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Accessibility of Agricultural Credit and Its Perceived Effects Among the High-Value Crop Farmers of Atok, Benguet, Philippines

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Abstract

Credit plays a vital role in the agriculture sector by providing the financial needs of farmers. The accessibility of credit is a crucial element in agricultural production, however, farmers often face difficulties along this line. Hence, this research aimed to examine the accessibility of agricultural credit among high-value crop farmers taking the case of farmers of Atok, Benguet. The study employed a cross-sectional descriptive research design involving 10% of the population. Findings revealed that respondents interviewed were mostly married females aged 40-59, high school graduates, and landowners with farm sizes less than one hectare producing mainly cabbage and potato. Findings revealed that cooperatives were the primary source of formal credit while relatives served as informal sources. The major constraints when accessing formal credit are limited sources of agricultural credit, high interest rates, and lack of collateral while limited availability of funds, insufficient loan amounts, and short loan durations were the constraints when availing informal credit. Low agricultural income, limited income sources, and crop failure are the common problems associated with credit repayments. Further, farmers perceived an increase in agricultural production and productivity when accessing credit but faced challenges due to existing credits and penalty charges.

Introduction

Agriculture stands as the foundation of the Philippine economy, serving as a constant contributor to the country's gross domestic product (GDP). Particularly in northern regions, agriculture plays a major role in sustaining livelihoods. Access to finance, mainly agricultural credit, is a critical element in agricultural production which provides vital support for farmers. Credit accessibility boosts the productivity of crops and animals used as food for human consumption (Akmal et al., 2012).

The purpose of this study is to gather more in-depth information from high-value crop farmers in Atok, Benguet, about the accessibility of agricultural loans at the local level. Since agriculture is the main source of income of people, evaluating the availability of agricultural financing is essential to understanding the difficulties and limitations that local farmers encounter. This study aims to determine if agricultural credit is restricted and investigate the particular difficulties that farmers face in obtaining credit through direct interactions with farmers. The study's findings provide insightful information that will help stakeholders, financial institutions, and the government create focused interventions and policies that will solve the issues raised and promote the region's sustainable agricultural growth.

Credit market in the Philippines is comprised by formal and informal institutions. Formal credit institutions provide an intermediary between depositors which is the government and the lenders. On the other side, informal credit is lent by private individuals- professional moneylenders, traders, commission agents, property owners, friends, and relatives (Mohieldin & Wright, 2000). In BSP's 2021 Financial Inclusion Survey Report, borrowing from family and friends and informal lenders slightly increased in 2021, with 47% and 14% of Filipinos respectively. Formal credit sources varied regionally, with Microfinance Institutions dominating Luzon and Visayas, cooperatives in Mindanao, and government institutions in the National Capital Region (NCR).

Several factors hinder farmers' access to credit for financing agricultural activities. Poor harvests and delays in loan approval are significant constraints. Additionally, studies by Bathan and Gordoncillo (2017) reveal that farmers face obstacles due to a lack of collateral requirements and inadequate loan amounts compared to their capital needs. Poliquit (2006) highlights that even with collateral, farmers struggle to obtain credit due to extensive requirements. Moreover, the tedious and time-consuming application process further limits access to credit (Tolentino, 1988). In Atok, Benguet, farmers are particularly disadvantaged in accessing credit services due to insufficient information and collateral requirements (M. Tanacio, personal communication, February 2022). Farmers cannot access formal credit due to limited or non-availability of credit services. Transaction costs are also higher for formal credit sources compared to informal sources (Singh et al., 2009).

Farmers also face difficulties in repaying loans. Subramanian and Sunil (2017) summarize various challenges, including crop failures, monsoon failures, and expectations of loan waivers by the government. Additionally, lower yields, increased cultivation costs, and decreased market values of harvested produce exacerbate repayment issues. Unpredictable crises, such as illness or death in the family, may disrupt borrowers' ability to repay loans (Norell, 2015). Furthermore, the misappropriation of agricultural credit poses a significant challenge for some farmers, compounding their repayment burdens (Yehuala, 2008). These repayment challenges highlight the multifaceted nature of obstacles faced by farmers in managing agricultural credit and sustaining their livelihoods.

Lastly, production efficiency is the goal of every farmer during their production season. A study conducted in Nigeria found that the Agricultural Credit Scheme Fund and government allocation have a significant positive impact on agricultural productivity (Obilor, 2013). Similarly, Bolarinwa and Fakoya (2011) stated that agricultural credit is positively correlated with farm production, resulting in beneficiaries recording higher mean incomes compared to non-beneficiaries. There is a positive and significant correlation between the performance of farm production operations and securing credit for crop production levels, adoption of new technologies, and proper processing, storage, and utilization.

This study examines the accessibility of agricultural credit and its perceived effects among high-value crop farmers in Topdac, Atok, Benguet. It highlights the limitations and constraints farmers face in accessing agricultural credit, emphasizing the need for policies and interventions to increase access to credit and promote responsible credit evaluation and management. The findings can inform initiatives to strengthen cooperative systems, diversify credit options, and address repayment challenges, ultimately supporting sustainable agricultural development and rural economic growth.

Access to finance is a critical element in agricultural production, enabling the growth of the agriculture sector. However, small-scale farmers face difficulties in accessing credit, as existing studies have highlighted the inadequate support provided by commercial banks and microfinance institutions to agricultural small-micro enterprises along the agricultural value chains. Furthermore, the lack of tailored lending guidelines for specific target groups exacerbates the challenges faced by small-scale farmers in accessing finance for their agricultural activities.

This study aimed to address these issues and contribute to the existing body of knowledge by providing insights into the diverse and available sources of agricultural credit. The specific objectives of the study were to: 1) determine the existing sources and the purpose of availing agricultural credit; 2) identify the constraints in availing agricultural credit; 3) investigate the problems encountered when repaying agricultural credit; and 4) assess the perceived effects of accessing agricultural credit on high-value crop farmers.

The findings of this research will have practical implications for policymakers, financial institutions, and stakeholders involved in agricultural finance, as this can facilitate decision-making processes and spur the development of tailored strategies to enhance access to agricultural credit.

Methodology

The conceptual framework guiding the study encompasses five key variables: socio-demographic profile, sources, purposes, constraints, and effects. The socio-demographic profile represents the characteristics of the farmers, including gender, age, marital status, education level, and farm profile. The sources variable encompasses the different channels through which farmers can access agricultural credit, such as commercial banks, microfinance institutions, government programs, and informal lenders. The purposes variable pertains to the specific reasons or objectives for which farmers seek agricultural credit, such as investment in farm inputs, working capital, or expansion of farming activities. The constraints variable highlights the limitations faced by farmers when availing agricultural credit, including issues like lack of collateral, high-interest rates, complex application procedures, or limited financial literacy. Lastly, the effects variable examines the perceived impacts of accessing agricultural credit on high-value crop farmers, such as an increase in agricultural production, improved farm inputs, income generation, or other potential effects. By analyzing these variables, the study aims to provide insights into the relationships and dynamics surrounding the accessibility and perceived effects of agricultural credit on farmers.

Descriptive research design is employed in this study, facilitating the description and analysis of variables related to agricultural credit, including its purpose, repayment issues, and perceived effects.

The respondents of the of the study were 96 farmers sampled availing of agricultural credit using convenience sampling.

Socio-Demographic and Farm Profiles of the Respondents

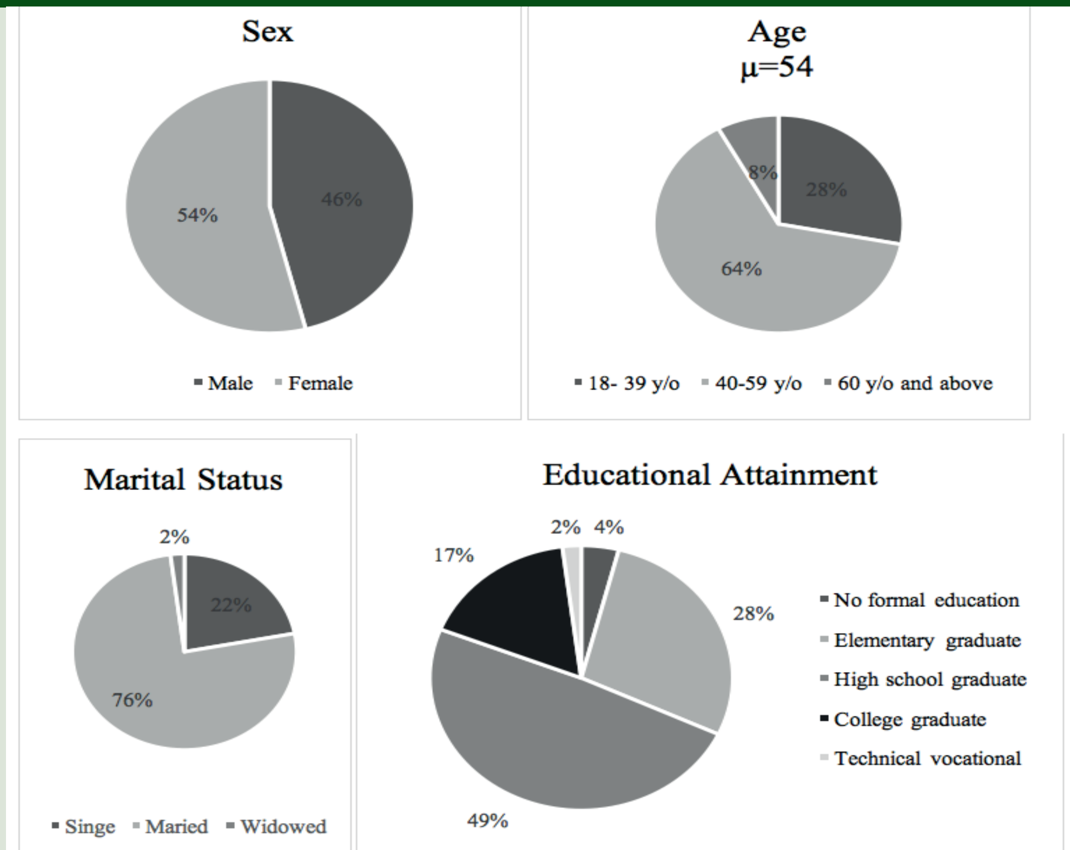
The study presents the socio-demographic characteristics and farm profiles of the high-value crop farmers availing agricultural credit. In terms of age, majority (64%) fall within the 40 to 59-year-old range, with an average age of 54 years, reflecting the typical age range of Filipino farmers. Gender-wise, 54% of respondents availing credit are female, showcasing the significant role of women in agriculture. Regarding marital status, 76% are married, indicating the potential influence of social networks on credit access (Figure 1). In terms of education, 49% have completed high school, underscoring the importance of accessible financial information tailored to varying educational backgrounds.

The respondents possess diverse farming experiences, with 43% engaged in farming for over 20 years, indicating accumulated expertise (Table 1). Notably, it reveals that a considerable proportion of respondents have a substantial history of credit utilization, with 50% having availed credit for more than 20 years and 22% for 11 to 20 years, averaging at 23 years. Nearly all respondents (97%) are registered with the Registry System for the Basic Sectors in Agriculture (RSBSA), a government mechanism aiding agricultural assistance and eligibility for loan programs. Farm sizes vary, with 56% owning farms ranging from 1/2 to 1 hectare. Most respondents (83%) are landowners, influencing their credit access. Cabbage (88%) and potato (91%) are the most produced crops. The average capital requirement per cropping season is Php32,225.00. Additionally, 86% of respondents secure credit before the cropping season, highlighting the importance of pre-season financial preparation.

Before the data collection, barangay authorities and respondents were informed about the study's objectives and procedures through written letters. Their consent was emphasized to be obtained, and they were informed that any information provided would be solely for research purposes, with confidentiality and ethical

Figure 1

Socio-Demographic and Farm Profiles of the Respondents (n=96)



standards maintained throughout the process. Data collection involved the administration of survey questionnaires to the participants. The survey questionnaires consisted of various sections, including socio-demographic data, sources and constraints of acquiring agricultural credit, the purpose of agricultural credit, and problems faced by the respondents in repaying agricultural credit. These questionnaires served as the primary tool for data collection, allowing for a combination of structured and standardized responses as well as open-ended responses.

In addition to survey questionnaires, observations were also employed to support the data gathered. Observations provided researchers with valuable insights into the participants' behaviors, interactions, and contextual factors related to agricultural credit. The combination of survey questionnaires and observations enhanced the comprehensiveness and validity of the data collected.

Data analysis was conducted using descriptive statistics to illustrate the results obtained from the survey questionnaires. The analysis involved the construction of charts of means, percentages, and measures of dispersion such as frequencies for categorical data. Additionally, secondary data analysis was performed by relating to academic studies and cooperative records related to agricultural credit accessibility. The study utilized cross-sectional data analysis to examine the dataset comprehensively.

The study was conducted from December 2022 to March 2023. The sample size for the study was selected from the total number of high-value crop farmers in Topdac, Atok, Benguet, in the northern part of the Philippines. Ninety-six (96) respondents were selected for our survey out of 955 farmers (Office of the Municipal Agriculturist; October 2022) in the barangay. Convenience sampling, a non-probability sampling, was used to select the survey participants who were farmers availing of agricultural credit.

Table 1

Farming Profile of Respondents

ITEM	F (N=96)	%
Number of Years in Farming		
Less than 5 years	8	8
6-10 Years	16	17
11-20 Years	31	32
More than 20 Years	41	43
MEAN	21 Years	
Number of years of availing agricultural credit		
Less than 5 years	9	09
6 to 10 years	18	19
11 to 20 years	21	22
More than 20 years	48	50
MEAN (years)	23	
RSBA Registration		
Registered	93	97
Not Registered	3	3
Farm Size		
Less than 1/2 hectare	40	42
1/2 to 1 hectare	54	56
More than 1 hectare	2	2
MEAN	0.602 hectare	
Farm Tenurial Status		
Owner	80	83
Share Tenant	4	4
Lease Holder	12	13
Crops Produced*		
Potato	87	91
Cabbage	84	88
Carrot	79	82
Chinese Cabbage	79	82
Radish	72	75
Beans	42	44
Lettuce	41	43
Tomato	35	36
Broccoli	24	25
Cauliflower	21	22
Cutflower	15	16
Coffee	13	14

Table 1 ***Continuation...***

ITEM	F (N=96)	%
Capital Requirements		
Less than 25,000	30	31
26,000 to 50,000	52	54
More than 50,000	14	15
MEAN	Php 32,225.00	
Timing of Availing Credit		
Before cropping season	83	86
During the cropping season	13	14

**Multiple responses*

Results and Discussion

Sources and Utilization of Agricultural Credit

The sources which farmers may acquire credit is either from formal or informal financial institution. The findings show that cooperatives are the most common source of credit, accounting for 75% of the responses (Table 2). These finding is consistent with prior studies, which also identified cooperatives as a crucial source of credit for small-scale farmers and fisherfolk (Bathan & Gordoncillo, 2017; Ijioma & Osundo, 2015). The high percentage of cooperative utilization can be attributed to their lower interest rates, longer repayment periods, and flexible collateral requirements compared to

Table 2

Available Sources of Agricultural Credit

ITEM	%
Formal Sources*	
Cooperatives	75
Micro-financial Institutions	6
Informal Sources*	
Family	27
Friends	6
Relatives	51
Money Lenders	13
Supplier	14

**Multiple responses*

other formal financial institutions (Chowdhury & Garcia, 1993). The study also revealed that farmers maintain membership in multiple cooperatives, suggesting that cooperatives serve as their primary source of formal credit. Meanwhile, according to Bathan and Gordoncillo (2017), cooperatives serve as the primary source of credit for farmers, while micro-financing institutions aimed at providing credit to low-income households face challenges in reaching farmers and fisherfolk due to their sparse presence in rural areas. This study's findings align with this observation, as only 6% of respondents currently accessing credit from micro-financing institutions reported having to travel to La Trinidad and Baguio City, where these institutions are predominantly located.

Informal sources of credit, including family members, relatives, and money lenders, significantly contribute to farmers' access to credit, comprising 27%, 51%, and 13% of responses, respectively. These align with Tolentino's (2021) observation that informal lenders have historically been primary providers of agricultural credit in the Philippines. The study underscores the accessibility and enforceability of informal credit, facilitated by strong social relations between borrowers and lenders.

Among the informal sources, suppliers play a minor role in providing credit to farmers, accounting for only 14% of responses. They extend credit through trade credit, allowing farmers to acquire inputs and defer payment until after the harvest. However, this credit type typically carries higher interest rates and shorter repayment periods compared to other sources (Chisasa & Makina, 2012).

Overall, the study highlights farmers' reliance on both formal and informal credit sources. The breakdown highlights that cooperative are the primary access point among formal financial institutions, while emphasizing the complementary importance of informal sources and suppliers in supporting the agricultural sector.

The credit terms and conditions for each identified source are outlined, detailing factors such as minimum and maximum loan amounts, interest rates, collateral requirements, and payment terms (Table 3). Cooperatives typically offer loans with a minimum of Php10,000 and a maximum of Php 300,000, accompanied by interest rates averaging 18% per year. Collateral requirements include land titles, tax declarations, and savings, with additional service and insurance fees. ASA Philippines, however, extends loans ranging from Php10,000 to Php20,000 for new borrowers and up to Php120,000 for old borrowers, with a fixed interest rate of 15% per year and no explicit collateral requirement. The credit facility operates under a peer-guarantee system, with a loan duration of 6 months and weekly payments. Informal sources, on the other hand, provide loans ranging from Php1,000 to Php50,000, with interest rates varying from 3% to 20% per year. Collateral requirements are often unspecified, leading to potential difficulties for borrowers, while payment terms typically involve lump-sum repayments within short durations of 4 to 6 months. Comparatively, each source offers distinct terms and conditions, with cooperatives emphasizing collateral, ASA Philippines prioritizing community support, and informal sources presenting varying interest rates and payment structures.

Farmers have various reasons for selecting sources of agricultural credit (Table 4). The most prevalent reason of the farmers for selecting formal sources, specifically cooperatives, was to support the cooperative's services. The second most common reason is the lack of alternatives in the area. These implies an absence of diverse credit options for farmers, highlighting a need for increased availability and accessibility of formal credit sources. Fast processing of services was cited as the third common reason (33%), emphasizing the importance of speed and efficiency in accessing credit. Meanwhile, the approachability of credit officers was the fourth most common reason, with 11 respondents selecting this option. Lastly, insurance benefits for loans were the least common reason.

These findings agree with previous research conducted by Ijioma and Osundo (2015), indicating that membership in cooperative societies positively influences farmers' access to agricultural credit. These underscores the preference of farmers for cooperative organizations, which not only provide credit but also offer additional services and benefits. Thus, the findings emphasize the significance of a cooperative's comprehensive support system in meeting the diverse needs of farmers. Thus, the preference for formal sources of credit

Table 3

Terms and Conditions of Agricultural Loan Available to Farmers

TERMS AND CONDITIONS	COOPERATIVES	MICRO-FINANCING INSTITUTIONS	INFORMAL SOURCES
Minimum	Php 10,000	Php 10,000	Php 1,000
Ceiling Amount	Php 300,000	Php 20,000 (for new borrower) Php 120,000 (for old borrower)	Php 50,000
Interest Rate	18% per year (ranging from 14% to 24%	15% per year	3% to 20% per year
Collateral	Land title, Tax declaration, Savings	None	Unspecified
Type of payment	Lump sum	Weekly	Lump sum, Installment
Duration	6 months	6 months	4 to 6 months (subject to change)
Service Fee	3% of prinicpal amount	-	-
Insurance Fee	0.30% (varies with insurance company)	-	-
Other Requirements	-	*Exclusive for women borrowers *Comaker and surety maker	-

Table 4

Reasons for Selecting Their Source of Credit of Respondents

ITEM	F (N=96)	RANK
Formal Sources*		
In support of the cooperative	85	1
There are no other choices	75	2
Fast Processing of Service	32	3
Credit officer/ other staffs are approachable	11	4
Insurance benefits for loans	8	5
Informal Sources*		
There is no need for collateral	42	1
Minimal requirements	19	2
Interest rate is affordable	14	3.5
Co-makers are not required	14	3.5

*Multiple responses

can be attributed to the limited availability of alternatives in the area, as observed by Mohieldin and Wright (2000).

Conversely, the most common reason for selecting an informal source of credit was the absence of collateral requirements (44%), followed by minimal requirements (20%), absence of co-makers (15%), and affordable interest rates (15%). These agree with the literature which states that collateral is rarely used in the informal sector, which enables it to have flexible terms and satisfy credit needs not met by formal financial institutions (Llanto, 1993). Some respondents cited affordable interest rates as a reason for selecting informal sources of credit, aligning with findings of Yehuala et al. (2008), who highlight the ease of access to borrower information by informal lenders with whom they share social relations.

All respondents reported using agricultural credit for the purchase of farm inputs, highlighting the necessity of financing for essential agricultural activities (Table 5). Additionally, 50% of the farmers used credit to acquire farm equipment, emphasizing the need for financing to obtain costly equipment that can increase productivity. Agricultural credit was also utilized for household needs and labor costs by 47% and 44% of respondents respectively, indicating that it supports the living expenses of farmers and hiring of additional labor. Many (41%) of the respondents used credit for loan repayment, showing its usefulness for debt management. Educational expenses were reported by 28% of respondents, suggesting that some farmers utilize their credit for the education of their children. Other reported uses of agricultural credit, such as agricultural land rent, personal needs, and capital for other businesses, were less common with less than 10% of respondents.

Particularly concerning is the practice of using acquired credit to repay existing loans, which is indicative of poor debt management practices. In financial management, relying on loans to repay existing debts can worsen financial strain and increase dependency on credit, leading to a cycle of debt accumulation. This misappropriation not only undermines the intended purpose of agricultural credit but also endangers the financial stability and long-term viability of farming operations.

Overall, the results expose that agricultural credit mainly plays a crucial role in supporting the agricultural activities and financial well-being of the farmers.

Table 5

Uses of Agricultural Credit Availed by the Farmers

ITEM	F (N=96)	%
Farm Activities		
Purchase of farm inputs	96	100
Acquisition of farm implements or equipment	48	50
Labor costs (e.g., hiring farm workers)	42	44
Agricultural land rent	11	11
Purchase of land or animal	2	2
Construction of farm insfrastructures	2	2
Non-Farm Activities*		
Household needs	45	47
Loan repayment	39	41
Educational Expenses	27	28
Personal Needs	11	11
Capital for other business	9	9
Purchase of land or animal	2	2
Construction of farm infrastuctures	2	2
Hospital and medical expenses	2	2

**Multiple responses*

Constraints in Availing Agricultural Credit

Farmers encounter various challenges when accessing agricultural credit, which are labeled in Table 6. The formal sources of credit include banks, cooperatives, and other financial institutions, while the informal sources of credit include family, friends, and other non-institutional lenders.

The primary constraint faced by farmers in accessing credit from formal sources is the limited source of agricultural credit (52%), followed by high- interest rates, which were mentioned by 44 respondents (46%). This term does not imply a complete absence of credit sources, but rather indicates that such sources are scarce or not readily available to small farmers. It suggests that while there may be some sources of agricultural credit, they are not easily accessible or readily available to the target population. This could be due to various factors such as geographical limitations, stringent eligibility criteria, or limited outreach efforts by financial institutions. The lack of collateral was also a major constraint, ranking 3rd which was mentioned by 39 respondents (41%). This suggests that the strict requirements imposed by and the limited number of formal financial institutions make it difficult for farmers to access credit.

Many respondents faced constraints when accessing agricultural credit. Lack of requirements and time-consuming application processes were significant issues, experienced by 33% and 26% of respondents, respectively. Other challenges included the inaccessible location of financial institutions (6%), lack of information on available credit programs (6%), uncertainty about loan repayment (4%), medical expenses (4%), farm infrastructure construction (2%), lack of knowledge in the application process, and application disapproval.

Table 6

Constraints in Availing Agricultural Credit

PARTICULAR	ITEM	F	RANK
Formal Sources	Limited source of agricultural credit	50	1
	High-interests rates	44	2
	Lack of collateral	39	2
	Lack of requirements (e.g., valid identification, membership)	32	4
	Time-consuming and tedious application	25	5
	Far location of financial institution	6	6.5
	No information on available agricultural credit programs	6	6.5
	Uncertain about repaying the loan	4	8.5
	Hospital and medical expenses	4	8.5
	Construction of farm infrastructures	2	10
Informal Sources	Limited availability of funds	52	1
	Limited loan amount and duration	37	2
	Reluctance of family and friends to lend money	16	3
	Limited legal protections between the lender and creditor	4	4

**Multiple responses*

Conversely, farmers encountered obstacles in accessing informal credit, with 54% citing limited fund availability of the lending institution as the most significant constraint. This was followed by limitations in loan amount and duration (39%), reluctance of family and friends to lend money (17%), and limited legal protections (4%).

These findings align with previous studies. Ijioma and Osundu (2015) identified high interest rates and lack of collateral as major barriers, while Akpan (2013) highlighted the impact of factors such as age, gender, literacy level, and organizational membership on credit access. Similarly, Etonihu et al. (2013) noted poor harvest and delays in loan approval or disbursement as additional challenges in accessing agricultural credit. These findings support the earlier statements that farmers face uncertainty about repaying the loan, as well as constraints due to hospital and medical expenses. Moreover, the study by Poliquit (2006) found that farmers often fail to obtain credit even when they have collateral because of the tedious and time-consuming application process. This is consistent with the result that the time-consuming and tedious application process is a significant barrier to accessing formal credit.

The challenges in accessing agricultural credit reduce farm productivity, potentially leading to a decrease in overall agricultural output (Dong et al., 2010). The findings highlight the need for policies and interventions that can increase access to credit among farmers, particularly farmers who face more significant constraints in accessing credit. Possible solutions could include the promotion of agricultural finance programs that provide more favorable loan terms, such as lower interest rates and longer repayment periods, as well as financial education and training.

Problems in the Repayment of Agricultural Credit

Examining the challenges faced by respondents in meeting their agricultural credit obligations reveals a range of difficulties to repayment efforts. The top three problems identified are low agricultural income due to low market prices and low production yield (91%), limited source of income (83%), and crop failure due to disasters (70%) like typhoons, flash floods, drought and other natural disasters (Table 7). These findings align with existing literature that highlights the impact of unpredictable factors, such as crop failure and limited income, on loan repayment in the agricultural sector (Subramanian et al., 2017). Additionally, loan diversion to other purposes like other businesses or bills was reported as a significant issue in repayment among the respondents (57%), which corresponds with the issue of misappropriation of credit discussed in previous studies (Ijioma & Osundo, 2015).

These results imply that farmers face multiple challenges in repaying their agricultural credit, including external factors like market conditions and natural disasters, as well as internal factors like the diversion of funds for non-agricultural purposes. Such challenges can hinder the ability of farmers to meet their repayment obligations and may result in financial difficulties.

Perceived Effects of Accessing Agricultural Credit

Exploring the perceived impacts of agricultural credit utilization among farmers, Table 8 presents a comprehensive overview of the duration of credit availed alongside its various effects.

The majority (65%) of farmers stated that they experienced increased agricultural production and productivity due to agricultural credit. Additionally, 44% of respondents were able to purchase farm tools and equipment, while 35% experienced an increased debt load due to existing credits and penalty charges. Furthermore, 17% of farmers reported that they started a new business aside from agriculture or improved their income and living standards, while 9% reported increased employment opportunities due to increased production. None of the farmers reported that they experienced foreclosure of business or the seizure of their property or any collateral due to non-payment of credit.

Table 7

Problem Encountered in the Repayment of Agricultural Credit

ITEM	F (N=96)	%	RANK
Low agricultural income due to low market prices and low production yield	87	91	1
Limited non-farm source of income	80	83	2
Crop failure due to disasters like typhoons, flash floods, drought, and the like	67	70	3
Loan diversion to other purposes like other businesses or bills	55	57	4
No cash available due to lack of savings and unforeseen circumstances like death or sickness in family	12	3	5
Increasing interest rates and penalty rates	4	4	6

*Multiple responses

Table 8

Perceived Effects of Accessing Agricultural Credit

ITEM	F (N=96)
Increasing agricultural production and productivity	62
Purchased farm tools and equipment like a knapsack sprayer, grasscutter, etc.	42
Increased debt loads due to existing credits and penalty charges	34
Improved income and living standards	16
Start up a new business aside form agriculture	16
Increased employment opportunities due to increased production	9
Purchased an additional parcel of agricultural land	4
Paying credits and other bills on time	4

*Multiple responses

The presented results align with previous literature on the positive impacts of agricultural credit on agricultural production and productivity. Specifically, the majority of farmers in the study reported increased agricultural production and productivity due to agricultural credit, consistent with the findings of Obilor (2013) and Bolarinwa and Fakoya (2011). Furthermore, the study found that a significant percentage of farmers utilized agricultural credit to purchase farm tools and equipment, consistent with the positive correlation between securing credit and the adoption of new technologies reported by Fakayode et al. (2009) and Oladeebo and Oladeboo (2008).

Additionally, the study found that a small percentage of farmers used agricultural credit to start a new business or improve their income and living standards, consistent with the positive impacts of credit on capital formation and marketing efficiency reported by Nwaru et al. (2006) and Aladejebi et al. (2018).

Moreover, it is important for farmers to be responsible and disciplined in using their agricultural credit for its intended purpose, as misappropriation of loans was reported as a problem by some farmers, leading to an increased debt load and penalty charges. These highlights the need for credit facilities to not only evaluate the borrower's ability to repay the loan but also provide guidance and support to ensure that credit is used effectively. Effective credit management requires farmers to have financial literacy and support to mitigate unfortunate events that may affect the repayment of their agricultural credits.

Overall, agricultural credit can play a vital role in improving the livelihoods of farmers and promoting agricultural growth, but its effective use and management are essential to ensure its positive impact on farmers.

Conclusions

Cooperatives emerged as the primary formal source of credit for farmers, given the absence of other formal credit sources within the barangay. The notable reliance on relatives for credit underscores the pressing need for expanded access to formal credit sources, indicating a restricted availability of agricultural credit primarily reliant on two sources for the majority of farmers.

The primary limitation in accessing agricultural credit in the area stems from the lack of alternatives of formal sources capable of providing adequate credit, as informal sources are limited in their available funds. Some farmers resort to traveling to neighboring municipalities where microfinance institutions operate to secure credit.

Furthermore, the study suggests that factors such as output and timing uncertainty, enterprise profitability, and credit misappropriation significantly influence loan repayment in the agricultural sector. Borrower attitudes and financial stability also factor into loan repayment.

Additionally, the research highlights the perceived positive impact of agricultural credit on farmers' production, productivity, and livelihoods. It underscores the importance of credit facilities extending credit responsibly, considering borrowers' repayment capacity to avert an escalation of debt burden due to existing credits and penalty charges.

Overall, agricultural credit appears accessible but beset with substantial limitations and constraints. The dearth of formal credit sources, coupled with high interest rates and collateral inadequacies, presents significant hurdles to credit access, while informal sources face constraints related to fund availability, loan amount, and duration. Despite these challenges, a noteworthy proportion of farmers have managed to access credit, attributing it to heightened agricultural production and productivity. Thus, while agricultural credit may not be readily accessible, it remains available albeit with considerable limitations and constraints.

Recommendations

The recommendations aim to address the diverse needs and aging population of predominantly female farmers engaged in high-value crop farming within the community. Specifically, it suggests tailoring support programs to their unique requirements and conducting information education campaigns on credit services and proper credit management.

Equally, there is a call to enhance accessibility to formal credit sources in the area to diminish reliance solely on cooperatives and relatives. This includes expanding financial options for farmers to ensure sufficient funding for their agricultural endeavors and minimizing the need for them to seek credit in distant municipalities.

Addressing factors affecting loan repayments, such as uncertainties in output, timing issues, profitability concerns, and misappropriation of credit, is also emphasized. The recommendation underscores the importance of providing training, financial literacy programs, and risk management tools to mitigate risks and promote financial stability among farmers.

Moreover, responsible lending practices in agricultural credit are advocated. This involves assessing borrowers' repayment capacity, providing credit responsibly, and offering continuous monitoring and support to prevent excessive debt and penalty charges for farmers. It is crucial for credit providers and policymakers to consider these factors and develop strategies to address them effectively.

Futher investigation is also recommended on the issue of misappropriation of agricultural loans for non-agricultural finances and its correlation with the negative effects perceived by the respondents. This underscores the need for continuous research and intervention to ensure the proper utilization of agricultural credit for its intended purposes.

Lastly, incorporating strategies to enhance farmers' income-generating opportunities, improving market conditions, and ensuring the proper use of credit is essential. Promoting financial literacy and providing guidance on effective credit management can empower farmers to make informed decisions and enhance their loan repayment capacity.

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