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OPERATIONS OF MONEY LENDERS IN  
SELECTED TOWNS OF CAVITE

THESIS

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(Major in Marketing)**

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## ABSTRACT

**LAGULA, MARIE KRISHNA LAPPAY. Operations of Money Lenders in Selected Towns of Cavite.** Undergraduate Thesis. Bachelor of Science in Business Management major in Marketing. Cavite State University, Indang, Cavite. April 2005. Adviser: Ms. Cristina R. del Mundo

This study was conducted to: 1.) describe the socio-economic characteristics of money lenders; 2.) know the purposes of loan applied by the clients of money lenders; 3.) identify the requirements and lending procedures followed by money lenders in giving loans; 4.) determine the rate of interest of loans granted; 5.) determine how money lenders collect payments ; 6.) determine the average monthly gross income and expenditures of money lenders; and 7.) identify problems encountered by the money lenders and their solutions.

An interview schedule was prepared based on the information needed in order to achieve the objectives of the study. A total of 30 respondents from selected towns of Cavite were identified through purposive sampling. The data gathered were analyzed using descriptive method such as frequency counts, percentage, mean and ranking.

Results of the study showed that the average age of money lenders was 47 years, majority of them were females, married and with four dependents. All were college graduates with an average monthly income of Php 10,666.67. Most were unemployed. The money lenders had been in operation for eight years. Most of the money lenders considered money lending as their only source of income. Their primary source of capital were their personal/family savings.

The purposes of the loans applied by the clients were for business capital, educational purposes, hospitalization and purchase of new appliances. Most of the clients were employed in private firms. Recommendation/referral was the major factor considered by money lenders in extending loans to their clients.

Majority of the money lenders reported that they do not have any requirement imposed to loan applicants. Some money lenders accepted requirements from loan applicants such as an ATM card, valid ID, latest pay slip, promissory note and one guarantor honored by the money lender. The most common requirement imposed on their clients was the promissory note. Majority of the money lenders do not have any formal lending procedure and do not require collaterals.

The prevailing rate of interest for loans granted by money lenders was 10 percent. The frequency of payment was every 15<sup>th</sup> and 30<sup>th</sup> day of the month. The average term of loans granted by money lenders was five months.

The monthly net income of money lenders was Php 12,200. The most common problems encountered by money lenders were the non-payment and delay in the payment of loans. The solutions applied by money lenders to these problems were extension of patience and term of loan and requiring the guarantor to pay the loan.

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# **OPERATIONS OF MONEY LENDERS IN SELECTED TOWNS OF CAVITE <sup>1/</sup>**

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## **INTRODUCTION**

Credit dates back to antiquity and even in the old days of barter. Man made use of credit in dealings with his fellowmen. When one is bestowed with the significant honor of lending his goods, services or both to his neighbor in exchange for a promise to pay the same goods and services in the future, there existed what is now commonly termed as "credit."

John Stuart Mill (1995) defined credit as being the permission to use another's capital. Credit is most useful to mankind as an instrument for the transfer of capital. Credit enables individual of intellect, energy and skill (commonly called by economist as entrepreneur) to get possession of a country's capital and devote it to productive uses.

The basis of credit is confidence. No man will part with his goods in exchange for a promise to pay unless he has confidence in the ability and willingness of the debtor to keep the promise and make the money payment as it falls due.

In case of some credit instruments, the lender's confidence is founded upon the property of the borrower as well as upon his character. This is the modern practice of the