Accessibility of Rural Credit Among Small Farmers in the Philippines

A thesis presented in partial fulfilment of the requirements for the degree of

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ABSTRACT

Credit plays an important role in agricultural development and it is believed that expansion of credit programmes will have beneficial effects on agricultural production and incomes of small farmers. It is also a key to poverty alleviation, livelihood diversification, and increasing the business skills of small farmers. In the Philippines, small-scale and subsistence agriculture source their loans mostly from informal lenders, thus access to formal credit remains low. There is a need to examine further small farmers’ access to credit and investigate their preferences and perceptions regarding credit in order that their access can be improved and their needs through credit can be more effectively met. Determining the problems and the credit needs of small farmers are important considerations in designing appropriate credit systems for them.

Accessibility of rural credit in the Philippines was examined, with the primary objective of exploring the use of and access to rural credit by small farmers. This research attempts to explore and understand the perceptions of small farmers toward rural credit, and to collect information in proposing an appropriate credit system for them.

Two types of respondents were interviewed for the research; 45 individual farmers, and four key informants in New Corella, Davao del Norte. The research focused on how the farmers perceived the rural credit facilities, their preferences, their reasons for borrowing, and their problems in accessing credit. Qualitative data analysis was done for the information gathered.

Access to credit by farmers was limited to the available credit services in the research area, thus farmers’ choices and preferences were not well served which led to borrowing from informal lenders. Credit restrictions such as commodity specific credit programmes, credit that requires collateral, and lengthy and complicated procedures restricted the farmers from accessing formal credit. It is recommended that accessibility to credit by small farmers could be improved by providing innovative financing schemes that address problems of farmers who lack collateral, and minimise long processing of
documents and other requirements. In this way, farmers may be encouraged to better utilise formal credit and decrease their reliance on informal lenders, thus avoiding higher interest rates and thereby increasing their farm productivity and household incomes.

**Keywords:** Rural credit, access, small farmers, Philippines

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title Page</td>
<td>i</td>
</tr>
<tr>
<td>Abstract</td>
<td>ii</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>iv</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>vi</td>
</tr>
<tr>
<td>List of Tables</td>
<td>ix</td>
</tr>
<tr>
<td>List of Figures</td>
<td>x</td>
</tr>
</tbody>
</table>

## CHAPTER ONE – INTRODUCTION

1.1 Background and Statement of the Problem .................................. 1
1.2 Research Aim and Objectives .................................................. 5
1.3 Limitations of the Research .................................................... 6
1.4 Thesis Outline ....................................................................... 6

## CHAPTER TWO – LITERATURE REVIEW

2.1 History and Origins of Rural Credit ............................................ 8
2.2 Role of Rural Credit .................................................................. 9
2.3 Provision of Credit for Small Farmers in Developing Countries.. 11
2.4 Types of Rural Credit ............................................................. 13
   2.4.1 Formal Financial Institutions ........................................... 13
   2.4.2 Informal Financial Institutions ......................................... 14
2.5 Sources of Rural Credit .......................................................... 16
   2.5.1 Rural Banks ................................................................. 16
      2.5.1.1 Grameen Bank in Bangladesh .......... 16
      2.5.1.2 Bank Rakyat of Indonesia .......... 18
      2.5.1.3 Bank for Agriculture and Agricultural Cooperatives in Thailand .......... 19
   2.5.2 Non-Government Organisations (NGOs) .................................. 20
   2.5.3 Cooperatives .............................................................. 22
2.5.4 Development Assistance ........................................ 23
2.5.5 Self-Help Groups .................................................. 24
2.6 Rural Credit in the Philippines ..................................... 26
   2.6.1 Country Overview .............................................. 26
      2.6.1.1 Agriculture ............................................... 28
      2.6.1.2 Poverty and Rural Development ....................... 29
2.6.2 Rural Credit Situation ......................................... 31
      2.6.2.1 Evolution of Credit Policies ............................ 31
      2.6.2.2 Current Policies and Programs ....................... 33
      2.6.2.3 Other Policy Initiatives ................................. 34
2.7 Credit Issues ...................................................... 35
2.8 Summary ............................................................ 36

CHAPTER THREE – METHODOLOGY ..................................... 37

3.1 Research Method .................................................... 37
3.2 Location of the Research .......................................... 38
3.3 Sampling ............................................................. 41
3.4 Data Collection ..................................................... 42
      3.4.1 Interview with 45 Farmers ................................. 43
      3.4.2 In-Depth Interviews with 15 Farmers ................... 44
      3.4.3 Key Informant Interviews ................................. 45
3.5 Data Analysis ....................................................... 45
3.6 Summary ............................................................. 47

CHAPTER FOUR – RESULTS AND DISCUSSION ............................. 48

4.1 The Research Area .................................................. 48
4.2 Characteristics of Farmer-Respondents ......................... 49
      4.2.1 Sources of Income of Farmer-Respondents ............ 49
      4.2.2 Gender and Age Distribution of Farmer-Respondents . 50
      4.2.3 Educational Attainment of Farmer-Respondents ...... 51
      4.2.4 Farm Size of Farmer-Respondents ...................... 51
      4.2.5 Farm Tenure of Farmer-Respondents ................... 52
4.3 Availability of Credit Services in the Municipality of New Corella .............................................. 52
  4.3.1 The New Corella Rural Bank Credit Service ............... 53
    4.3.1.1 With Collateral Credit Scheme ....................... 54
    4.3.1.2 Without Collateral Credit Scheme .................... 55
  4.3.2 The Local Government Unit (LGU) Financing Programme ......................................................... 57
  4.3.3 Quedancor’s Unlad Ani (Improved Harvest) for Income Augmentation and Livelihood for the Self-Reliant Farmers .................. 60
  4.3.4 Informal Credit Sources ................................. 63
  4.3.5 Discussion on Credit Availability in New Corella .... 64
  4.4 Awareness of Credit Services in New Corella ............... 67
  4.5 Uses of Credit ............................................. 68
  4.6 Sources of Credit Preferred by Small Farmers .......... 69
  4.7 Factors Considered in Choosing Creditors by Small Farmers . 71
  4.8 Problems/Difficulties Encountered by Small Farmers In Obtaining Credit ..................................... 72
  4.9 Suggestions by Small Farmers to Improve their Credit Accessibility ............................................. 73
  4.10 Summary ..................................................... 74

CHAPTER FIVE – SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .................................................. 76
  5.1 Summary and Conclusions ........................................ 76
    5.1.1 Key Informant Interviews ................................. 77
    5.1.2 Interviews with Farmers .................................. 79
  5.2 Recommendations ............................................. 83
  5.3 Suggestion for Further Research .............................. 83

REFERENCES ...................................................... 85

APPENDIX I ...................................................... 93

APPENDIX II ..................................................... 98

APPENDIX III ................................................... 100
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table No.</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Distribution of Farmer-Respondents according to Gender and Age</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>Educational Attainment of Farmer-Respondents</td>
<td>51</td>
</tr>
<tr>
<td>3</td>
<td>Farm Size of Farmer-Respondents</td>
<td>51</td>
</tr>
<tr>
<td>4</td>
<td>Farm Tenurial Status of Farmer-Respondents</td>
<td>52</td>
</tr>
<tr>
<td>5</td>
<td>Incidence of Borrowing</td>
<td>69</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure No.</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Vicious Circle of Low Capital Formation</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>Map of the Philippines</td>
<td>27</td>
</tr>
<tr>
<td>3</td>
<td>Map of Davao del Norte showing the research area, New Corella</td>
<td>39</td>
</tr>
<tr>
<td>4</td>
<td>The motorcycle as mode of transportation in the upland barangays of New Corella municipality</td>
<td>40</td>
</tr>
<tr>
<td>5</td>
<td>Interview with a woman farmer-borrower from Rural Bank of New Corella</td>
<td>43</td>
</tr>
<tr>
<td>6</td>
<td>A Diversified Farm in New Corella municipality</td>
<td>49</td>
</tr>
<tr>
<td>7</td>
<td>A Rice Farm of a farmer-borrower from LGU Financing Programme in Barangay Mesaoy, New Corella</td>
<td>50</td>
</tr>
<tr>
<td>8</td>
<td>The New Corella Rural Bank in Davao del Norte</td>
<td>53</td>
</tr>
<tr>
<td>9</td>
<td>Mechanism of Agricultural Loan Applications for With Collateral Credit Scheme in New Corella</td>
<td>54</td>
</tr>
<tr>
<td>10</td>
<td>Mechanism of Agricultural Loan Applications for Without Collateral Credit Scheme in New Corella</td>
<td>55</td>
</tr>
<tr>
<td>11</td>
<td>Mechanism of Production Loan Applications for LGU Financing Programme</td>
<td>58</td>
</tr>
<tr>
<td>12</td>
<td>Quedan and Rural Credit Guarantee Corporation (Quedancor) District Office in Tagum City, Davao del Norte</td>
<td>60</td>
</tr>
<tr>
<td>13</td>
<td>Mechanism of Loan Applications for Quedancor Financing Scheme</td>
<td>61</td>
</tr>
</tbody>
</table>