

The second highest number of respondents got the statements “discloses to the debtor the nature and features of their credit and their financial situations.” with a weighted mean of 3.28 and with a verbal interpretation of implemented to a great extent. Similarly, it implies that to avoid confusion and misunderstanding between parties, it is necessary to inform and provide details regarding the borrowers’ status. In this way, it will help both parties in complying and adhering to their respective responsibilities. It is supported by a study from the World Bank (2011) that debtors are informed about their financial situation or standing in order to produce desirable outcomes and to repay under normal circumstances. Lastly, it is reflected in the table that the statement “reduces the interest rates on the loans and/or extending the due date” garnered the lowest number of the weighted mean of 2.72. The result implies that respondents adhere to the terms and conditions with respect to interest rates and payment schedule. It can also be noted that some of the respondents are not making changes or adjustment for the delinquent debtors’ benefit.

In general, the majority of the respondents are implementing to the great extent the renegotiating debt strategy having a composite mean of 3.06.

2. Is there a significant relationship between the extent of implementation of debt collection strategies when grouped according to their profile?

Table 10.

Business Profile	Computed Value	p-value	Decision H_0	Interpretation
Capitalization	6.768	0.562	Failed to Reject	Not Significant
Length of Business Operation	1.625	0.951	Failed to Reject	Not Significant
Average Gross Monthly Income	4.987	0.545	Failed to Reject	Not Significant
Number of Employees	8.020	0.237	Failed to Reject	Not Significant
Estimated Number of Debtors Served	6.853	0.739	Failed to Reject	Not Significant

The respondents' capitalization obtained a computed chi-square value of 6.768 with a p-value of 0.562 is greater than 0.05 level of significance which lead the researchers not to reject the null hypothesis, indicating that there is no significant relationship between the extent of implementation of debt collection strategies and capitalization for the reason that the amount of capital is intended for the day-to-day activities of the MFIs and not for implementing such strategies because regardless of the amount of capitalization, they still practiced those in order to minimize the potential of possible loss.

It can be noted in the table that when the relationship was tested on the MFIs' extent of implementation of debt collection strategies when grouped according to the length of business operation, the obtained chi-square value of 1.625 and p-value of 0.951 is greater than 0.05 of the level of significance. Thus, the null hypothesis is not rejected and there is no significant relationship between the respondents' length of business operation and the extent of implementation of debt collection strategies. The result explains that the length of operation has no impact on the MFIs' implementation of the aforementioned strategies since they are implementing those from the very beginning of their operation in order to collect receivables effectively from their borrowers.

Meanwhile, no significant relationship was noted when the average gross monthly income was tested accordingly to the respondents' extent of implementation of debt collection strategies. The obtained chi-square value of 4.987 with a p-value of 0.545 is greater than 0.05 of the level of significance. Hence, the null hypothesis was accepted which means that there is no significant relationship between the extent of implementation of debt collection strategies when they are grouped according to the average gross monthly income of the respondents.

This means that MFIs are implementing their debt collection strategies regardless of the amount of their average gross monthly income mainly because they really want to collect receivables on time so they encourage their borrowers to do so by implementing those and their average gross monthly income has nothing to do with that since those strategies are actually part of the management.

Moreover, with regard to the number of employees when tested accordingly to the MFIs' profile, the generated computed chi-square value of 8.020 with a p-value of 0.237 is greater than 0.05 so that leads the researchers not to reject the null hypothesis that there is no significant relationship between them. That is because of the idea that those strategies are

indeed proposed for the collection of receivables since the main purpose of their business is to extend loans to the borrowers and it is not affected regardless of the number of employees. Lastly, the table shows that the computed chi-square value of 6.853 with a p-value of 0.739 when the relationship was tested between the estimated numbers of debtors served and extent of implementation of debt collection strategies is greater than 0.05.

The researchers failed to reject the null hypothesis, therefore, there is no significant relationship between the extent of implementation of debt collection strategies when they grouped according to the estimated number of debtors served because regardless of the number of debtors MFIs are still implementing debt collection strategies as long as they are operating their business and they have customers.

3. Based on the result of the study, what enhancement strategies may be proposed to improve the debt collection of microfinance institutions?

After the result of the study had been gathered, analyzed and interpreted, the proposed to improve the debt collection strategies of MFIs is presented as follows:

Table 11. Proposed Enhancement Strategies to Improve Debt Collection of Microfinance Institutions

Area of concern	Objectives	Strategies	Persons Involved	Time Frame	Expected Outcome
Use of Collection Agency	To hire a collection agency to make an immediate action to collect the overdue account.	Outsource a competent third-party debt collector or collection agency.	Management and/or Collection Agency	Annually	The microfinance institutions can have the opportunity to collect the overdue account, effectively.
Renegotiating Debt	To reduce the interest rates on the loan and/or extending the date of payment.	Monitor the receivables or have an aging schedule of the debts.	Management	Monthly	The microfinance institutions can collect receivables on time and can avoid having bad debts in order to minimize the risk of bankruptcy

Conclusions and Recommendations

Based on the above summary and findings, the researchers concluded the following:

1) The majority of the respondents belong to the range of Php10,000,001 and above capitalization with a length of business operation of 1-5 years, obtaining less than Php100,000 of average gross monthly income having the number of 1-9 employees, with 301 and above the estimated number of debtors served, the researchers concluded that MFIs in Tanauan City require a large amount of capital. It can be glanced that the business is booming

but they obtained a low average gross monthly income due to the tight competition in the market.

2) The respondents assessed those debt collection strategies are implemented to a great extent. Therefore, the researchers concluded that MFIs are practicing those in their best effort.

3) The MFIs' profile has no significant relationship on the implementation of their debt collection strategies, hence the profile variable (capitalization, length of business operation, average gross monthly income, number of employees and estimated number debtors served) is not a factor in implementing debt collection strategies (use of debt collection agency, personal visits, use of demand letters and other legal options and renegotiating debts).

4) The researchers proposed enhancement strategies to improve debt collection of MFIs to the area which got the lowest composite mean, specifically, the use of debt collection agency and renegotiating debt in order for them to generate more funds and to maximize the opportunity of having a larger profit.

In light of foregoing findings and conclusions, the following recommendations are specified:

1) For the microfinance institutions, the researchers encourage them to strengthen the implementation of debt collection strategies and also their knowledge and understanding on that certain matter to be able to collect and recover efficiently the amount of debt owed to them in order to gain a larger average gross monthly income and to sustain their capitalization for the long run, since majority of them are newbies in the microfinancing business.

2) Since the implementation of debt collection strategies is on a great extent, the researchers highly recommend the MFIs to sustain or further intensify the implementation of their debt collection strategies.

3) Since there is no significant relationship between the profile and extent of implementation of debt collection strategies of MFIs, they recommended to focus more on their debt collection strategies since the profile variable is not a factor in implementing those.

4) MFIs are highly recommended for the immediate implementation of proposed enhancement strategies in order to generate more funds for their business activities.

5) For the educational institutions, the findings of this study would supplement some concepts on the credit and collection related courses. This would help a lot in making the discussion more comprehensive.

6) For the debtors, the findings of the study encourage them to maintain their awareness regarding the debt owed their adherence and compliance as well on and conditions of their payment provided by MFIs.

7) For the future researchers who will conduct a similar study, the researchers suggest to examine additional strategies on how microfinance institutions can collect payments effectively like telephone calls, debt purchasing agreements, online debt collection and other strategies on how to collect debts effectively.

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