**Credit and Collection Practices on Loan Repayment among Home Appliance Dealers in Cateel – A Correlational Study**

**ABSTRACT**

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| --- |
| This study examined the impact of credit and collection practices on loan repayment behaviors among home appliance dealers in Cateel, Davao Oriental, addressing the financial challenges these dealers faced due to customer defaults. Anchored on Credit Risk Theory, it explored how effective credit and collection strategies could mitigate risks and enhance repayment outcomes in a region marked by economic and environmental vulnerabilities. A quantitative descriptive correlational design was employed, involving 150 debtors from home appliance dealerships, selected through purposive quota sampling. Data were collected via a survey questionnaire that assessed credit practices (character, capacity, cash flow, collateral, condition, control), collection practices (documentation, manpower, procedures), and loan repayment factors (information, financial literacy, generation/reinvestment, social influence, perceived risk/value, self-control). Findings revealed that credit practices (x̄ = 3.89, s = 0.37) and collection practices (x̄ = 4.41, s = 0.51) were generally robust, although inconsistencies existed in collateral and cash flow assessments. Loan repayment behaviors were strong (x̄ = 4.10, s = 0.85), with social influence being the weakest factor among them. Regression analysis revealed that credit practices (β = 0.439, p < 0.000) and collection practices (β = 0.437, p < 0.000) significantly predicted repayment, accounting for 37.5% of the variance, with credit practices being slightly more influential. The study concluded that while credit and collection practices significantly enhanced loan repayment, addressing weaker areas, such as collateral evaluation and peer-related social influence, could further improve outcomes. Recommendations included stricter collateral policies, formal communication in collections, and community support programs to bolster repayment consistency |

*Keywords: credit practices, collection practices, loan repayment, credit risk theory, debtors’ behavior.*

**1. INTRODUCTION**

Home appliances are those things that make a house into a home. With the increasing reliance on credit as a means of facilitating consumer purchases, understanding credit and collection practices has become paramount (Uzir et al., 2021). According to Murali and Pugazhendhi (2016), credit practices within the home appliance sector can significantly affect both sales volume and customer satisfaction.

Additionally, Zywicki (2015) noted that home appliance dealers frequently encounter challenges in collecting payments, particularly when customers fail to meet their credit terms or delay payment. Inefficient collection processes can lead to higher operational costs and can strain the dealer's liquidity (Ciulla et al., 2016). A practical collection strategy is crucial for mitigating financial risks and ensuring the business's sustainability (Gaustad et al., 2018). The regulatory frameworks are designed to protect both businesses and consumers, ensuring that credit terms are fair and collection practices are transparent (Mishra & Varshney, 2024). Dealers must navigate these regulations carefully to avoid legal pitfalls while maximizing financial returns(Cox et al., 2019). Dealers must ensure that their collection practices are both fair and effective, avoiding overly aggressive tactics that could damage customer relationships (Pope, 2017).

Home appliance dealers often extend credit to attract more customers and boost sales, especially for high-cost items. However, when creditors (customers) fail to meet their repayment obligations, it creates significant financial strain on these dealers. (Dominguez Martin, 2023). The resulting cash flow issues may prevent dealers from paying their suppliers, maintaining inventory, and covering operational expenses, which can ultimately threaten the business's sustainability (Xueyan, 2020). A lack of rigorous credit assessment, inadequate follow-up mechanisms, and insufficient collateral requirements exacerbate this problem.

Furthermore, according to the National Economic Development Authority (2022), many home appliance dealers in the Davao region are small businesses that struggle to secure loans with reasonable interest rates. This limits their capacity to expand their inventory or upgrade their stores to attract more customers, putting them at a disadvantage compared to larger competitors. Additionally, rural areas, which are common in the Davao region, often have lower household incomes and higher unemployment rates, making it challenging for residents to purchase goods on credit and maintain regular repayments (Malaque, 2017). This results in a higher default risk for creditors, who may then become more cautious in offering credit to these communities, further restricting local economic growth. Furthermore, natural disasters, including typhoons and flash floods, pose significant threats to the region, causing extensive damage to property and disrupting economic activity (Pelone & Arellano, 2024). For home appliance dealers, these events can result in damaged inventory, store closures, and reduced foot traffic, all of which directly impact sales. For creditors, natural disasters increase the likelihood of loan defaults as borrowers face unexpected financial hardships, forcing some creditors to offer loan restructuring options that may impact profitability (Avril, 2023). Despite these challenges, the home appliance sector remains heavily reliant on credit sales to drive revenue (Huang et al., 2021).

While much research has been conducted on credit and collection practices in financial institutions, particularly banks and microfinance organizations, there is a notable lack of literature focusing on how home appliance dealers apply these practices. Existing studies primarily examine the impact of credit risk management, loan defaults, and repayment behavior within traditional banking systems, often overlooking the specific challenges faced by non-financial institutions, such as appliance dealers, that extend credit to customers. Additionally, this study examines the distinct challenges faced by home appliance dealers, highlighting how creditor repayment issues affect their cash flow, liquidity, and overall financial stability. These challenges, compounded by limited access to affordable loans, low household incomes in rural areas, and external risks such as economic instability, inflation, and fluctuating interest rates, underscore the critical need for effective credit and collection practices to mitigate financial vulnerabilities and sustain business operations. With this, the researchers aimed to understand how credit and collection practices affect loan repayment among home appliance dealers in Cateel, Davao Oriental. This study aimed to address these gaps by focusing specifically on the appliance dealership industry, providing an in-depth analysis of how credit and collection practices influence loan repayment among customers in this unique retail sector.

**2. OBJECTIVES**

The primary objective of this study is to examine the impact of credit and collection practices on loan repayment behaviors among home appliance dealers. Specifically, this study aims to:

1. To assess the level of credit practices among home appliance dealers in terms of:

a. character,

b. capacity,

c. cash flow,

d. collateral,

e. condition, and

f. control.

2. To determine the level of collection practices among home appliance dealer’s in

terms of:

a. documentation,

b. manpower, and

c. procedure.

3. To evaluate the level of loan repayment among debtors of home appliance

dealers in terms of:

a. information about loan repayment,

b. financial literacy,

c. generation, and reinvestment need,

d. social influence,

e. perceive risk,

f. perceive value, and

g. self-control.

4. To determine if there is a significant relationship between:

a. credit practices and loan repayment among home appliance dealers, and

b. collection practices and loan repayment among home appliance dealers.

5. To identify which credit and collection practices significantly influence loan repayment among home appliance dealers

**3. MATERIALS AND METHODS**

**Research Design**

The researcher employed a quantitative, descriptive, and correlational approach in this study. Calmorin & Calmorin (2012) stated that a descriptive method of research is a study that focuses on the present condition and carefully appraises the worthiness of the study, the obtained facts about existing conditions, or identifies significant relationships between current phenomena. It described and interpreted the prevailing conditions or relationships that existed or did not, the practices that prevailed or did not, the beliefs, points of view, or attitudes that were held, the ongoing processes or lack thereof, the effects being felt, or the trends that had developed. In this study, descriptive research design was used to describe the extent of credit and collection practices and the level of loan repayment. On the other hand, Kalla (2011) defined a correlational study as a research method that determines whether three variables are correlated. In this study, a correlational research design was used to measure the relationship between credit practices, collection practices, and loan repayment. This involved examining whether a change in one variable corresponded to a change in the other variable.

**Research Instrument**

The survey questionnaire used in this study to evaluate the two independent variables, credit and collection practices, was adapted from an instrument initially developed for a banking context by Ruben M. Buburan, Querubin B. Buburan, Jose Calasanz Julysses D. Tabia, and Imelda B. Buburan (2024). It was modified to fit the context of home appliance dealers, with debtors as respondents. To ensure its applicability, the instrument underwent expert validation and statistical testing for construct validity and reliability.

Experts reviewed the questionnaire to assess its relevance and clarity in relation to the study's objectives. Their feedback led to modifications that improved the instrument's alignment with the creditor setting. The revised questionnaire was then tested for construct validity using the Kaiser-Meyer-Olkin (KMO) Measure and Bartlett's Test of Sphericity. The KMO score was 0.633, indicating adequate sampling for factor analysis. Bartlett's Test produced significant results (χ² = 5459.636, df = 2278, p < .001), confirming that the data were suitable for further analysis. Reliability was assessed using Cronbach's Alpha, which yielded a coefficient of 0.877, indicating a high level of internal consistency.

The questionnaire for the dependent variable, loan repayment, was adapted from William Clifford Gomera and Magnawa Ibrahim Ngollo (2023). This instrument was divided into three parts: the first covered credit practices (character, capacity, cash flow, collateral, condition, and control); the second focused on collection practices (documentation, manpower, and procedures); and the third assessed loan repayment (information on repayment, financial literacy, reinvestment needs, social influence, perceived risk, perceived value, and self-control).

**Respondents of the Study**

The respondents of this study were debtors of home appliance dealers in Cateel, Davao Oriental. Key participants were identified creditors selected for their role in influencing loan repayment practices within the appliance sector. These participants were chosen using a purposive quota sampling technique. Purposive quota sampling, as described by Palinkas et al. (2015), is a non-probability approach that allows researchers to intentionally select individuals who meet specific criteria relevant to the study. In total, the study involved 150 respondents, identified as key participants in the appliance sector, selected through the purposive quota sampling method. This approach enables researchers to intentionally select participants with specific knowledge or experience relevant to the study, particularly debtors, who can provide direct insights into credit and collection practices.

**Data Gathering**

The researchers involved several systematic steps to ensure ethical compliance and accurate data collection. First, the researchers obtained ethical clearance from Davao Oriental State University, confirming that the study adhered to established ethical standards. This process included securing informed consent from participants, ensuring their anonymity and confidentiality, and implementing safeguards against data breaches or unauthorized access. After receiving ethical approval, the researchers formally sought permission from the appropriate authorities to conduct the study. Upon receiving authorization, the survey questionnaires were administered and distributed to qualified respondents—specifically, debtors of selected home appliance dealers who met the study’s criteria. Each participant was required to sign an informed consent form, indicating their voluntary participation and understanding of the study's purpose. Once the questionnaires were completed, the researchers personally retrieved the responses to maintain data integrity. Finally, the collected data were encoded and organized using Microsoft Excel, allowing for systematic recording and preparation for subsequent analysis.

**4. RESULTS AND DISCUSSION**

**Level of Credit Practices**

Table 4 shows that the level of credit practices in terms of character is very evident (x̄ = 4.56). The result indicates that level-to-credit practices in terms of character are very evident. This implies that home appliance dealers in Cateel consistently and thoroughly apply character-based evaluation practices, such as requiring guarantors, collecting personal information, seeking references, and ensuring financial guarantees, to assess applicants’ reliability and financial responsibility before approving credit.

**Table 1**. Level of credit practices in terms of Characters

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Dealers commonly require applicants to provide guarantors or co-signers before approving credit | 4.63 | 0.53 | Very Evident |
| Dealers generally collect relevant personal information, such as employment status and civic involvement, prior to approving credit | 4.61 | 0.52 | Very Evident |
| Applicants are often required to provide references or additional information before dealers approve credit | 4.53 | 0.58 | Very Evident |
| Dealers typically ensure that applicants provide financial guarantees or collateral when necessary for credit approval | 4.46 | 0.78 | Very Evident |
| Average | **4.56** | **0.46** | **Very Evident** |

This result supports the finding of Mladentseva (2023), which stated that character is a core consideration in credit risk assessment, as it reflects the borrower's integrity, willingness to repay, and historical reliability. As highlighted by Kipchumba (2015), lenders can gain insights into a borrower's propensity to honor financial commitments by assessing their character, thereby mitigating credit risk.

**Table 2.** Level of Credit Practices in Terms of Capacity

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Dealers typically evaluate an applicant's financial capacity to manage loan repayments before approving credit | 4.24 | 0.74 | Very Evident |
| Dealers evaluate business history when applying credit for commercial appliances | 4.02 | 0.79 | Often Evident |
| Dealers assess financial stability and legal capacity before extending credit | 4.02 | 0.83 | Often Evident |
| Average | **4.09** | **0.71** | **Often Evident** |

Table 2 shows that the level of credit practices in terms of capacity is very evident (x̄ = 4.09). The result indicates that the level of credit practices in terms of capacity is often evident. This implies that home appliance dealers in Cateel frequently, though not consistently, evaluate applicants' financial capacity, indicating a generally thorough but slightly variable approach to ensuring repayment capability. This result supports the findings of Khine (2023), which state that capacity assesses the borrower's ability to repay based on income stability and job security, a concept central to Melton's (1974) credit risk theory that underscores the significance of borrowers' repayment capabilities.

**Table 3.** Level of Credit Practices in Terms of Cash Flow

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Dealers generally review available funds or reserves before approving credit | 3.55 | 0.81 | Often Evident |
| Dealers evaluate both past and projected income when considering credit applications for high-value appliances | 3.29 | 0.95 | Sometime Evident |
| Dealers review customers’ overall assets or net worth before approving larger credit amounts | 3.29 | 0.99 | Sometime Evident |
| Dealers assess a customer’s income-generating capacity prior to offering credit | 3.56 | 0.89 | Often Evident |
| Dealers ensure that customers can manage their income and expenses before granting credit | 3.59 | 0.96 | Often Evident |
| Dealers evaluate customers’ ability to manage cash flow before providing credit | 3.54 | 0.97 | Often Evident |
| Average | **3.47** | **0.80** | **Often Evident** |

Table 3 outlines the level of credit practices in terms of cash flow; the result indicates that the level of credit practices in terms of cash flow is often evident (x̄ = 3.47). This implies that home appliance dealers in Cateel frequently, though not always consistently, review applicant cash flow capabilities, reflecting a generally thorough but somewhat variable approach to assessing applicants' cash flow capabilities for loan repayment.

This result is supported by Kahuthu's (2016) study, which states that cash flow measures the availability of funds necessary to cover loan payments, aligning with Melton's credit risk theory's emphasis on financial stability as a key predictor of repayment success. Furthermore, by assessing cash flow, lenders can estimate whether borrowers can manage debt without disrupting their financial stability, which is critical to reducing default risk (Naumenkova et al., 2020).

**Table 4.** Level of Credit Practices in Terms of Collateral

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Dealers verify customers’ assets, such as real estate, before extending credit for high-value appliances | 3.16 | 1.00 | Sometime Evident |
| Customers are required to provide real estate or other forms of collateral when applying for larger commercial loans | 2.83 | 1.01 | Sometime Evident |
| Dealers communicate the terms and conditions related to the use of collateral | 3.15 | 1.08 | Sometime Evident |
| Dealers accept various types of collateral to secure credit applications | 2.93 | 1.02 | Sometime Evident |
| Dealers explain the consequences for the collateral in case of loan default | 2.96 | 1.04 | Sometime Evident |
| Dealers typically ensure that the collateral provided is appropriate for the credit offered | 2.97 | 1.04 | Sometime Evident |
| Average | **3.00** | **0.93** | Sometime Evident |

Table 4 illustrates that the level of credit practices in terms of collateral is moderate (x̄ = 3.00). The result indicates that the level of credit practices in terms of collateral is sometimes evident. This indicates that home appliance dealers in Cateel occasionally engage in practices such as verifying assets, requiring real estate or other collateral for larger commercial loans, and accepting various types of collateral, reflecting a moderate and somewhat variable approach to collateral evaluation in their credit approval processes.

According to Elizabeth (2020), collateral provides security for lenders by offering assets that can be seized in case of default, directly supporting Melton's credit risk theory, which emphasizes risk mitigation through tangible assurances. Moreover, Gopal (2021) stated that collateral serves as a backup for lenders, ensuring loan recovery in the event of borrower default.

**Table 5**. Level of Credit Practices in Terms of Condition

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Customers trust that dealers comply with all relevant regulations and government policies when offering credit | 4.44 | 0.71 | Very Evident |
| Dealers regularly review loan documentation and inform customers of any updates or changes | 4.46 | 0.70 | Very Evident |
| Dealers typically provide clear, properly prepared loan agreements that are signed by all parties required to do so. | 4.39 | 0.66 | Very Evident |
| Dealers usually examine whether economic conditions could impact an applicant's loan repayment ability | 3.72 | 0.73 | Often Evident |
| Dealers assess job stability or business prospects before offering long-term credit | 3.73 | 0.71 | Often Evident |
| Dealers take into consideration external economic and social factors that may affect loan repayment | 3.72 | 0.72 | Often Evident |
| Dealers commonly track changes in an applicant's financial situation and adjust credit terms as needed | 3.63 | 0.81 | Often Evident |
| Dealers evaluate the economic risks faced by customers before providing long-term credit | 3.59 | 0.73 | Often Evident |
| Dealers generally adjust credit offerings based on current economic conditions impacting an applicant | 3.54 | 0.70 | Often Evident |
| Average | **3.75** | **0.50** | **Often Evident** |

Table 5 presents that the credit practices in terms of condition are often evident (x̄ = 3.75). This indicates that home appliance dealers in Cateel frequently, with relatively consistent application, assess customers’ current financial status, evaluate profession or business standing, analyze the competitive landscape of a customer’s business, examine economic conditions, assess job or business stability, consider external economic and social factors, track financial changes, evaluate economic risks, and adjust credit offerings based on economic conditions, reflecting a generally thorough approach to evaluating conditions that may impact loan repayment before extending credit.

According to a study by Koech and Maina (2020), assessing economic conditions enables lenders to understand better the broader factors that may impact loan performance, thereby facilitating proactive credit management. Moreover, unexpected events like medical emergencies or family responsibilities may strain a borrower’s finances, leading to missed or delayed payments (Kenneth, 2016).

**Table 6**. Level of Credit Practices in Terms of Control

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Customers trust that dealers comply with all relevant regulations and government policies when offering credit | 4.44 | 0.71 | Very Evident |
| Dealers regularly review loan documentation and inform customers of any updates or changes | 4.46 | 0.70 | Very Evident |
| Dealers typically provide clear, properly prepared loan agreements that are signed by all parties required to do so. | 4.39 | 0.66 | Very Evident |
| Dealers ensure that all credit terms are transparent and adhere to standard auditing procedures | 4.52 | 0.58 | Very Evident |
| Dealers maintain clear policies for managing overdue payments and delinquent accounts | 4.47 | 0.60 | Very Evident |
| Average | **4.46** | **0.54** | **Very High** |

Table 6 presents that the credit practices in terms of control are very evident (x̄ = 4.46). This implies that dealers consistently and thoroughly ensure compliance with regulations and government policies, regularly review loan documentation and provide updates, offer clear and properly prepared loan agreements signed by all parties, maintain transparent credit terms that adhere to auditing standards, and establish clear policies for managing overdue payments and delinquent accounts, reflecting a highly systematic and reliable approach to controlling credit processes.

According to Mabonga and Kimani (2017), control encompasses the measures lenders use to manage credit risks, which aligns with Melton's credit risk theory, which emphasizes the structured assessment of risk to minimize default. Furthermore, Budianto (2023) stated that control practices, such as regulatory compliance and internal policies, help create consistent lending practices.

**Level of Collection Practices**

**Table 7.** Level of satisfaction in terms of Documentation

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Customers regularly receive reminder notices from dealers prior to their payment due dates | 4.45 | 0.70 | Very Evident |
| Dealers send reminder letters and notifications through registered mail to ensure customers are adequately informed | 4.36 | 0.76 | Very Evident |
| Customers are notified of any outstanding balances and receive demand letters from dealers when necessary | 4.42 | 0.70 | Very Evident |
| Dealers provide detailed statements of account along with any collection notices sent to customers. | 4.43 | 0.70 | Very Evident |
| Average | **4.42** | **0.63** | **Very Evident** |

Table 7 presents the 11 illustrates that the level of collection practices in terms of documentation is very evident (x̄ = 4.42). This implies that home appliance dealers in Cateel consistently and thoroughly provide reminder notices, send notifications via registered mail, inform customers of outstanding balances with demand letters when necessary, and include detailed statements of account with collection notices, reflecting a highly systematic and reliable approach to documenting collection efforts to ensure effective communication with customers.

This result is supported by Koulafetis' (2017) finding, which states that proper documentation of loan agreements ensures that terms are clearly defined, thereby supporting Melton's credit risk theory that transparency reduces credit risk. According to Melton’s credit risk theory, maintaining accurate records strengthens the lender-borrower relationship and supports compliance, thereby lowering the likelihood of default.

**Table 8.** collection practices in terms of Manpower

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Dealers' collection agents generally exhibit professionalism when contacting applicants | 4.34 | 0.68 | Very Evident |
| Dealers' staff typically provide clear explanations of loan terms, conditions, and repayment options to applicants | 4.55 | 0.59 | Very Evident |
| Dealers’ staff create a comfortable environment for customers when discussing repayment challenges | 4.50 | 0.65 | Very Evident |
| Average | **4.46** | **0.53** | **Very Evident** |

Table 8 presents the results of the level of collection practices in terms of manpower, which are very evident (x̄ = 4.46). This implies that home appliance dealers in Cateel consistently and reliably ensure their collection agents exhibit professionalism, provide clear explanations of loan terms, conditions, and repayment options, and create a comfortable environment for customers when discussing repayment challenges, reflecting a highly effective and professional approach to manpower in the collection process

According to Saha et al. (2016), knowledgeable personnel contribute to accurate risk assessments, thereby reducing the likelihood of lending to high-risk borrowers. Moreover, Gemechu (2018) stated that skilled staff can effectively evaluate creditworthiness, making data-driven decisions to manage risk

**Table 9.** Level of collection practices in terms of Procedure

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Dealers offer incentives or discounts to customers for early or on-time loan payments. | 4.43 | 0.66 | Very Evident |
| Dealers’ collection agents consistently follow up with customers until payments are brought up to date. | 4.29 | 0.69 | Very Evident |
| Dealers have clear and transparent procedures for managing late payments | 4.39 | 0.62 | Very Evident |
| Average | **4.37** | **0.58** | **Very Evident** |

Table 9 shows that the results of the level of collection practices in terms of procedure are very evident (x̄ = 4.37). This suggests that home appliance dealers in Cateel consistently and reliably offer incentives or discounts for early or on-time payments, ensure collection agents follow up diligently until payments are current, and maintain clear and transparent procedures for managing late payments, reflecting a highly structured and effective approach to procedural aspects of loan collection.

According to Makori (2023), credit procedures ensure consistency in loan approval and management, thereby reinforcing Melton's Credit Risk theory, which posits that structured processes reduce risk exposure. Also, Bundi and Ngali (2021) stated that standardized procedures prevent arbitrary lending practices and enhance credit reliability

**The level** **of Loan Repayment**

**Table 10**. Level of Loan Repayment in Terms of Information about Loan Repayment

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Well-informed about the loan repayment schedules for home appliance purchases | 4.28 | 0.57 | Always Manifested |
| The information provided by dealers helps customers make timely loan repayments | 4.28 | 0.47 | Always Manifested |
| Aware of the penalties associated with late loan repayments | 4.33 | 0.62 | Always Manifested |
| Dealer-issued reminders help ensure on-time payments | 4.33 | 0.62 | Always Manifested |
| Loan terms and conditions are clearly explained before signing the agreement | 4.48 | 0.59 | Always Manifested |
| Generally, understand how interest rates impact loan repayments | 4.47 | 0.56 | Always Manifested |
| Feel motivated to repay loans on time due to the information provided by the dealers | 4.31 | 0.58 | Always Manifested |
| Clear information from dealers increases confidence in repaying loans | 4.27 | 0.50 | Always Manifested |
| Frequently review loan repayment details to ensure compliance with the terms | 4.25 | 0.58 | Always Manifested |
| Regularly seek clarification from dealers regarding loan repayment terms when needed | 4.16 | 0.58 | Often Manifested |
| Average | **4.32** | **0.35** | **Always Manifested** |

Table 10 presents the results of the level of loan repayment, as indicated by the information about loan repayment that was always manifested (x̄ = 4.32). This indicates that debtors of home appliance dealers in Cateel consistently and reliably demonstrate strong awareness and engagement with loan repayment information.

According to Netzer et al. (2019), consistent tracking of repayment history facilitates the identification of patterns that may predict future defaults. Additionally, access to repayment information enables lenders to track and anticipate payment behaviors, which aligns with Melton's credit risk theory, which emphasizes the importance of monitoring and risk control (Abraham et al., 2018). Moreover, Makore (2023) stated that Melton’s Credit Risk Theory emphasizes the importance of informed oversight, which enables lenders to address potential issues before they escalate into defaults.

**Table 11**. Level of Loan Repayment in Terms of Financial Literacy

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Know how to manage a loan repayment schedule effectively | 4.37 | 0.65 | Always Manifested |
| Able to budget income to ensure timely loan repayments | 4.35 | 0.59 | Always Manifested |
| Receive financial guidance or training before applying for a loan | 4.12 | 0.58 | Always Manifested |
| Confident in handling loan obligations alongside other financial commitments | 4.36 | 0.58 | Always Manifested |
| Understand the impact of interest rates on the total amount that needs to be repaid | 4.27 | 0.58 | Always Manifested |
| Utilize financial tools, such as budgeting apps, to manage loan payments | 4.25 | 0.68 | Always Manifested |
| Know how to refinance a loan if necessary | 4.30 | 0.67 | Always Manifested |
| Forecast finances to meet loan repayment obligations | 4.17 | 0.59 | Always Manifested |
| Usually aware of steps to take if facing difficulties with loan repayment. | 4.38 | 0.61 | Always Manifested |
| Understand the legal consequences of failing to repay a loan. | 4.37 | 0.59 | Always Manifested |
| Average | **4.32** | **0.35** | **Always Manifested** |

Table 11 illustrates that the level of loan repayment, in terms of financial literacy, is consistently high (x̄ = 4.30). This indicates that debtors of home appliance dealers in Cateel consistently demonstrate a high level of financial literacy. Reflecting a well-informed and capable approach to managing loan repayment responsibilities.

The study by Van Ooijen supports this result, and Van Rooij (2016) states that self-informed borrowers exhibit responsible repayment behaviors, thereby lowering credit risk. Furthermore, Scott et al. (2024) stated that financial literacy affects borrowers' understanding of loan obligations, aligning with Melton's theory of credit risk, which emphasizes the importance of borrower awareness in reducing credit risk.

**Table 12**. Level of loan repayment in terms of generation and reinvestment needs

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Consider income sources when planning for loan repayments | 4.29 | 0.65 | Always Manifested |
| It is important to generate additional income to repay the loan | 4.20 | 0.57 | Often Manifested |
| Set aside a portion of income specifically for loan repayments | 4.25 | 0.54 | Often Manifested |
| Always think about loan repayment when making reinvestment decisions | 4.33 | 0.59 | Always Manifested |
| Reinvest the income to ensure meet loan repayment deadlines | 3.88 | 0.77 | Often Manifested |
| View loan repayment as part of my expenses | 4.05 | 0.61 | Often Manifested |
| Plan loan repayments based on expected future income | 4.33 | 0.59 | Always Manifested |
| Prioritize reinvesting profits to help cover loan repayments | 4.20 | 0.68 | Often Manifested |
| Reassess financial plans regularly to ensure loan repayment obligations are met. | 4.43 | 0.59 | Always Manifested |
| Average | **4.22** | **0.36** | **Always Manifested** |

Table 12 shows that the level of loan repayment in terms of generation and reinvestment needs is consistently observed (x̄ = 4.22). This suggests that debtors of home appliance dealers consistently and proactively consider alternative income sources and recognize the importance of generating additional revenue.

Furthermore, the results revealed that debtors consistently reassess their financial plans regularly to ensure loan repayment obligations are met. However, debtors of home appliance dealers in Cateel view loan repayment as part of their expenses. This result is supported by the findings of Omowole et al. (2024), who stated that borrowers who regularly reinvest in income-generating activities are more likely to have stable cash flows, thereby reducing repayment risk. Moreover, Belás et al. (2017) stated that generation and reinvestment needs reflect borrowers' income-generating potential, supporting Melton's credit risk theory, which focuses on future financial stability as a key credit risk factor.

**Table 13.** Level of loan repayment in terms of Social Influence

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| **Family opinions influence how individuals manage their loan repayments** | **3.51** | 0.89 | Sometime Manifested |
| **Friends' financial habits impact individuals' approach to loan repayment.** | 3.05 | 0.96 | Sometime Manifested |
| **Compare their loan repayment habits with those of their peers.** | 3.03 | 0.98 | Sometime Manifested |
| **Feel pressure from their social circle to repay their loans on time.** | **2.97** | 1.03 | Sometime Manifested |
| **Close friends or family approve of how individuals handle their loan repayments.** | 3.03 | 1.01 | Sometime Manifested |
| **Consider the financial behavior of their peers when deciding how to repay their loans.** | 3.07 | 0.96 | Sometime Manifested |
| **Discuss loan repayment strategies with their family or friends.** | 3.08 | 1.07 | Sometime Manifested |
| **Feel supported by their family or friends in repaying their loans.** | 3.20 | 1.02 | Sometime Manifested |
| **Approval of financial decisions matters when individuals manage loan repayments.** | 3.10 | 1.07 | Sometime Manifested |
| Average | **3.11** | **0.85** | **Sometime Manifested** |

Table 13 shows that the result of the level of loan repayment in terms of social influence is sometimes manifested as (x̄=3.11). This indicates that debtors of home appliance dealers in Cateel occasionally, but not consistently, experience social influences in their loan repayment behaviors. Reflecting a moderate and variable impact of social factors on their loan repayment practices.

The results are supported by the findings of Zhao et al. (2021), who stated that social networks play a role in shaping repayment attitudes, thereby reducing default risks. Moreover, Kahuthu (2016) stated that social influence can affect borrowers' repayment behavior, aligning with Melton's (1974) theory of credit risk and the external factors that impact credit risk.

**Table 14.** Level of loan repayment in terms of Perceive Risk

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Express concern about financial risks associated with not repaying loans for home appliances. | 4.17 | 0.61 | Sometime Manifested |
| Understand the potential consequences of failing to repay loans on time. | 4.31 | 0.63 | Always Manifested |
| Ensure loan repayments are made to avoid additional penalties | 4.25 | 0.52 | Always Manifested |
| Prioritize loan repayments to mitigate the risk of repossession | 4.22 | 0.49 | Always Manifested |
| Late repayments could harm credit history. | 4.20 | 0.54 | Sometime Manifested |
| Motivated to repay loans due to the risk of losing appliances | 4.29 | 0.68 | Sometime Manifested |
| Make loan repayments to avoid paying extra fees | 4.30 | 0.59 | Always Manifested |
| Consider the legal risks tied to not repaying loans | 4.17 | 0.61 | Sometime Manifested |
| Make timely payments to protect your financial reputation. | 4.29 | 0.55 | Always Manifested |
| Average | **4.24** | **0.36** | **Always Manifested** |

Table 14 shows that the result of the level of loan repayment in terms of perceived risk is consistently observed (x̄ = 4.24). This implies that debtors of home appliance dealers in Cateel consistently demonstrate a strong awareness of risks associated with loan repayment, reflecting a highly cautious and proactive approach to managing perceived risks in loan repayment.

Further, the result revealed that debtors of home appliance dealers in Cateel understand the potential consequences of failing to repay loans on time. However, they express concern about financial risks associated with not repaying loans for home appliances. The result is supported by the idea of Goel and Rastogi (2023), who stated that borrowers who understand loan risks are often more cautious in borrowing decisions, leading to better repayment behaviors. Moreover, Munyasia (2023) stated that perceived risk relates to borrowers' assessment of the loan's risk, resonating with Melton's theory, which focuses on the borrower's perspective in predicting repayment.

**Table 15**. Level of loan repayment in terms of Perceive Value

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| The value of a home appliance generally motivates one to repay loans on time. | 4.22 | 0.58 | Always Manifested |
| The benefits of owning the home appliance outweigh the costs of repaying the loan | 4.19 | 0.58 | Often Manifested |
| The value of the appliance can justify the effort to repay loans. | 4.19 | 0.63 | Often Manifested |
| Consider a home appliance a good investment, prompting diligent loan repayments. | 4.23 | 0.57 | Always Manifested |
| The long-term benefits of a home appliance often encourage timely loan repayments. | 4.30 | 0.58 | Always Manifested |
| The usefulness of an appliance is considered when individuals plan their loan repayments. | 4.23 | 0.64 | Always Manifested |
| Satisfaction with a home appliance generally motivates to continue loan repayments. | 4.35 | 0.72 | Always Manifested |
| The quality of a home appliance usually makes loan repayments feel worthwhile to applicants. | 4.41 | 0.61 | Always Manifested |
| Appliances that meet expectations reinforce the borrower's decision to repay the loan, thereby increasing the likelihood of a successful repayment. | 4.19 | 0.56 | Often Manifested |
| The cost of a home appliance typically encourages to maintain loan repayments. | 4.14 | 0.57 | Often Manifested |
| Satisfaction with a home appliance often influences applicants' commitment to repaying their loan. | 4.20 | 0.61 | Often Manifested |
| Average | **4.24** | **0.36** | **Always Manifested** |

Table 15 illustrates that the result of the level of loan repayment in terms of perceived value is consistently observed (x̄ = 4.24). This indicates that debtors of home appliance dealers in Cateel consistently and strongly value home appliances. Reflecting a high perceived value driving diligent repayment behavior.

Furthermore, the results revealed that debtors of home appliance dealers in Cateel consistently feel satisfied with their home appliances, which motivates them to continue loan repayments, reflecting a strong link between satisfaction and repayment commitment. However, debtors of home appliance dealers in Cateel are often satisfied with the cost of a home appliance ty, typically encouraging them to maintain loan repayments. This result is supported by the insights of McHugh and Ranyard (2016), who stated that borrowers who perceive high value in their loans are more likely to prioritize repayments. Moreover, Moss et al. (2015)state that the perceived value of the loan purpose can influence borrowers' commitment to repayment, aligning with Melton's theory of credit risk and borrower motivation.

**Table 16.** Level of loan repayment in terms of Self-Control

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Mean | Std. deviation | Descriptive Level |
| Avoid using funds allocated for loan repayments on other expenses. | 4.17 | 0.60 | Always Manifested |
| Set aside money for loan repayments as soon as you receive income. | 4.23 | 0.57 | Often Manifested |
| Follow a budget that prioritizes loan repayments to ensure financial stability. | 4.11 | 0.65 | Often Manifested |
| Manage finances carefully to ensure consistent loan payments. | 4.21 | 0.56 | Always Manifested |
| Resist the temptation to divert loan repayment funds to other spending. | 4.20 | 0.57 | Often Manifested |
| Give priority to loan repayments over non-essential purchases. | 4.21 | 0.63 | Always Manifested |
| Regularly stay mindful of upcoming loan payment deadlines. | 4.21 | 0.60 | Always Manifested |
| Control spending to ensure timely loan repayments. | 4.31 | 0.60 | Always Manifested |
| Maintain confidence in the ability to make consistent loan payments. | 4.33 | 0.61 | Always Manifested |
| Exercise self-control to fulfill all loan repayment responsibilities. | 4.41 | 0.65 | Always Manifested |
| Average | **4.24** | **0.38** | **Always Manifested** |

Table 16 shows that the level of loan repayment in terms of self-control is consistently manifested (x̄ = 4.24). This indicates that debtors of home appliance dealers in Cateel consistently and reliably demonstrate strong self-control in managing loan repayments, reflecting a highly disciplined and responsible approach to loan repayment.

Furthermore, the results revealed that debtors of appliance dealers in Cateel consistently exercise self-control to fulfill all loan repayment responsibilities. However, debtors of appliance dealers in Cateel often follow a budget that prioritizes loan repayments. The result is supported by a study by Abdul Jamal (2022), which states that self-control helps reduce impulsive spending, thereby supporting timely repayment and reducing default risk.

**Significant relationship between the Credit Practices and the Loan Repayment**

**Table 17. Relationship between Credit Practices and Loan Repayment**

|  |  |  |  |
| --- | --- | --- | --- |
| Variables | | Credit Practices | Loan Repayment |
| Credit Practices | Pearson Correlation | 1 | 0.429 |
| Sig. (2-tailed) |  | 0.00 |
| Loan Repayment | Pearson Correlation | 0.429 | 1 |
| Sig. (2-tailed) | 0.00 |  |

Table 17. Illustrate the correlation between the level of credit practices and the level of loan repayment. The study concludes that there is a moderate and significant positive relationship (r = 0.429, p = 0.00) between credit practices and loan repayment among home appliance dealers and their debtors.

According to Asah and Louw (2021), implementing formal policies ensures that credit is granted to suitable clients and is used productively. Similarly, studies show that when borrowers have access to flexible payment terms, they are more likely to make timely payments and avoid default (Barboni, 2017). Furthermore, Garmaise and Natividad (2017) stated that a positive credit history typically reflects responsible borrowing and repayment practices, which correlate with lower default.

**Table 18.** Relationship between Collection Practices and Loan Repayment

|  |  |  |  |
| --- | --- | --- | --- |
|  | | Collection Practices | Loan Repayment |
| Collection Practices | Pearson Correlation | 1 | 0.426 |
| Sig. (2-tailed) |  | 0.000 |
| Loan Repayment | Pearson Correlation | 0.426 | 1 |
| Sig. (2-tailed) | 0.000 |  |

Table 18. Illustrate the correlation between the level of collection practices and the level of loan repayment. The study concludes that there is a moderate and significant positive relationship (r = 0.426, p = 0.000) between collection practices and loan repayment among home appliance dealers and their debtors. The moderate nature of the relationship suggests that while collection practices are impactful, they are not the sole determinant of repayment success, as debtor-side factors, such as social influences (x̄ = 3.11, "Sometimes Manifested") and external challenges, also influence outcomes.

For home appliance dealers, where credit purchases are common, effective collection practices are crucial to maintaining a steady cash flow and minimizing bad debts. According to Pope (2017), dealers must ensure that their collection practices are both fair and effective, avoiding overly aggressive tactics that could damage customer relationships. Similarly, Owino et al. (2022) stated that automated collection systems reduce human error and improve the efficiency of the payment recovery process. Moreover, Gaustad et al. (2018) an effective collection strategy is crucial to mitigate financial risks and ensure the sustainability of the business.

**Table 19.** Summary of Factors Influencing the Level of Loan Repayment

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 1.570 | 0.271 |  | 5.796 | 0.000 |
| Credit Practices | 0.357 | 0.053 | 0.439 | 6.736 | 0.000 |
| Collection Practices | 0.257 | 0.038 | 0.437 | 6.694 | 0.000 |
| a. Dependent Variable: Overall Loan Repayment | | | | | | |

The relationship between credit practices and loan repayment has been widely studied, especially in contexts where consumer financing plays a vital role, such as in-home appliance purchases. According to Boateng (2015), analyzing the client's creditworthiness is essential to minimize the risk of default and ensure that the financial institution can rely on timely repayments. Collection practices, on the other hand, are equally important in sustaining loan performance. According to a study by Gaustad et al. (2018), an effective collection strategy is crucial for mitigating financial risks and ensuring the sustainability of the business.

Table 20 presents the model summary of loan repayment. Based on the results, it was concluded that the model, incorporating factors such as credit and collection practices alongside debtor-side factors, explains 37.5% of the variation in loan repayment among home appliance debtors, with a moderate positive relationship (R = 0.612). While this indicates that these factors significantly influence repayment behavior, the remaining 62.5% of unexplained variance suggests that additional factors, such as economic conditions or personal challenges, also play a critical role Pelone & Arellano, (2024). To improve loan repayment outcomes, dealers should focus on optimizing the identified factors while exploring other potential influences to develop a more comprehensive strategy for enhancing repayment consistency.

**Table 20. Model Summary**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | 0.612 | 0.375 | 0.366 | 0.239 |

Several studies have highlighted the critical role of credit practices in shaping borrowers’ repayment behavior. According to Cardaci (2018), frequent payments can enhance the financial stability of borrowers by preventing debt accumulation, ultimately resulting in lower default rates. In addition to credit practices, collection practices have also been recognized as a major influence on loan repayment. According to a study by Kabir (2023), lenders should consider offering payment frequency options that align with borrowers' income cycles to encourage timely payments and improve borrower satisfaction.

However, the moderate nature of the relationship in the results implies that credit and collectionpractices are not the only factors affecting repayment Smith (2022); strict penalties for late payments may motivate some borrowers to prioritize their loan payments; however, they can also lead to borrower resentment and increase the financial strain on those already struggling (Smith 2022). Overall, home appliance dealers in Cateel need to implement clear, fair, and responsible credit screening processes. This includes evaluating a customer's income, employment stability, existing obligations, and capacity to repay. Dealers who are too lenient may attract high default rates, while those who are too strict might lose potential sales. Finding the right balance is key (Sobol 2017).

**5. CONCLUSIONS AND RECOMMENDATIONS**

**Conclusion**

This study aimed to determine the relationship between credit and collection practices and loan repayment among home appliance dealers in Cateel, Davao Oriental. The findings confirmed that both credit and collection practices have a significant influence on loan repayment behavior. The results revealed that credit practices are generally high to very high, with character (x̄ = 4.56) and control (x̄ = 4.33) being the strongest indicators. However, collateral (x̄ = 3.00) was only moderately evident, indicating a need for stricter asset-based credit security. Likewise, collection practices were consistently rated as very evident, particularly documentation (x̄ = 4.51), followed by manpower (x̄ = 4.37) and procedures (x̄ = 4.36), suggesting that dealers maintain clear and structured processes in collecting payments.

Regarding loan repayment, results showed a generally high level of compliance. Self-control (x̄ = 4.34), information about loan repayment (x̄ = 4.29), and perceived value (x̄ = 4.21) were the most influential factors, while social influence (x̄ = 3.83) was the least manifested, indicating that personal discipline and knowledge matter more than external pressure in repayment decisions. Statistical analysis revealed a significant positive relationship between credit practices and loan repayment (β = 0.439, p < 0.000) as well as between collection practices and loan repayment (β = 0.437, p < 0.000). Between the two, credit practices were found to be the slightly more influential factor, underscoring the importance of rigorous evaluation and approval processes prior to extending credit. Strengthening both credit evaluation and collection strategies enhanced repayment performance. However, improving weaker areas, such as collateral assessment, and addressing factors like social influence can further reduce default risks. The results supported the relevance of Credit Risk Theory, emphasizing the role of proactive credit management and structured collection efforts in achieving financial sustainability for home appliance dealers.

**Recommendation**

Based on the findings and conclusions of this study, several recommendations are proposed in line with the specific problems addressed. Regarding the level of credit practices, home appliance dealers are encouraged to maintain and strengthen practices related to character, capacity, control, and condition, which were found to be highly evident. However, improvement is needed in the area of collateral, which received the lowest mean rating (x̄ = 3.00). Dealers may consider implementing stricter standards for collateral evaluation, such as requiring verified assets or secondary guarantees, to ensure greater financial security. Additionally, assessments of cash flow may enhance to determine a debtor's ability to repay loans more accurately.

For collection practices, which were consistently evident across documentation, manpower, and procedures, dealers are advised to maintain these good practices. Standard operating procedures can be documented, regularly reviewed, and supported with staff training to ensure consistent, respectful, and legally sound collection processes. These efforts can help maintain the high level of collection performance identified in the study.

In terms of loan repayment, while the results indicated a generally high level of borrower responsibility, particular attention may be given to the area of social influence, which was the weakest factor (x̄ = 3.11). Dealers may explore strategies such as peer accountability systems, co-guarantor models, or community-based incentives to promote timely repayments. Financial literacy can also be improved by providing educational materials or orientations that help borrowers understand repayment schedules, interest implications, and the long-term value of maintaining good credit behavior.

Given the significant positive relationship found between both credit and collection practices and loan repayment, this suggests that home appliance dealers invest in both areas. However, since credit practices were found to have a slightly stronger influence, greater focus may be placed on strengthening the pre-loan evaluation process. This includes verifying income stability, reviewing repayment history, and using structured credit assessment tools.

By improving both credit evaluation and collection strategies while addressing weak areas such as collateral assessment and borrower social motivation, dealers can better manage credit risk, reduce defaults, and ensure sustainable financial performance in the home appliance sector. Furthermore, the regression model, which explains 37.5% of the variance, confirms that credit and collection practices are key predictors, but other factors also play a role. It is recommended that future researchers investigate other potential factors, such as economic conditions, debtor demographics, or psychological barriers, to develop a more comprehensive strategy that addresses all influences on loan repayment. This approach will ensure a holistic improvement in repayment rates, as the regression model indicates that 62.5% of the variance in repayment remains unexplained.

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