ABSTRACT

BARISO, M.K.M., Factors Affecting the Creditworthiness of the Borrowers of Cavite Metro Credit Cooperative Towards A Credit Scoring Model. Master in Business Administration, De La Salle University – Dasmariñas City, Cavite, October 2014.

Credit has played a vital role in the history of trade centuries before and until now. It has become an indispensable part in the lives of ordinary individuals, small entrepreneurs, and business corporates which ripened the financial environment into a competitive field. This phenomenon has led to the establishment of different lending institutions such as banks, micro-finance companies and credit cooperatives. Following this progress, the use of different credit scoring tools have been introduced and implemented to strengthen the viability of these lending companies and mitigate the primary risk affecting their operations, that is, credit risk. One of the more popular risk assessment tools is the credit scoring model which has become essential mostly to banks.

This study sought to introduce the concept of credit scoring models employed by banks to Cavite Metro Credit Cooperative (CMCC), a credit cooperative organized with the purpose of engaging in credit and lending services. Although CMCC has less complex lending activities than banks, it is still exposed to risks of borrowers becoming past due. Hence,

to alleviate this risk, a credit scoring model that would fit the nature, size, risk profile and complexity of the operations of CMCC was designed through this study.

Discriminant analysis and logistic regression were explored in developing the scoring models which both gave high classification accuracy rates. For discriminant analysis model, an accuracy rate for the selected original grouped cases that were correctly classified stood at 85.6 percent and 88.9 percent for selected original grouped cases and unselected original grouped cases, respectively. On the other hand, the overall prediction success for the logistic regression model was 86.2 percent for the observed cases which was surpassed by the accuracy rate of 88.9 percent for unobserved cases. The odds ratio in the logistic regression also effectively estimated the change in the odds of membership in the target group for one unit increase in the predictor.