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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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