

# **AGRICULTURAL MICROFINANCE RESEARCH PROJECT**

## **2<sup>nd</sup> Roundtable Discussion Proceedings 11 July 2007, Astoria Plaza, Ortigas Center, Pasig City**

The second roundtable discussion on the agricultural microfinance research project, jointly being undertaken by the Microfinance Council of the Philippines, Inc. (MCPI) and the Asian Institute of Management (AIM), was held at the Broadway Room of the Astoria Plaza on July 11, 2007 from 8:30 a.m. to 5 p.m. Present were representatives of microfinance wholesale organizations such as PCFC and SBGFC, support organizations such as RBAP-MABS and Punla sa Tao Foundation, and microfinance practitioners that have been part of the research as caseleads. Professor Ronald Chua of the AIM facilitated the discussion (refer to Exhibit 1 for the list of participants).

Mr. Edgardo Garcia, Executive Director of MCPI, started the meeting by mentioning that while microfinance initiatives are usually confined to the urban and the peri-urban areas, the “poorest of the poor” or those who need access to financial services are mostly in the rural areas. He also mentioned that according to the Agricultural Credit Policy Council (ACPC), the unmet credit need of rice and corn farmers and coconut growers totals Php60 billion.

Mr. Garcia announced that to determine the needs of the agri-MF clients and to learn from the experience of the institutions that have provided agri-MF loans, an initial batch of cases was written for presentation to the group. He then introduced the discussion participants and expressed his gratitude to the case leads: First Valley Bank, Valiant Rural Bank, and Quedancor.

Professor Chua thereafter presented the project objectives, the expected outputs/activities, the outputs thus far, the research methodology, and the objectives of the roundtable discussion (Exhibit 2). He emphasized that the discussion hoped to solicit feedback from the participants on how the cases could be improved and to determine what could be learned from the experience of the case institutions and clients.

### **Literature Review and Survey**

Professor Chua presented a literature review of the agri-MF sector focusing on the risks in agricultural finance and on the results of the 2002 survey conducted by the ACPC (Exhibit 3).

The following observations and comments were made on the survey results:

- Purely agricultural activities are a thing of the past because most of the respondents are also engaged in non-farm activities.
- In addition to credit access and terms and conditions, borrowers also factor in add-on services, such as insurance, in their choice of loan providers.
- Loan providers should not only concentrate on production loans, but must consider the financial requirements of the borrowers as they go through the value chain (e.g., harvest, post-harvest, and marketing activities).
- Historical data on the sources of credit (formal and informal) will enhance the understanding of the performance of lending institutions and the changes in borrowing attitudes of the farmers/fisherfolk.

### **Group Discussion**

The participants were divided into three groups, each of which was assigned a particular case study.

#### Client Case Studies

The groups were given the following questions to guide them in the analysis of the client case studies:

- What are the general characteristics of the agri-MF clients?
- Given the profile of the clients, what are the opportunities (products and services) open to an MFI planning to go into agri-MF?

- What risks do MFIs face and how can these be mitigated?
- What are the lessons and insights did you acquire from the stories of the clients?

The following were the group outputs:

	<b>First Valley Bank</b>	<b>Valiant Rural Bank</b>	<b>Quedancor</b>
<b>What are the general characteristics of the agri-MF clients?</b>	Homeowners	Landowners	Both spouses contribute to household income
	Have relatively comfortable living standards	Well-off clients	Except for one, all plant rice alone
	Have access to land	Have a stable livelihood and with real estate holdings	Except for one, the farms of the rest have two croppings per year
	Have multiple/ diversified sources of income, both agricultural and non-agricultural	Have multiple sources of income	Technology – use “pagong” not so much carabaos
		Belong to medium-sized families	Belong to large-sized families
		High level of education	Only one is a high school graduate (the highest educational attainment)
		Minimal income from farming	Have other sources of financing
		Household members contribute to family income (e.g., monthly remittances)	Have other sources of income
		Good repayment rates; disciplined borrowers	Record keeping – no proper reporting nor bookkeeping, thus poorly done financial analysis, if at all
		Children’s education is one of the biggest expenses aside from food	Save in kind, not in cash (accessibility of cash is important to them)
<b>Given the profile of the clients, what are the opportunities (products and services) open to an MFI that is planning to go into agri-MF?</b>	Provision of savings products and services, both mandatory and voluntary	Provision of microsavings	Introduction of a savings scheme without restrictions; allowing part of savings to be withdrawable (scheme already introduced via Quedancor’s tie-up with a cooperative)
	Provision of enterprise development training programs	Provision of investment management services	Provision of emergency loan

		Introduction of education or tuition fee loans/scholarships	Provision of educational loans to good payers	
		Provision of loans for farm inputs	Capture the produce of farmer-borrowers for NFAs since they already have a tie-up with DA for an integrated program; NFA did not buy from them before because it had a policy to buy only from cooperatives	
		Introduction of housing/real estate loans	Introduction of individual loans	
		Provision of health insurance	Provision of health insurance through Philhealth and/or bank and/or LGU tie-up	
		Extension of remittance services		
<b>What are the risks that the MFIs face?</b>	Crop damage due to unfavorable weather and pest infestations	Natural calamities	Crop damage due to pests and farmers' not having taken out crop insurance; poor track record of insurance companies in terms of paying claims	
	Lack of market for products (e.g., clients sell the same products)	Fluctuating prices of products in the market	When you get into product bundling, clients will most likely avail of all products.	
	Competition from other loan providers	Competition from other loan providers		Even if input loans are provided, discounting offered by farmers to suppliers is still possible and farmers can still sell the inputs once they receive the supplies
				Groupings made by the Department of Agriculture (DA) instead of by the beneficiaries themselves may/will cause the breakdown of group guarantee
				Loan collection problems especially if the borrowers have other loan sources
				Non-payment of loans after harvest time
				No/poor harvest

<b>How can the risks be mitigated?</b>	Borrowers should own their homes or should be residents of the locality		To mitigate risk in product bundling, total household cash flow should be analyzed
	Borrowers must have diverse income sources		To mitigate risk from loan defaults, harvest time of the farmers should be monitored
	Conduct of thorough credit and background investigations of borrowers, including cash flow analysis		
	There should be a regular loan amortization schedule		
	Borrowers should be linked-up with trading firms		
<b>What lessons and insights did you acquire from the stories of the clients?</b>	Know what the clients want	The household farmer's mechanism for coping with expenses was to diversify income sources through non-farm activities	Loan amount may not have been sufficient because the borrower also obtained a loan from other sources
	Nobody saves just for the sake of saving; lenders should know why their clients save and should then create savings products that cater to their clients' requirements ("purpose savings")	Given the present state of rice production, level of profitability is not attractive	The clients' patronizing of Quedancor's preferred suppliers (instead of the most competitive suppliers in the market) may lead to sub-optimization
	Loan amounts and amortization should be cash flow-based	The bank offered a household cash flow-based lending rather than crop-based loans	Identify when group loans will work and when they will not
	Regular payments reduce risk of loan defaults	Interlink transactions that MFIs should look into [involve other players like suppliers and traders]	Farmers need to diversify crops
	Homeownership by the borrowers reduces risk of loan defaults	Household income was subsidizing the expenses attendant to agricultural activities	Need for market linkages

### Institutional Case Studies

The groups were given the following questions to guide them in the analysis of the institutional case studies:

- What are the opportunities in agri-MF for the institution?
- What challenges/issues in agri-MF does the institution face?
- Brainstorm ways of addressing the challenges/issues faced by the institution.
- What lessons and insights did you acquire from the organization's experience in agri-MF? What factors are essential in ensuring successful operations?

	<b>First Valley Bank</b>	<b>Valiant Rural Bank</b>	<b>Quedancor</b>
<b>What are the opportunities in agri-MF for the institution?</b>	There is a large market unserved by formal financial institutions	Explore new market segments	Beyond production loans, the provision of “input supplier” and “market” loans to address the demand along the value chain
	Finance activities within the value chain	Build partnerships with different stakeholders	Introduction of individual loans as an offshoot of the breakdown of group liability
	Provision of non-agricultural credit to other household members	Diversification of financial portfolio	
		Adoption of new technology	
		Few competitors in the areas of operation	
<b>What challenges/issues in agri-MF does the institution face?</b>	Lack of staff to attend to the growing number of clients	Lack of staff which effectively limits expansion	Too burdensome requirements (e.g., Quedancor requires clients to submit a cash flow projection even it does not give the cash flow projection any weight; it also requires that repayments be made in lump sums)
	Need to improve its marketing strategy for its savings program	Minimal coverage of operations	Clients’ having multiple loans
	Lack of access to information	Lack of access to information	The people’s “dole-out” perception of government initiatives which translates to the non-repayment of loans
	Need to improve the knowledge and skills of clients in business development, financial management, and marketing, among others.	Pricing (Survey respondents expressed their desire for lower interest rates, but there is a need to bridge the gap between what the market dictates and what the bank management wants)	Loose monitoring leading to defaults (e.g., why give loans for five hectares when a farmer only owns two hectares?)
	Clients having limited market access or their products’ failing to match or meet the needs of the market	Clients’ dislike of the co-makership requirement	Weak monitoring of loan payments (e.g., officer not informed of defaulting clients)

		Too many requirements attendant to loan application	Improper scheduling of loan payment – this leads to defaults (i.e., why the two-month window after harvest for repayments?)
		MIS (old system was unreliable and could not be fully utilized in terms of data generation and analysis)	Quedancor's relying on DA endorsements and group formation thus leading to a loose client selection process
		Need to improve loan monitoring systems and procedures	Late arrival and/or inadequate funding from Central Office
			Too many non-core products (e.g., salary loans)
<b>Brainstorm ways of addressing the challenges/issues faced by the institution.</b>	Provide additional management support in terms of more training programs, a much better incentives system, better monitoring procedures, and more effective and efficient equipment	Automate systems and processes	Improve the client selection process
	Identify service providers that will provide technical assistance in-house and at the industry level	Provide new training/ additional training to account officers Hire competent staff	Conduct proper client orientation and preparation
		Hire additional staff to allow the expansion of operations	Assume the supporting role of fund wholesaler to MFIs
		Provide additional middle management support	Since clients have multiple sources of income, implement weekly repayment or at least 60 percent (amortized) and 40 percent (lump sum) repayment schemes
		Information symmetry	
		Minimize documentation requirements	
		Access funders that will help rural banks finance their trainings	
<b>What lessons and insights did you acquire from the</b>	The commitment of top management is important	Agri-MF is profitable for MFIs	Supervised credit will work with close and proper supervision

<b>acquire from the organization's experience in agri-MF? What factors are essential in ensuring successful operations?</b>	Cash flow-based lending reduces loan defaults	MFI staff [loan officers or account officers] must be exposed to agri-MF so they can execute the program well	Dole-out mentality may be addressed by working with private institutions. Non-bank government institutions that went into retail lending were unsuccessful in the 70's and 80's, Quedancor should learn from their experience
	Fast service is important (e.g., repeat loans are released within 24 hours)	Training and capability building	
	Adherence to microfinance practices should be observed	Provision of incentives	
	There should be products and operations manuals to guide the microfinance staff in their day-to-day activities		
	Households reinvest excess income in the business		
	Regularly consulting with clients on their needs and preferences is important		
	Enterprising clients should be identified and encouraged to grow		

### **Institutional Recommendations and Challenges**

The same financial services provision issues and challenges applied to agri-MF and regular loans. It is only in the context, which they differ (rural against urban). The same set of principles and practices apply in managing/reducing risks, both on the part of the microfinance institutions and their clients. Mely Agabin narrated that MABS went into agri-MF to test whether the microenterprise best practices would work in an agricultural setting. It was determined that they did.

Part of the solution to the agri-MF challenges and issues is for the microfinance institutions to come up with processes or methodologies that will clarify the needs and requirements of the clients and will help determine the risks in the specific area where they operate. The response of the microfinance institutions must be specific to the context of the area where they operate. For example, exposure to agricultural risks is area-specific. Even if it were mentioned in the literature review that one of the risks in agriculture is crop failure brought about by natural calamities, none of the case study subjects was adversely affected by this factor. Only when the institutions conduct an area-specific analysis will they be able to develop and deliver products and services that match the needs of their clients.

The cases illustrated two modes of determining the loan amounts and amortization to be provided to clients. First is through a directed/supervised method, as practiced by Quedancor. Second is through the computation of the cash flow of the borrowers, as has been adopted by First Valley Bank and Valiant Rural Bank. Investment in human resources capability building is higher in the latter compared to the former.

Microfinance institutions must be aware that the methods or strategies that they employ will have implications on their resources, policies, systems, and procedures. They should therefore come up with a cost-benefit analysis of the resources and time that they will invest vis-à-vis their expected returns in order for the strategies to be sustainable in the long run.

Investment in research is needed to further address the issues confronting agri-MF. The area of risk management, for example, has not yet been fully studied. In addition, a strategy to ensure that microfinance institutions remain viable and at the same time help the “poorest of the poor” has not yet been developed. For example, beyond loans, products and services appropriate to clients from the lower end of the income pyramid, have not yet been fully explored by the microfinance institutions. The impact of the agri-MF sector, being a relatively new sector, has also not yet been determined.

### **Areas for Improvement in the Research**

The clients interviewed were relatively well off. The research should therefore also include farmers from the lower end of the income pyramid. Clients who defaulted on their loan payments, dropped out because they could not anymore afford to meet the succeeding loan terms, or who did not meet the loan requirements (non-borrowers) should be interviewed. Atty. Nicolas Lim said that First Valley Bank clients who are under their supervised agricultural loan program could be interviewed because they had lower incomes compared to the bank’s agri-MF clients.

The decision making patterns of the farmers should also be ascertained. For example, the reason behind their decision to cultivate a certain crop or to shift to other income sources should be established. In addition, the uses of the farmers’ income (i.e., savings or for re-investment) and the bases for their decisions should be identified.

Additional information that should be added to the client case studies are the nature of the other forms of assistance, besides financial, received by the clients from lending institutions and other organizations/individuals. The contribution of each income sources to the total income of the farmers should also be determined so as to have an idea of the “quality” of each source.

An area context should also be added such as the profile/demographics of the population, natural resources, and microfinance players/providers in the area, among others.

Instead of adding on the client stories, the researchers should interview additional clients and non-clients of the three case institutions to further deepen the research scope.

Case studies on fisherfolk and farmers engaged in the production of high-value crops should be written. There was also a suggestion to interview seasonal farm workers, who were paid daily minimum wages. However, these proposals were beyond the scope or terms of reference of the research project.

Additional participants from institutions already involved in agri-MF, or planning to go into agri-MF, should be invited to the next roundtable discussion, which would be convened when the next batch of cases have been written.

**Exhibit I**  
**List of Participants**

<b>Participant</b>	<b>Organization</b>
Agabin, Meliza	RBAP - Microenterprise Access to Banking Services
Almendral, Alex	National Confederation of Cooperatives
Hermeo Bautista	Land Bank of the Philippines
Catequista, Ernie	Quedan and Rural Credit Guarantee Corporation
Chua, Ronald	Asian Institute of Management
Deles, Laila	PinoyME
Ducusin, Noel Clarence	Agricultural Credit Policy Council
Eslava, Sany	Asian Institute of Management
Garabiag, Kennedy	Agricultural Credit Policy Council
Galvez, Tina	Punla sa Tao Foundation
Garcia, Edgardo	Microfinance Council of the Philippines, Inc.
Joyas, Lalaine	Microfinance Council of the Philippines, Inc.
Lim, Atty. Nicolas	1 <sup>st</sup> Valley Bank, Inc.
Lombay, Christopher	Punla sa Tao Foundation
Mercado, Ronna	JJC-ICSI
Marquez, Nathaniel Don	Asian NGO Coalition for Agrarian Reform and Rural Development
Masilungan, Eo	Asian Institute of Management
Moraga, Melvin	Quedan and Rural Credit Guarantee Corporation
Pama, Ian	Valiant Rural Bank, Inc.
Piansay, Ernesto Jr.	Valiant Rural Bank, Inc.
Quianzon, David	Small Business Guarantee and Finance Corporation
Rocero, Emy	RBAP - Microenterprise Access to Banking Services
Sebastian, Asuncion	Asian Institute of Management
Sicat, Allan	Microfinance Council of the Philippines, Inc.
Valdez, Julia	People's Credit and Finance Corporation

## **Exhibit 2**

### ***Background and Status of the Agricultural Microfinance Research Project***

#### Project Objectives

- To determine the access to financial services of households engaged in agricultural production.
- To determine the spending and savings pattern of households engaged in agricultural production
- To document successful and innovative financing schemes/practices in agriculture

#### Expected Outputs/Activities

- Six profiles of families engaged in selected agricultural activities.
- Four institutional case studies
- Literature review on agricultural microfinance in the Philippines
- Dissemination workshops

#### Outputs so Far

- Three institutional cases (Quedancor, First Valley Bank, Valiant Rural Bank)
- Three client cases (clients of the above organizations)
- Draft of the review of literature

#### Research Methodology

- Field work conducted for one week (interviews with key officials, staff and at least five clients of the organizations; secondary data gathering)

#### Objectives of the Roundtable Discussion

- To present and analyze the case studies
- To solicit suggestions on how to further improve the research project (design, content, and methodology)
- To get recommendations for the next batch of case leads

## EXHIBIT 3

### *Agricultural Finance: Review of Literature and Survey*

#### Poverty

- Poverty incidence among agricultural households is about four times that in the rest of the population (2003 family income and expenditure survey).
- While only a little more than one-third of the labor force is in agriculture, 2 out of every 3 destitute persons are dependent directly on agriculture for employment and sustenance.

#### Small Farmers and Fisherfolk Credit Accessibility Survey 2002 conducted by the Agricultural Credit Policy Council

#### **Methodology and Characteristics of Interviewees**

- Survey conducted from June 2001 – May 2002.
- 794 survey respondents, 426 farmers and 368 fisherfolk, across 12 provinces throughout the Philippines.
- Average household size is 6.
- Majority of the farmers-respondents had diversified income-generating activities: 74% were into rice farming, 55% into other crops such as corn and vegetables, 20% into livestock and poultry, and 83% into non-farm activities.
- 87% of fisherfolk were into capture fishing and 16% were into capture fishing. None of the fisherfolk were engaged in other income-generating activities.
- More farmer-borrowers had smaller farms, between 0.5 – 1 hectare. The average farm size was 1.37 hectares.
- 47% of the farmers were share tenants, 40% owned their own farmlands, and 22% leased their farms.

#### **Major Findings**

##### By Borrowing Incidence

The number of borrowers had been increasing from 1996 – 2002.

Period	Farmers		Fisherfolk		All	
	Borrowers	Non-Borrowers	Borrowers	Non-Borrowers	Borrowers	Non-Borrowers
1996-97					47%	53%
1999-00					59%	41%
2001-02	73%	27%	54%	46%	64%	36%

##### By Savings Profile

Eleven percent of the respondents were savers. Fisherfolk have higher average savings and savings rate per month than farmers.

Indicator	Farmers	Fisherfolk	All
Number & Percentage of Savers	46 of 426 (11%)	42 of 368 (11%)	88 of 794 (11%)
Average Savings Per Month	Php1,681	Php2,321	Php1,981
Maximum Savings	Php8,333	Php41,667	Php41,667
Minimum Savings	Php100	Php100	Php100
Savings Rate (Income that Goes Into Savings)	28%	40%	34%

### By Source of Loans

Informal lenders remained the more preferred loan sources of farmers and fisherfolk borrowers (60%). However, borrowers had gained increased access to formal sources since 1996 to 1997. The number of farmer-fisherfolk who obtained loans from formal sources had decreased during the time period 1999 to 2000 compared to 2001 to 2002.

Source of Loan	Year		
	1996-97	1999-00	2001-02
Formal Institutions	24.0%	38.6%	34.4%
Informal Institutions	76.0%	61.3%	60.3%
Both (Formal & Informal)			5.3%

Friends and relatives were the most popular informal credit sources for both farmers and fisherfolk; cooperatives were the most preferred formal lenders, basically due to non-requirement of collateral.

Preferred Lender	Farmers (%)	Fisherfolk (%)
<b>Formal Source</b>		
Cooperatives	28	20
Local government units	25	
Rural banks	19	24
<b>Informal Source</b>		
Friends and relatives	42	38
Traders and wholesalers	21	
Professional moneylenders and input suppliers/dealers		18

### Preference for a Creditor

Borrowers chose a particular lender more on loan access factors (72%) such as fast loan release or immediate availability of loan, and non requirement of collateral, than on loan terms and conditions (24%) such as interest rate.

Factors Considered in Choosing a Lender	Farmers (%)	Fisherfolk (%)	All (%)
<b>Loan Accessibility</b>			
Collateral not required	28.0	26.4	27.4
No/lesser documents	7.3	6.6	7.1
Immediate loan release	31.1	36.3	33.1
Loan availability upon need	2.4	3.8	3.0
Proximity from residence			
Loan source of credit in the area	1.0	1.1	1.1
<b>Loan Terms and Conditions</b>			
Higher loan amount	0.7	1.1	0.9
No interest/lower rates	14.7	8.2	12.2
Longer/no maturity	1.4	0.5	1.1
Flexible, according to borrowers' needs	8.4	9.3	8.8
Lender has better terms for marketing needs	0.7	1.1	0.9
<b>Other Needs</b> (i.e., unconditional assistance, membership in coop/organization, good coop policies, lack of information such as credit source)	<b>4.2</b>	<b>5.5</b>	<b>4.7</b>

### Loan Use

Farmers and fisherfolk borrowed mainly for production purposes, using portions of their loans for other purposes (non-farm business and personal needs).

Loan Use	% of Total Borrowers
Agricultural production	69.27
Non-agricultural purposes	54.79
▪ Non-farm business	9.59
▪ Personal needs	45.21

However, growth of borrowing for personal purposes over the periods 1997-1998, 1999-2000, and 2001-2002 had been five times faster than that for agricultural production.

Loan Use	Share of Total Borrowers (%)			Average Growth in Shares (%)
	1997-98	1999-00	2001-02	
Agricultural Production	70.0	60.7	69.3	4.16
Non-agricultural purposes				
▪ Non-farm business		7.4	9.6	No computation
▪ Personal needs		38.6	45.2	22.86

No computation: Lack of data does not allow a parallel comparison

The increasing incidence of borrowing for personal needs means that:

- There is a continuous inadequacy of incomes based on small-sized farming and fishing to cover even basic household expenditure items.
- Since income from farming and fishing activities is unstable, farmer and fisherfolk-households need additional income from non-farm/fishing sources to enable them to smoothen their cash flow and consumption.

#### Amount Loaned

Most farmers and fisherfolk availed only of small amounts of loans: 64% borrowed amounts between Php1,000 – Php10,000 per year; 16% borrowed amounts of Php30,000 and up.

Loan Amount (Php)	% of Borrowers		
	Farmers	Fisherfolk	All
1,000	7.1	11.5	8.8
1,000 – 5,000	32.8	36.0	34.1
5,001 – 10,000	20.6	22.0	21.1
10,001 – 15,000	7.4	9.0	8.0
15,001 – 20,000	8.7	4.0	6.8
20,001 – 25,000	2.9	1.0	2.2
25,001 – 30,000	4.2	1.5	3.1
Above 30,000	16.4	15.0	15.9

Loans borrowed by farmers and fisherfolk averaged about Php16,700 per transaction (Php25,800 per annum), which was almost a 40% increase compared to the result of the 1999 – 2000 survey (Php12,000). The average borrowed amount captured by formal lenders hardly differed from that of informal lenders.

Category	Overall Average Amount per Borrower (Php)	
	Per Transaction	Per Annum
<b>All Borrowers</b>	16,717	25,772
<b>Source of Loan</b>		
▪ Formal	16,990	26,193
- Farmer	15,198	22,369
- Fisherfolk	19,061	31,079
▪ Informal	16,800	25,900
- Farmer	14,227	20,939
- Fisherfolk	21,603	35,222

By specific source, private commercial banks provided the highest average amount of loan at Php69,562. Loans from rural banks and cooperatives (i.e., the most popular loan sources) averaged Php21,600 per borrower and Php12,000 per borrower, respectively.

For informal sources of loan, input suppliers/dealer extended the highest average amount at Php54,500 per borrower, followed by loans from traders/wholesalers at Php17,000 per borrower, and from friends and relatives (i.e., the most popular informal loan sources) at Php13,000 per borrower.

Financing Source	Number of Borrowers	Annual Amounts Borrowed (Php)			
		Average	Maximum	Minimum	Std. Dev.
<b>Formal Institutions</b>	<b>304</b>	<b>16,990</b>	<b>500,000</b>	<b>1,000</b>	<b>29,175</b>
Banks					
▪ Rural Banks	74	21,649	200,000	2,500	33,825
▪ Private Commercial Banks	24	69,562	500,000	2,500	165,727
Cooperatives	72	12,066	150,000	1,000	19,287
Pawnshops	0	0	0	0	0
Lending Investors	27	9,704	100,000	1,000	15,888
Government					
▪ Land Bank of the Philippines	8	14,875	40,000	3,500	12,004
▪ Development Bank of the Philippines	1	10,000	10,000	10,000	0
▪ GSIS/SSS	5	24,800	70,000	6,000	24,419
Government Projects					
▪ LGU Projects	41	4,220	10,000	1,000	1,722
▪ National/Foreign Assisted Projects	7	3,993	5,000	1,250	1,384
Other Formal Sources	45	6,859	35,000	1,000	6,057
<b>Informal Institutions</b>	<b>515</b>	<b>16,800</b>	<b>500,000</b>	<b>1,000</b>	<b>27,004</b>
Paluwagan	3	1,833	3,500	1,000	1,443
Traders/Wholesalers	87	17,050	94,000	1,000	17,543
Retailers	11	17,497	90,000	3,000	22,127
Millers/Processors	14	12,786	70,000	1,000	15,875
Landowners/Employers	22	2,698	10,000	1,000	2,018
Input Suppliers/Dealers	59	54,400	500,000	1,000	73,685
Professional Moneylenders	78	5,526	40,000	1,000	7,519
Friends/Relatives	200	12,978	202,500	1,000	26,532
Other Informal Sources	41	12,097	310,000	1,000	39,659
<b>Overall</b>	<b>819</b>	<b>16,717</b>	<b>500,000</b>	<b>1,000</b>	<b>27,810</b>

The GSIS/SSS provided the highest average loans for farmers (Php34,000) but only three borrowers were able to avail of their loans. Rural banks provided the second highest average loans for farmers (Php27,069) and the second most popular source of loan, after cooperatives.

Friends/relatives were the most popular sources of loans by farmers followed by traders/wholesalers and professional moneylenders. Input suppliers/dealers extended the highest amount of loan to farmers (Php27,630) followed by millers/processors (Php22,400).

Private commercial banks and rural banks were the biggest lenders to fisherfolk, extending average loans of Php85,605 and Php16,513, respectively. Rural banks were also the most popular source of loan while commercial banks were the third most popular lender. Other sources were the second most popular lenders to fisherfolk.

Friends/relatives are the most popular sources of loans by farmers followed by professional moneylenders and input suppliers/dealers. Input suppliers/traders extended the highest average amount of loan to fisherfolk (Php74,085) followed by retailers (Php31,500) and traders/wholesalers (Php18,357).

Interest Rate of Loans Availed

Informal lenders' average interest rate was 39% per annum while formal lenders lent at an average of 18% per annum.

Category	Average Interest Rate per Borrower (per transaction) (in % per annum)	
	Average	Std. Dev.
<b>All Borrowers</b>	29.46	
<b>Source of Loan</b>		
▪ Formal	17.88	12.65
▪ Informal	38.86	27.37

Loan Repayment

Twelve percent of farmers and 3% of fisherfolk had loans which were past due. On an aggregate level, the past due rate was 8%

Respondent Type	Past Due Incidence (%)
Farmers	12.0
Fisherfolk	3.0
Farmers and Fisherfolk	8.4

A comparison with the 1999 – 2000 survey results indicates a 62% decline in the aggregate share of borrowers with past due loans.

Survey Period	Percentage of Total Borrowers (%)
1999 - 2000	21.0
2001 - 2002	8.4

Reasons cited for past due accounts were natural calamities and poor market prices for produce.

Perception of Borrowers on their Access to Loans in their Community

Perceptions on Credit Access	1999 - 2000			2001 - 2002		
	Percentage of Total					
	Borrower	Non-Borrower	All	Borrower	Non-Borrower	All
<b>Farmer</b>						
Became easier				24.76	20.00	23.47
Stayed the same				33.12	29.57	32.16
Became more difficult				42.12	49.57	44.13
<b>Fisherfolk</b>						
Became easier				26.00	16.67	21.74
Stayed the same				28.50	32.14	30.16
Became more difficult				45.50	48.21	46.74
<b>Farmer &amp; Fisherfolk</b>						
Became easier	38.01	17.42	30.00	25.24	18.02	22.67
Stayed the same	22.56	23.03	23.00	31.31	31.10	31.23
Became more difficult	39.43	59.55	47.00	43.44	48.76	45.34

Most of the respondents, both farmers and fisherfolk, indicated that access to credit had become more difficult. They also viewed that obtaining loans from banks remained difficult, and that government support on credit was inadequate.

**CONCLUSIONS:**

- Incidence of borrowing among small farmers and fisherfolk has been increasing. (47 percent in 1997-1998 to 60 percent in 2000-2001)
- More rural households are beginning to have access to formal lending institutions. (24 percent have access in 1997-1998 compared to 40 percent in 2000-2001).
- Most formal borrowers get their loans from cooperatives because of the absence of collateral requirements. Rural banks and programs of LGUs are increasingly becoming popular sources of loans.
- 60% of rural farming and fishing households still borrow from informal creditors because of easier access (fast loan release). Access considerations are given more weight by borrowers than terms and conditions in deciding where to borrow.
- Farmers and fisherfolk perceived that access to credit has become more difficult over the years. The major reason cited is dwindling government support.