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**Working Paper**

## Study of Alternative Mechanisms for Rural Credit Delivery

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## Study of Alternative Mechanisms for Rural Credit Delivery

*Linda M. Peñalba et al.*

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FOR RURAL CREDIT DELIVERY

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The paper is part of the Dynamics of Rural Development (DRD)  
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## EXECUTIVE SUMMARY

1. This study aimed to: (a) identify possible alternative mechanisms of extending credit assistance to agrarian reform beneficiaries (ARBs); and (b) assess the effectiveness, viability, and sustainability of the alternative mechanisms for delivering credit assistance to ARBs. Effectiveness refers to the ability of a conduit to provide the necessary credit assistance to its target clientele when needed; viability measures the ability to continue its profitable operations within a given period of time, while sustainability refers to its ability to maintain and sustain a certain level of effectiveness and viability for a long period of time.
2. The effectiveness of a credit delivery mechanism was assessed based on the number of clientele served, size, type and use of loan granted, geographical distribution of borrowers, loan processing time, terms and conditions of loan, cost of processing, mode of release of loan, collection schemes and capability of staff.
3. Viability, on the other hand, was measured based on repayment rate, collection mechanisms, trend in number of borrowers, administrative/processing cost, net income, capital build-up and monitoring system adopted by the credit conduits.
4. Sustainability was assessed based on general lending and collection policies and, the mechanisms for savings mobilization and screening borrowers/credit investigation. Other factors considered were: management/staff capability, development plans/programs (expansion/diversification plans), and linkages with other financial institutions and development organizations.
5. The study covered 37 financial institutions and 370 borrowers from Regions 6 and 7. Two research methods were employed: survey and case study. The samples for the survey were chosen based on the design recommended by the Dynamics of Rural Development Program. The sample provinces were chosen based on the highest number of borrowers and credit conduits while the municipalities were chosen purposively based on the presence of at least two types of credit conduits and the peace and order condition. The borrower respondents



were chosen randomly based on the list of borrowers provided by the credit conduit. Considering the sampling scheme adopted, the findings of survey reflects only the general situation in Regions 6 and 7 and can not be generalized up to the national level.

6. The case studies cover credit institutions outside Regions 6 and 7. Subjected to the case study were new initiatives and mechanisms for delivering rural credit (i.e., special lending program of the Northern Mindanao Development Bank), lending investors, people's organization and non-government organization-managed lending program and the traditional money lenders.
7. A comparison of the LBP conduits showed that in terms of the number of clientele served, CRBs reported the highest followed by the RBs, then the coops. This could be related to the size of these institutions and the magnitude of their operations. Among these institutions, the CRBs are the biggest, while the coops are the smallest.
8. In terms of the number of ARBs served, the CRBs also rank first (with an average of 639 ARBs per CRB) followed by the coops (44 ARBs per coop). The rural banks, again, because of the nature of their lending operations, serve the least number of ARBs (11 ARBs per RB).
9. The average size of loan granted was biggest for RBs (₱27,226) and smallest for the coops. The small size of loans granted by the coops is understandable considering that most of the coops are new and their funding capability is lower. The average capitalization of the coops was ₱87,000.00 while that of the CRBs was ₱7 million and the RBs, ₱6 million. The difference in average loan size may also be related to the economic status of the respective borrowers. RB and CRB borrowers reported higher incomes and greater capability to pay compared to the coop borrowers and therefore, may have greater access to bigger loans.
10. The amount of agricultural loans granted by the CRBs and the coops for the period 1989 to 1992 increased considerably, while that of the RBs declined by about 33 percent. The proportion of agricultural loans to total loans granted by the CRBs dropped by 4 percent (from 72 to 68 percent), while that of the RBs increased by 4 percent (from 59 to 63 percent) and that of the coops increased by 57 percent (from 40 to 97 percent).

11. The increase in the proportion of agricultural to total loans granted by the RBs is contrary to other reports that agricultural loans, particularly those that use land as collateral, has declined significantly. While that observation may be true for the other parts of the country, data gathered in Regions 6 and 7 did not reflect the same condition.
12. The slight decline in the proportion of agricultural to total loans granted by the CRBs may be due to the significant increase in the lending operations of the coops. These two institutions more or less cater to the same clientele and the increasing importance of coops as conduit of rural credit may have diverted the attention of borrowers from CRBs to coops.
13. The significant increase in the amount of loans granted by the coops may be an effect of LBP's efforts to pour in more loan funds to the rural areas and the change in LBP policy direction from individual to coop/group lending. LBP's countryside lending program served as an incentive for the coops to develop their lending operations and serve as credit conduit for its members.
14. The CRBs have the most diversified loan portfolio while the coops have the most limited loan type. The type of loan provided by the CRBs vary from agricultural (crop/livestock) to commercial/industrial and consumption/salary loans. The coops, on the other hand, provide mostly agricultural loans.
15. Among the borrowers, majority obtained loans that were to be used for crop production. This finding may be affected by the choice of respondents for this study. Since the target respondents were small farmers and ARBs, it is natural to expect that the loans that they obtained were intended for use in agricultural production. Despite this, however, the actual use of loan was found to vary from agriculture (crop/livestock production) to consumption and business/commercial.
16. On the average, about 8 percent of the borrowers did not use their loans for the intended purpose. This implies that some of the borrowers diverted their loans to other uses. For example, about 96 percent of the respondents said that they obtained crop production loans while only 88 percent actually used their loan for crop production. The data, however, are not enough to relate the extent of loan diversion to the type of lending institution nor to establish the exact magnitude of loan diversion. For instance, about 17 and 12 percent of the CRB and RB borrowers,

respectively, who obtained loans for crop production did not use the loan for the intended purpose. On the other hand, about 17 percent of the coop borrowers used their loan for consumption although the intended purpose was crop/livestock production.

17. Most of the CRBs and RBs studied indicated that they process loans in 1 to 2 weeks time. About 38 percent of the coops, however, take 2-4 weeks to process loans. In terms of timeliness of loan releases, almost all (98%) of the RB borrowers said they received their loans on time.
18. The inability of the coops to process loan applications more efficiently may be due to their limited manpower capability and absence of systematic operating mechanisms. Most of the coops are still young (1-5 years old) and the systems and procedures may not yet be in place. In contrast, most of the RBs and CRBs have been in existence for more than 10 years and so, aside from their better trained manpower, they have already developed efficient systems for rural credit delivery.
19. Most of the coops and some of the CRBs release the loans both in cash and in kind. On the other hand, the general mode of release of loans obtained from the RBs is cash.
20. The RBs reportedly charged the highest interest rate (averaging 25 percent per annum) while the coops charged the lowest, as expected. This is because the coops are provided subsidy. Their loanable funds are usually provided by the government at very low interest rates. The low interest rate charged by the coops have encouraged small farmers not only to obtain credit but also to borrow from the coops rather than the banks.
21. Majority of the borrowers said that the banks require collateral while the coops do not. This is another reason why small farmers, particularly those who have small assets to offer as collateral, prefer to obtain loans from the coops and other informal credit sources. Meanwhile big borrowers who have collaterals to offer and who need bigger loans borrow from the banks.
22. The coops seem to provide the most liberal and affordable terms and conditions to the small farmers. It offers the longest maturity period and lowest interest rate, although the size and type of loans

granted are limited. This is again related to the subsidy that is provided to the coops. Coops are provided funds at very low interest rate and long maturity period.

23. The general perception of the borrowers is that their productivity and welfare conditions improved with the help of the loan that they obtained. Although exact measures of productivity and welfare were not used, the respondents' assessment of their conditions may be used as a substitute parameter. This perception implies that when necessary capital is provided on time to small farmers, farm productivity, income and welfare conditions can improve.
24. The case study of other conduits of rural credit show the great variability of options available. Except for the lending investors, all the other credit sources studied provide loans to small farmers. The lending investors, have relatively low capitalization and roll over funds for relending. Because of this strategy of operation, they require their clients to make loan amortizations daily or weekly. The lending investors studied do not lend to small farmers because the nature of farming operations and the distance of the farmers from their offices would make the collection of daily or weekly loan amortizations difficult and costly.
25. The lending investors charge an average interest rate of 36 to 46 percent and they extend loans for about one year. They generally do not require collateral; they can process the loan in 2-3 days but their loan ceiling for the market vendors is only about ₱3,000.00.
26. The private development bank (PDB) studied formulated a special credit program for the small farmers. It formed a consortium with a marketing firm and a provider of technical support to help small farmers in the area. The PDB provides production loan at the prevailing interest rate. Loan processing takes about one week for new loans and 2-3 days for re-loans. Loan matures in 8 months which coincides with the cropping cycle of cassava, the crop raised by the borrowers.
27. The respective partners in the consortium take care of marketing and technical advice related to production. Repayments are collected after the produce has been marketed by the consortium. Hence, repayment is 100 percent and farmers reported increase in income and productivity under this arrangement.

28. The credit conduit administered by the people's organization (PO) extends loan only to the members of the cooperative which was formed by the PO. The production loan extended matures in one year and is charged an interest rate of 24 percent. Farmers' produce are marketed through the cooperative and loan repayments are deducted from the proceeds after every harvest.
29. VICTO extends financial assistance to member coops that in turn relends to their members. VICTO provides a wide range of loan assistance and has a multi-stage system of approving loan applications. Therefore, loan processing time varies from one week to one month depending on whether the required approval is by the regional office or the VICTO management committee. The interest rate charged is only 12 - 14 percent and loan maturity ranges from three months to one year depending on the type of loan.
30. The other NGO included in the study also provides liberal terms to their borrowers. Moreover, this NGO encourages savings mobilization and capital build-up among its clientele following the Grammen Bank model. Loan repayment is made weekly during the groups' weekly meetings and loan processing takes about one to two weeks.
31. The informal lenders charged the highest interest rate, as expected (36 - 120 percent) although one informal lender reported he does not charge any interest. However, this lender requires land as collateral because he automatically forecloses lands of borrowers who are unable to pay. Maturity period of their loans ranges from one month to one year depending on the type of loan. Borrowers do not have to wait long before loans are approved since the needed amount is released almost immediately.
32. Repayment rate and collection mechanisms are critical to the viability of credit institutions. However, repayment rates could not be computed based on available data because information on matured loans could not be obtained from the respondent institutions. The data from the borrowers, on the other hand, indicated a very low repayment rate - 26, 36 and 41 percent for the CRB, RB, and coop borrowers, respectively. However, this is due to the fact that as of interview date, most of the respondents' loans have not matured. Nevertheless, around three-fourths of all borrowers claim that they are always able to pay their loans - 62, 83, and 74 percent, respectively for the CRB, RB and coop debtors.

33. The credit sources subjected to case study, however, reported very high repayment rates. The high repayment rates can be attributed to the production-marketing tie-up that they employ to ensure higher repayment.
34. The PO reported the largest number of clientele while VICTO, the lowest, although they cater to coops rather than individual borrowers.
35. The reported amount of loans granted by these credit conduits ranged from ₱3 Million (PBD) to ₱30 Million (one lending investor).
36. The CIs adopted various loan collection schemes but most (68%) usually wait for borrowers to voluntarily make their amortization payments. In terms of form of payment, all the CRBs and almost all of the RB borrowers paid in cash while 60 and 40 percent of the coop borrowers paid in cash/kind and in kind, respectively. This is understandable considering the fact that banks do not have mechanisms to handle payment in kind.
37. On the other hand, credit sources subjected to case study have more aggressive collection schemes. Three of four lending investors usually have collectors who personally collect payments from borrowers while two of the three informal lenders also collect loan payments personally. Meanwhile, NMDB and PLF employ innovative schemes such as marketing tie-up and provision of trucking, respectively, while CARD collects payments during weekly meetings.
38. Majority of the credit institutions (CIs) reportedly encountered problems in collecting loan repayments. Foremost of these problems is the non-repayment of loans due to low production. In contrast, almost all borrower-respondents (98%) claim that they had no problems regarding the loan collection scheme adopted by their creditor.
39. Most of the borrowers (76%) claim that they are always able to pay their loans on time. Those who were not up to date in paying their amortizations cited occurrence of calamities as a major factor that caused their production levels to drop thereby preventing them from paying their amortizations/loans.
40. The CRBs reported the highest average net income (₱481,444) while some of the coops incurred losses (average net loss was ₱3,887). CRBs and RBs have higher average gross revenues and expenses because the

volume of their lending operations are much bigger than that of the coops. The CRBs operate province wide, the RBs usually cover one municipality while the coops usually operate only in one barangay.

41. The coops reported the lowest average operating cost. The lending cost of coops constitute only 27 percent of its average outlay. Moreover, their administrative expenses and cost of funds are also low (22 and 2 percent of lending cost, respectively). This could be related to the smallness and simplicity of coop operations. Coops usually operate only within a barangay so the cost of credit investigation, etc. is expected to be small. They also have limited and less costly manpower, have limited facilities and modest offices so their overhead cost (in terms of wages and salaries, rental and depreciation) is much lower compared to the other CIs. Furthermore, coops are charged relatively low interest rates by the primary lending institutions (like LBP) and they usually get grants from various government and non-government sources.
42. Among the farmer-borrowers, those who borrowed from RBs had the highest average income (P65,082) while the coop borrowers earned the lowest income (P43,866). The income level reported by the coop borrowers who are small farmers and ARBs is high compared to that reported by other studies. There is, however, not enough basis to determine if these farmers have higher productivity than the other farmers.
43. Among the non-LBP conduits, lending investors incur the lowest lending cost while the CPN Consortium reported the highest lending cost. Meanwhile, only NMDB, PCF and VCF reported their net incomes. Among the three, PLF incurred the highest net income at P1.167 M and the consortium, the lowest (P38,920).
44. Among the LBP conduits studied, the CRBs reported the highest average capitalization (P7.2 million) while, expectedly, the coops have the lowest (P87,051). The savings deposits generated by the CRBs amounted to P1.8 million, that of the RBs was P1.3 million, while that of the coops was only P1,445. The level of capitalization of the CIs affect their effectiveness in lending to as many borrowers as possible and the timeliness in releasing loans. On the other hand, the authorized capital of the credit conduits in the case studies were higher than the LBP conduits ranging from P500,000 to P95.2 M (NMDB).

45. These findings indicate the capability of the banks to raise funds that may be available for lending and the relatively weak position of the coops, in general, to put up the necessary capital to back-up their operations. These also imply that coops should be able to improve their efficiency and raise their own funds for them to become viable conduits of rural credit.
46. The fact that the CRBs and RBs have stayed in the business for more than 10 years is an indication of their viability. On the other hand, it may be too early to say if the coops would be viable, on their own, considering that many of them are still receiving financial and technical support from the government.
47. The highest increase in number of borrowers was reported by the PO. From 506, its borrowers rose to 3,134. But generally, the number of borrowers served by all credit sources increased, reflecting the increasing demand for credit for the rural as well as the urban centers. Even though lending investors reported increases in the number of borrowers, these are still low compared to the other conduits.
48. The necessary qualifications of farmers who are eligible to borrow differed across credit conduits. Rural banks put more emphasis on capacity to pay and ownership of collateral while coops give priority to membership particularly to members of good standing. The CRBs, which is a cross between the RBs and the coops in terms of organizational set-up and functions, consider membership in coops and possession of collateral as primary requirements. On the other hand, because the primary objective of coops is to provide the necessary services to members, all members are qualified to borrow from the coop even without any type of security. The laxity in the criteria of most coops in terms of borrower qualification may prove to be detrimental to its repayment rate and consequently, to its viability and sustainability. On the other hand, the more strict qualification requirements of the RBs enhanced their financial viability and the sustainability of their operations but limit their effectiveness to reach as many rural borrowers who need credit assistance.
49. The CIs require a number of supporting documents from the borrowers to support their loan applications. Foremost of these are: (1) residence certificate; (2) sketch plan/location map of farm and ID picture; and (3) tax declaration/current land tax receipt. In spite



of the many requirements, most of the borrowers (95%) reportedly did not encounter any problems in complying with these various documentary requirements. The documents required by the formal institutions in the case study are much less and relatively simpler than those banks covered in the survey. In general, the documentary requirements of the informal lenders are much less than that of the formal lenders.

50. All CRBs and RBs and most of the coops conduct credit investigation. The conduct of credit investigation lessens the risk of loan defaults since the qualification of the borrower and his capacity to pay is assessed thoroughly. Consequently, continuous turnover and flow of funds from the lending institution to the borrowers are assured thus, enabling the CI to maintain if not further improve its financial position and serve more and more clientele. However, some credit sources especially coops have scarce financial resources to hire full time credit investigators thereby constraining their ability to screen borrowers. To be able to better screen borrowers and ensure high repayment rates, the coops can strengthen its information and education campaign regarding the responsibilities of its borrowers and instill social/peer pressure within the organization.
51. Aside from being constrained by fund limitations to increase the amount of loan awarded to borrowers, lowering the loan ceiling could be a strategy for the coops, particularly, to minimize loan defaults.
52. Disciplinary actions are normally imposed by all the CIs against delinquent borrowers. The action depends upon the terms of the contract between the lender and the borrower, and the collateral that was put up. Borrowers who have outstanding balance and overdue accounts are not allowed to borrow unless they have paid at least 50 to 80 percent of the total loan. These safeguard measures are implemented to minimize the risk of relending to delinquent borrowers. Litigation and foreclosure of the collateral are the usual penalties against defaulting CRB and RB borrowers (who were required to put up collaterals) while farm management take-over is common among coops. Another form of penalty is blacklisting. More than two-thirds of the credit sources (70%) do not relend to delinquent borrowers. On the other hand, those that relend to delinquent borrowers impose stricter terms.
53. All the CRBs and half of the RBs implement savings mobilization programs. Meanwhile, only 38 percent of the coops have savings mobilization programs as

evidenced by the fact that savings comprise only two percent of the coop's total capital. Coops should be motivated to undertake fund generation programs and develop their internal capability to generate resources to be able to maintain their competitive edge over the other lending institutions. Moreover, there is no assurance that LBP will always supply them with the necessary funds at subsidized interest rates. And even if it does, one cannot assume that the funds will always be sufficient and available at low interest rates to meet the ever growing credit demands of farmers. The fact that some CI-respondents claim that loans granted by LBP are not adequate imply that the CIs would have to find other means of generating funds.

54. In the case studies, only NMDB, PLF, VICTO and CARD implement savings mobilization schemes/strategies to attract additional depositors/investors. The four lending investors do not employ such scheme because they are not allowed to generate savings in the first place.
55. Credit institutions consider their savings mobilization programs as a form of investment wherein they are able to attract more depositors. The return on investment is reflected in the increase in the number of savers/depositors. These are mechanisms that can help credit institutions attain financial soundness and stability.
56. Survey results show that the staff of CRBs and RBs have higher educational qualifications than the coops. This is expected since generally, the operations of banks are more professional and systematic than the coops. On the other hand, staff of coops have attended more trainings probably to compensate for their lack of educational attainment.
57. All the CRBs, almost all coops and 67 percent of RBs have plans of putting up various projects. In contrast, few CRBs and RBs plan to provide other services although most coops plan to do so. This is probably because most of the CRBs and RBs are already providing the necessary services while most of the coops surveyed are currently offering limited services.
58. Most of the credit intermediaries under the case study have set development plans and programs. The NMDB aims to restructure its ARN Consortium, a baby corn project that will be patterned after the CPN Consortium's model. PLF is planning to build irrigation facilities since it is the immediate need of the farmers in the

locality. Meanwhile, VICTO would like to improve its loan monitoring activities and CARD wants to transform LPF into a formal credit institution managed by landless farmers. The four lending investors on the other hand, are hesitant to venture into small farmer lending transactions. According to them lending to small farmers is more costly and risky. Loan monitoring and collection are also more difficult moreso, considering their limited manpower capability.

59. Sources of credit of the CI-respondents include LBP, CBP, and other sources such as CDA, BANGKOOP, DTI, USAID and the office of the Provincial Government of Negros Occidental. Because LBP conduits were specifically targetted, all the CIs borrowed from LBP. The CRBs appear to have more access to the different sources of credit. One advantage of the CRB over the coops is that it has rediscounting/credit lines from CBP as long as it passes the past due ratio criteria.
60. Most of the CRBs and RBs have linkages with other organizations. In contrast, less than half (43%) of the coops are affiliated with other organizations. Meanwhile, all the lending institutions subjected to case study are also affiliated with other organizations. These credit institutions form linkages with other organizations so they could source assistance/services. With the help of these financial institutions and development organizations, credit conduits were able to sustain the operations and somehow respond to the ever-growing credit needs of rural farmer-borrowers.

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## ACRONYMS

AMCs	- Area Marketing Cooperative
ARBs	- Agrarian Reform Beneficiaries
CARD	- Center for Agriculture and Rural Development
CARP	- Comprehensive Agrarian Reform Program
CBP	- Central Bank of the Philippines
CDA	- Cooperative Development Authority
CIs	- Credit Institutions
CLOA	- Certificate of Landownership Award
CLT	- Certificate of Land Transfer
CPN	- Capicor, Phil-Agro and NMDB
CRBs	- Cooperative Rural Banks
CUP	- Cooperative Union of the Philippines
DA	- Department of Agriculture
DBP	- Development Bank of the Philippines
DSWD	- Department of Social Welfare and Development
DTI	- Department of Trade and Industry
FBS	- Farmer Beneficiaries
GFIs	- Government Financial Institutions
GSIS	- Government Service Insurance System
LBP	- Land Bank of the Philippines
LIs	- Lending Investors
LPF	- Landless People's Fund
MANCOM	- Management Committee
NATCCO	- National Confederation of Cooperatives
NGOs	- Non-government Organizations
NMDB	- Northern Mindanao Development Bank
PCRSF	- People's Council on Rural Savings and Finance
PDBs	- Private Development Banks
Phil-Agro	- Philippine Agro-Industrial Corporation
PHILDHRRRA	- Philippine Partnership for the Development of Human Resource
PLF	- People's Livelihood Foundation
PMES	- Pre-membership Training Seminar
PNB	- Philippine National Bank
POs	- People's Organization
RBs	- Rural Banks
RBAP	- Rural Bankers Association of the Philippines
RCDMs	- Rural Credit Delivery Mechanisms
SLAS	- Savings and Loan Associations
SEC	- Security Exchange Commission
TILCO	- Tarlac Integrated Livelihood Cooperative
TIPLP	- Tarlac Intergrated Livelihood Program
VCF	- Visayas Central Fund
VICTO	- Visayas Central Training Organization



# STUDY OF ALTERNATIVE MECHANISMS FOR RURAL CREDIT DELIVERY

## INTRODUCTION

### Importance of the Study

One of the avenues that can be tapped to propel rural development is the Comprehensive Agrarian Reform Program (CARP). A vital component of the CARP is the provision of support services to farmer-beneficiaries (FBs) to complement the land tenure improvement component of the program, with the end goal of developing progressive agrarian reform communities. Built into the program is the provision of financial assistance to the farmers.

The Land Bank of the Philippines (LBP), being the financing arm of CARP, is mandated to deliver this service to the FBs. To carry out this task it embarked on an extensive rural financing program. It devised mechanisms aimed at improving the rural credit delivery system while at the same time enhancing the collection/repayment rate and reducing the risk of losses.

Studies have shown that retail lending to small farmers is a costly and risky undertaking. The closure of many rural banks involved in lending to small farmers who acquired loans in connection with the Masagana 99 program was attributed to this. LBP, in its effort to expand its reach in terms of credit delivery, and to minimize the risk and costs of lending to small farmers, initiated a wholesale lending scheme by lending to farmers' cooperatives/organizations on a non-collateral basis. As of December, 1991, LBP reported having provided credit to 851,191 farmer beneficiaries amounting to P8,480 million. The purposes of their loans ranged from production and marketing of farm products to production and marketing of non-traditional agricultural crops like cut flowers.

The scheme is said to be effective in reaching the farmers. Considering the great number of beneficiaries that need to be served, the limited number of LBP branches and the high cost of retail lending, LBP is likely to continue using this scheme as the means of extending credit assistance to CARP beneficiaries.

To date, no comprehensive study of this scheme has yet been done. If this is a primary means by which credit will be delivered to the small farmers, particularly the CARP beneficiaries, then it is necessary to assess its effectiveness as the credit delivery mechanism of CARP. It

is likewise important to determine the capability of the cooperatives as the credit receiving and relending institution to effectively use the credit from LBP for the benefit of the target beneficiaries.

Aside from the LBP wholesale lending scheme, other strategies are being adopted by other financial institutions to deliver rural credit. Hence, it is equally important to assess the capabilities, policies and programs of these alternative institutions and find out their effectiveness, efficiency and viability so that they can be tapped to provide credit assistance to the rural sector. Results of the analysis of the LBP strategy and the other alternative mechanisms can contribute significantly to the improvement of the delivery of credit and other support services to the small farmers.

### Objectives of the Project

The study aimed to:

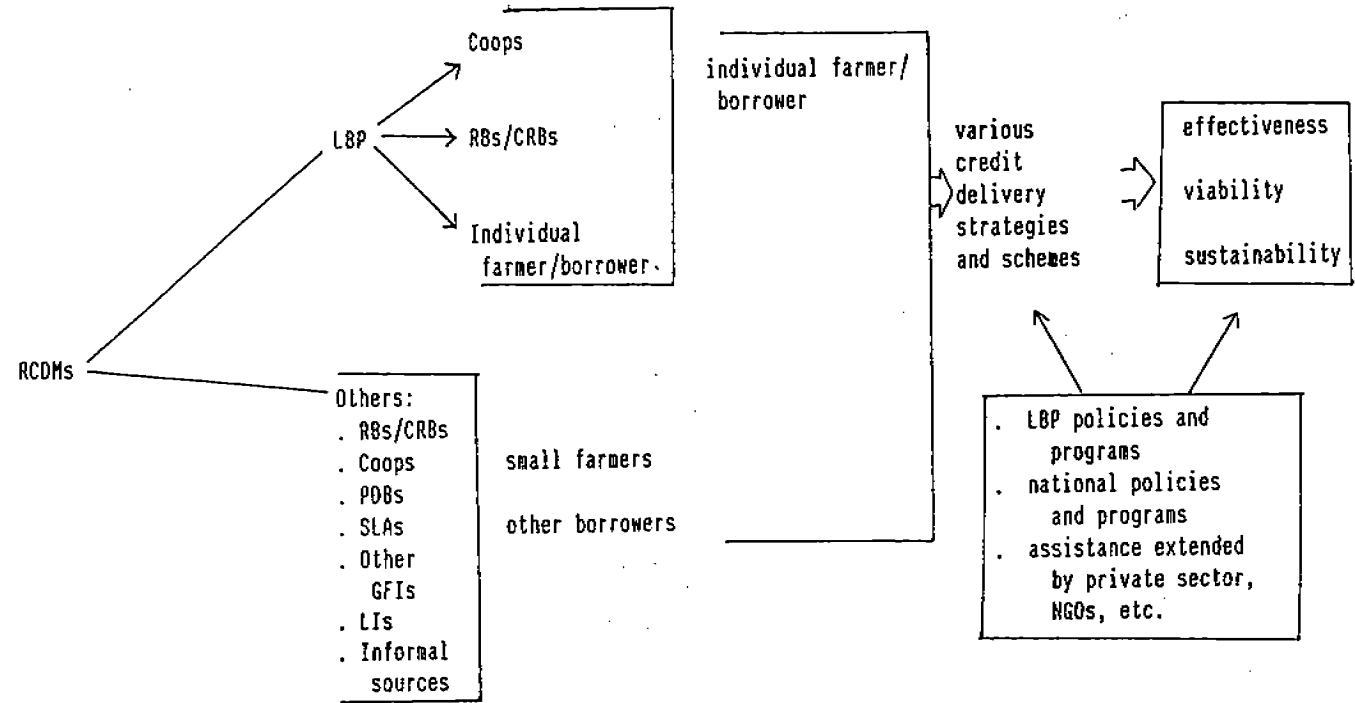
1. identify possible alternative mechanisms of extending credit assistance to agrarian reform beneficiaries (ARBs);
2. assess the viability, efficiency and sustainability of the alternative mechanisms for delivering credit assistance to ARBs; and
3. recommend alternative mechanisms for a more effective rural credit delivery system.

### CONCEPTUAL FRAMEWORK

There are a number of institutions which provide credit to small, rural borrowers. Foremost is the LBP which employs two schemes in reaching its clientele. First is the wholesale approach wherein loans are extended to individual borrowers through credit conduits such as farmers' cooperatives, Rural Banks (RBs) and Cooperative Rural Banks (CRBs). The second approach involves direct lending to individual borrowers. This strategy, however is being discontinued in favor of group/cooperative lending (Figure 1).

Aside from the accredited RBs/CRBs and cooperatives, other financial institutions such as the private development banks (PDBs), non-government organizations (NGOs), people's organization (PO), other government financial institutions (GFIs) and lending investors (LIs) are also adopting various

Figure 1. Existing Rural Credit Delivery Mechanisms



- 
- RCDMs - Rural Credit Delivery Mechanisms
  - LBP - Land Bank of the Philippines
  - RBs - Rural Banks
  - CRBs - Cooperative Rural Banks
  - PDBs - Private Development Banks
  - SLAs - Savings & Loan Associations
  - LIs - Lending Investors
  - GFIs - Government Financing Institutions

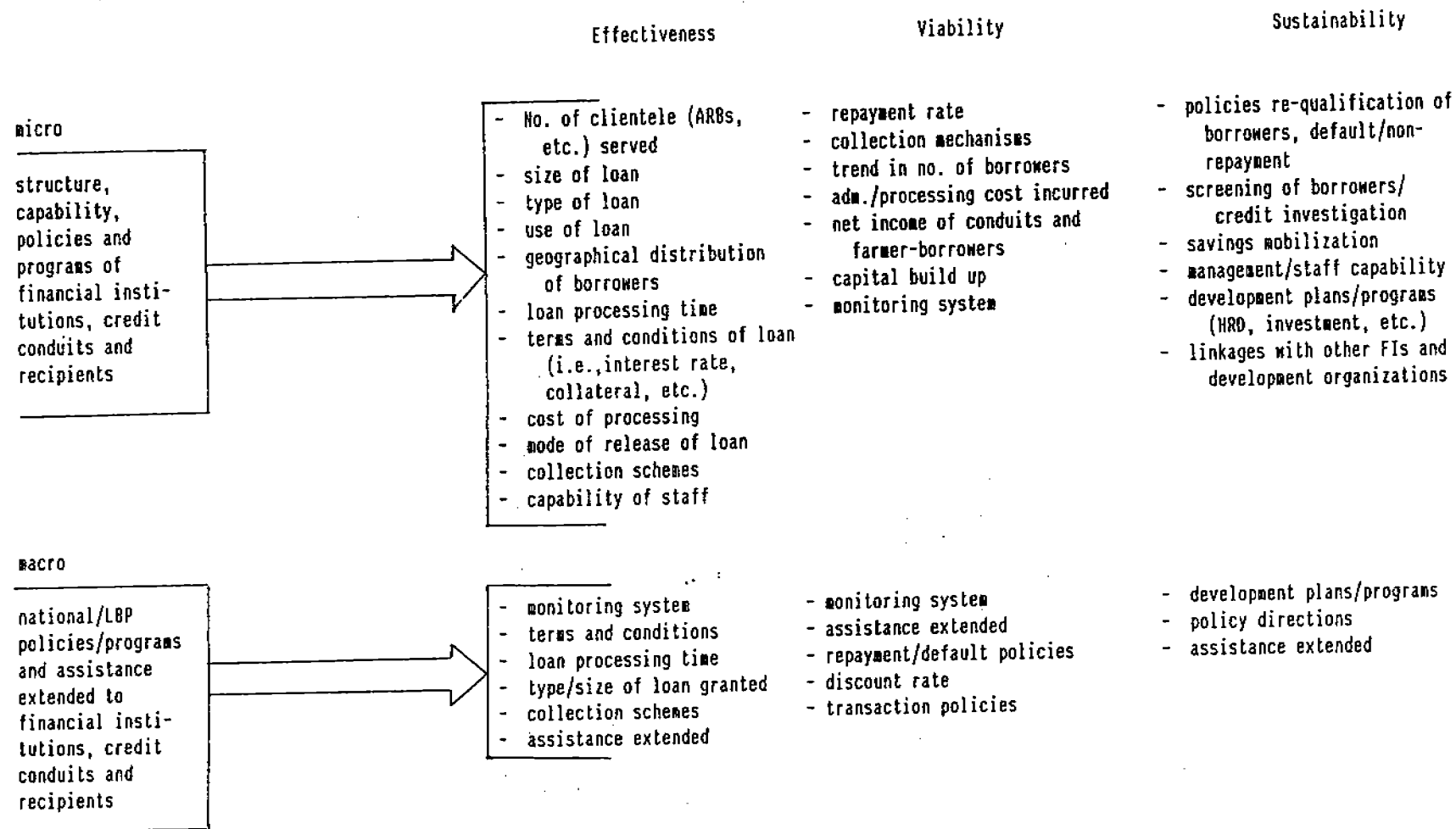
credit delivery strategies to reach various types of borrowers possibly including small farmers. The informal credit sources, which despite its exorbitant charges still proliferate, has also its own credit delivery scheme. The different strategies/schemes employed by all these sources affect the effectiveness, viability and sustainability of the existing rural credit delivery mechanisms (RCDMs).

Moreover, policies and programs of the national government and LBP and the assistance provided by the private sector and NGOs also influence the delivery schemes of the various credit sources and, hence, ultimately affect the effectiveness, viability and sustainability of the existing RCDMs.

The effectiveness, viability and sustainability of RCDMs could be viewed from two perspectives: (a) the macro perspective which focused on the credit policies/programs of the national government in general, and the LBP and other credit institutions in particular; and (b) the micro perspective which concentrated on the structure, capability, policies and programs of financial institutions, credit conduits and the recipients (Figure 2). From the micro point of view, factors that affect the effectivity of RCDMs include number of clientele served; size, type and use of loan; geographical distribution of borrowers; loan processing time; terms and conditions of loan; processing cost; mode of loan release; collection schemes and staff capability. Viability is influenced by repayment rate, collection mechanisms, trend in number of borrowers, administrative/processing costs incurred, net income of conduits and farmer-borrowers, capital build-up and monitoring system. On the other hand, policies on qualification of borrowers and default/non-repayment, screening of borrowers/credit investigation, savings mobilization, management/staff capability, development plans/programs, and linkages with other financial institutions/development organizations affect sustainability.

From the macro perspective, factors that are likely to influence the effectiveness of the RCDMs are the monitoring system, government and LBP credit policies and programs, and assistance extended to lending institutions. Likewise, monitoring system and assistance extended as well as repayment/ default policies, discount rate and transaction policies determine viability of RCDMs while development plans/programs, policy directions and assistance extended affect sustainability. However, this study will focus only on the micro perspective.

Figure 2. Factors Affecting Effectiveness, Viability and Sustainability of RCDMs



## METHODOLOGY

This study employed two types of analysis: survey and case study approach.

### Sampling Framework of the Survey

A survey of various LBP credit conduits (cooperatives, rural banks (RBs) and cooperative rural banks (CRBs)) and the borrowers from these financial institutions was conducted in Regions 6 and 7. These regions were preselected based on the priority areas of the Dynamic Rural Development Program. Therefore, analysis and conclusions based on survey data are confined to these regions.

Three provinces per region were chosen based on the highest number of borrowers and credit conduits. The identified provinces include: Iloilo, Negros Occidental and Aklan in Region 6; and Negros Oriental, Bohol and Cebu in Region 7. The municipalities were chosen purposively based primarily on the presence of at least two types of credit conduits (i.e. coops/CRBs). The peace and order situation in the sample municipalities was also considered.

A total of 37 credit institutions/conduits were included in the study. This sample is broken down as follows: coops - 21; RBs - 12; CRBs - 4 (Table 1). For each of these institutions, 10 member-borrowers were interviewed, bringing the total number of borrower-respondents to 370.

Aside from the member-borrowers, key respondents/ key informants were also interviewed about the operation, financial status and policies of the credit conduits. For the coops, these include the manager, chairman/president, secretary, treasurer and former officials while for the banks, the manager, chief accountant and credit investigators were interviewed. Data gathering was done by the field offices of the National Statistics Office.

### Case Studies

Case studies of selected credit delivery mechanisms include institutions outside Regions 6 and 7. The case study covers five other types of lenders: people's organization (e.g., People's Livelihood Foundation), private development banks (e.g., Northern Mindanao Development Bank), non-government organizations (e.g., VICTO and CARD), Lending Investors (LIs) and individual informal lenders.

Table 1. Distribution of CI-respondents by province and by credit institution, 1992.

Province	Credit Institution							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
Negros Occidental	1	25.00	2	16.67	8	38.10	11	29.73
Bohol	1	25.00	2	16.67	3	14.29	6	16.22
Cebu	-	-	2	16.67	2	9.52	4	10.81
Negros Oriental	-	-	2	16.67	2	9.52	4	10.81
Iloilo	1	25.00	2	16.67	4	19.05	7	18.92
Aklan	1	25.00	2	16.67	2	9.52	5	13.51
Total	4	100.00	12	100.00	21	100.00	37	100.00

fn:distci

## RESULTS OF THE SURVEY

The succeeding sections will compare the three credit conduits (e.g., coops, RBs and CRBs) in terms of effectivity, viability and sustainability. However, in some instances, (i.e., terms and conditions of loans granted), non-LBP conduits were also cited since some borrower-respondents had other sources of credit which include traders/millers/input dealers, other banks, sales/lending corporation, landlords and other sources (i.e., GSIS, Pag-Ibig, KABISIG) (Table 2).

Majority of the respondents obtained loan from cooperatives (59%) while some more than one-third borrowed from RBs. Among these borrowers, some still obtained loans from informal sources such as private moneylenders/traders/millers/input dealers (4%), sales/lending corporations (0.8%) and landlord (0.8%) despite their access to formal institutions like coops and banks. Only a very small percentage (0.8%) also borrowed from other banks such as PNB and DBP.

### Effectivity

The effectiveness of different credit institutions in reaching and serving small farmer-borrowers particularly agrarian reform beneficiaries can be assessed through the different schemes, mechanisms and strategies laid-out by the credit institutions to reach their target clientele and make the terms affordable to them. Measures of effectivity are focused more on ARBs and small farmers because the study concentrates on small rural borrowers particularly the farmers. Number of clientele served, size of loan, type of loan, use of loan, loan processing time, terms and conditions of loan (i.e. interest rates, collateral, maturity period), mode of release of loan and productivity and income/welfare effects are some of the factors which measure the relative success of the different credit institutions in effectively providing credit to small farm borrowers.

### **Number of Clientele Served**

In 1992, the 37 credit institutions (CIs) covered in the study provided loans to a total of 11,822 borrowers. Of these borrowers, 30 percent are agrarian reform beneficiaries (ARBs) (Table 3). The CRBs reported the largest number of clientele served, followed by the RBs then the coops. Despite their small number, the CRBs were able



Table 2. Sources of credit by province, 1992.

Source of Credit	Province													
	Negros Occ.		Bohol		Cebu		Negros Cr.		Iloilo		Aklan		All	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	% *
	(N=110)		(N=60)		(N=40)		(N=40)		(N=70)		(N=50)		(N=370)	
Cooperative Rural Bank	10	9.09	10	16.67	-	-	-	-	10	14.29	10	20.00	40	10.81
Rural Bank	21	19.09	20	33.33	20	50.00	20	50.00	20	28.57	20	40.00	121	32.70
Cooperative	85	77.27	31	51.67	20	50.00	20	50.00	40	57.14	22	44.00	218	58.92
Informal moneylender/ trader/miller/input dealer	12	10.91	-	-	-	-	-	-	4	5.71	-	-	16	4.32
Other banks	1	0.91	-	-	-	-	-	-	1	1.43	1	2.00	3	0.81
Sales/lending corp.	1	0.91	1	1.67	-	-	-	-	1	1.43	-	-	3	0.81
Landlord	-	-	-	-	-	-	-	-	1	1.43	-	-	1	0.27
Others **	5	4.55	-	-	-	-	-	-	2	2.86	1	2.00	8	2.16

\* Total more than 100% due to multiple response.

\*\* Includes GSIS, Pag-ibig, KABISIG, Universal Starch Corp., DSWD and Iloilo Development Assistance Program.

fn:soc

Table 3. Number of ARB borrower by credit institution, 1992.

Credit Institution	Number of Borrowers		Number of ARB-borrowers		Percent of ARB Borrowers to Total Borrowers
	Total	Average	Total	Average	
Cooperative Rural Bank	7,504	1,876	2,553	638	34.02
Rural Bank	3,046	254	126	11	4.14
Cooperatives	1,272	61	926	44	72.80
All	11,822	320	3,605	97	30.49

fn:noarb

to serve about 30 times the number of farmers served by the coops. This may be due to the fact that coop lending is a recent development and many of the coops are newly organized. The figures also reflect the size of operations and technical capability of these credit institutions. The CRBs serve an average of 1878 borrowers, the RBs, 254 while the coops serve only an average of 61 borrowers. On the number of ARBS served, the CRBS provide credit to an average of 638 ARBS per CRB compared to only 11 and 44 ARBS for every RB and coop, respectively.

Looking at the percentage of ARBs to total borrower, a different picture is presented. Around 73% of the borrowers of the coops are ARBs while only 4% of the RB borrowers are ARBs. These imply that among the three credit sources, the coops have so far shown the capacity to reach and serve ARBs. Aside from the large number, coops are usually situated at the barangays hence they are more accessible to small farmers. On the other hand, RBs and CRBs are only few in number and are mostly found at the town proper and provincial centers/capitals and therefore less accessible to farmers. This may also be due to the fact that the operations of many coops were geared towards credit delivery to ARBs in response to the lending program of LBP while the clientele served by the RBs/CRBs is more varied.

Coop records show that less than one-third of the coop members have borrowed from the coop. Of the 3,906 members reported by the 16 coops, only 1,272 reportedly obtained loans. Of these only 926 are ARBs. These figures imply that while coops have facilities to offer credit to its members, the availment rate is still quite low.

It may be further noted that the share tenants comprise the majority (40%) among the coop members, followed by amortizing owners (24%) (Table 4) and yet among the borrower-respondents, the owner-cultivators outnumber the tenants regardless of credit source (Table 5). The proportion of share tenant borrowers is only 14%. They rank third only to owner cultivators (45%) and leaseholders (16%) in terms of number of borrowers.

These figures may indicate either of the following: (1) the constrained access of share tenants to formal credit sources because they do not have security of tenure on the land; or (2) the landowners are the ones financing the production activities hence the share tenants may have little or no need to borrow from formal sources.

#### Amount of Loans Granted

The average loans granted by the 37 credit institutions varied through the four-year period (1989-1992) reviewed

Table 4. Distribution of present members of cooperatives  
by tenurial status, 1992.

Tenure	No. of members*	Percent
Owner cultivators	346	8.86
Amortizing owners	938	24.01
Owner non-cultivators	29	0.74
Share tenants	1557	39.86
Leaseholders	711	18.20
ISF Beneficiaries	25	0.64
Not specified	300	7.68
Total	3906	100.00

\* Only 16 cooperatives reported their membership distribution.

fn:memcoop

Table 5. Distribution of respondents by tenurial status and by source of credit, 1992.

Tenurial Status	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
Owner-cultivator	19	47.50	62	51.67	87	41.43	168	45.41
Owner non-cultivator	-	-	20	16.67	7	3.33	27	7.30
Share-tenant	6	15.00	14	11.67	30	14.29	50	13.51
Leaseholder	8	20.00	11	9.17	42	20.00	61	16.49
Amortizing owner	2	5.00	8	6.67	22	10.48	32	8.65
Claimant	2	5.00	-	-	16	7.62	18	4.86
Administrator	-	-	3	2.50	2	0.95	5	1.35
Not applicable	3	7.50	2	1.67	3	1.43	8	2.16
No response	-	-	-	-	1	0.48	1	0.27
All	40	100.00	120	100.00	210	100.00	370	100.00

fn: tenstatu

(Table 6). From 1989 to 1992, the average agricultural loan declined by about 15% despite an increase in agricultural loans provided by CRBs and coops. It may be noted that the average agricultural loans provided by coops increased dramatically and consistently over the four-year period. It increased by 419% from 1989 to 1990; 113% from 1990 to 1991 and 60% from 1991 to 1992. Agricultural loans from CRBs also increased significantly (by 23%) from 1991 to 1992, although the yearly increases between 1989, 1990 and 1991 were less than 10% (7% and 9%, respectively). Average agricultural loans granted by RBs declined by about 33% from 1989 to 1992. After an increase of 21% from 1989 to 1990, it declined consistently in 1991 (15%) and 1992 (27%).

The proportion of agricultural loans to total loans granted by the CIs also varied. The proportion of agricultural loans granted by CRBs declined from a high 80% in 1990 (72% in 1989) to 68% in 1992 while the proportion of commercial loans increased from 1% in 1989 to 23% in 1992. Surprisingly, the proportion of agricultural loans to total loans granted by the RBs increased slightly from 59% in 1989 to 63% in 1992. In 1992, agri loans from RBs was only 53% but commercial loans increased from 23% to 29%.

The lending policies of the coops seem to have changed considerably over the period 1989 to 1992. In 1989, the proportion of commercial loans (60%) is much higher than agricultural loans (40%). This proportion changed significantly since 1990 as almost 100% of the loans were agricultural, mostly (97%) in terms of crops production loans. These indicate that CRBs and RBs have diversified loan portfolios than coops. Although this is a sign of growth or development on the part of the credit conduit, small farmer-borrowers may experience credit rationing since commercial loans are more bankable.

#### Average Size of Loans

Size of loans granted is another measure of effectiveness since it is an indicator of the sufficiency of loans received by borrowers. The average size of loans of individual borrowers was about ₦20,404 (Table 7). Among the sources of credit reported by the respondents, other banks (PNB, DBP) granted the highest amount of loans (₦33,000), followed by RBs (₦27,226) and CRBs (₦20,670). The average sizes of loan provided by informal sources (traders/moneylenders) (₦7,281) and landlords (₦2,500) are the smallest which confirms some observations that farmers depend on informal sources for small size loans.

This trend could be related to the farm income received by the borrowers. Farm income is one of the criteria used by the credit institutions especially banks in assessing the amount of loan that can be granted/given. The

Table 6. Average loans granted per credit institution, by type of loan and by year.

Credit Institutions/ Type of Loan	Y E A R							
	1989		1990		1991		1992	
	Amount (Pesos)	%	Amount (Pesos)	%	Amount (Pesos)	%	Amount (Pesos)	%
<b>Cooperative Rural Bank</b>								
Agricultural	7,584,411	71.88	7,635,872	79.56	8,300,942	62.02	10,192,917	67.89
Commercial	145,667	1.38	1,589,775	16.56	1,793,785	13.40	3,458,133	23.03
Industrial	47,333	0.45	37,090	0.39	45,536	0.34	6,484	0.04
Housing	-	-	43,800	0.46	250,025	1.87	63,421	0.42
Consumption/character	17,333	0.16	8,500	0.09	18,000	0.13	47,000	0.31
Salary	2,756,127	26.12	282,254	2.94	2,976,843	22.24	1,245,790	8.30
<b>Total</b>	<b>10,550,871</b>	<b>100.00</b>	<b>9,597,291</b>	<b>100.00</b>	<b>13,385,131</b>	<b>100.00</b>	<b>15,013,746</b>	<b>100.00</b>
<b>Rural Bank</b>								
Agricultural	6,881,783	59.17	8,337,555	61.99	7,057,290	52.75	5,164,711	62.93
Commercial	2,645,793	22.75	3,602,878	26.79	3,908,490	29.21	1,661,027	20.24
Industrial	1,219,143	10.48	919,177	6.83	1,463,090	10.94	456,691	5.56
Housing	250,771	2.16	-	-	338,339	2.53	677,475	8.26
Consumption	-	-	-	-	-	-	-	-
Salary	632,273	5.44	589,622	4.38	611,508	4.57	246,724	3.01
<b>Total</b>	<b>11,629,762</b>	<b>100.00</b>	<b>13,449,232</b>	<b>100.00</b>	<b>13,378,716</b>	<b>100.00</b>	<b>8,206,628</b>	<b>100.00</b>
<b>Cooperative</b>								
Agricultural	81,769	39.55	424,874	98.31	908,207	96.14	1,455,886	100.00
Crop production	81,769	39.55	424,874	98.31	825,146	87.35	1,423,337	97.76
Livestock production	-	-	-	-	46,176	4.89	10,909	0.75
Post-harvest facilities	-	-	-	-	36,884	3.90	21,640	1.49
Commercial	125,000	60.45	-	-	29,412	3.11	-	-
Industrial	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Consumption	-	-	7,286	1.69	7,059	0.75	-	-
Salary	-	-	-	-	-	-	-	-
<b>Total</b>	<b>206,769</b>	<b>100.00</b>	<b>432,160</b>	<b>100.00</b>	<b>944,677</b>	<b>100.00</b>	<b>1,455,886</b>	<b>100.00</b>

All

Agricultural	5,487,773	61.58	5,009,917	66.13	4,040,326	57.93	4,046,778	68.99
Commercial	1,668,929	18.73	1,836,802	24.25	1,653,849	23.71	1,101,028	18.77
Industrial	752,921	8.45	414,018	5.47	537,552	7.71	179,551	3.06
Housing	153,249	1.72	6,489	0.09	153,338	2.20	273,371	4.66
Consumption/character	2,889	0.03	4,228	0.06	5,818	0.08	6,130	0.10
Salary	845,743	9.49	303,870	4.01	583,196	8.36	259,039	4.42
Total	8,911,504	100.00	7,575,322	100.00	6,974,080	100.00	5,865,897	100.00

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fn:algrant



Table 7. Average size of loan, by source of credit and by province, 1992.

Sources of Credit	Province													
	Negros Occ.		Bohol		Cebu		Negros Or.		Iloilo		Aklan		All	
	Amount (Pesos)	No.	Amount (Pesos)	No.	Amount (Pesos)	No.	Amount (Pesos)	No.	Amount (Pesos)	No.	Amount (Pesos)	No.	Amount (Pesos)	No.
Cooperative Rural Bank	7,030	10	11,990	10	-	-	-	-	6,570	10	55,658	10	20,670	40
Rural Bank	21,862	21	13,540	20	43,002	20	44,790	20	20,525	20	19,000	20	27,226	121
Cooperative	19,454	85	3,225	31	14,250	20	12,636	20	10,088	40	5,011	22	13,979	218
Informal money lender/ trader/miller														
input dealer	8,042	12	-	-	-	-	-	-	5,000	4	-	-	7,281	16
Other banks (PNB, DBP)	10,000	1	-	-	-	-	-	-	10,000	1	80,000	1	33,000	3
Private sales/lending corp.	20,000	1	1,000	1	-	-	-	-	15,000	1	-	-	12,000	3
Landlord	-	-	-	-	-	-	-	-	2,500	1	-	-	2,500	1
Others *	6,416	5	-	-	-	-	-	-	14,704	2	12,000	1	11,436	8
All	21,287	110	8,195	60	32,076	40	32,123	40	13,666	70	23,836	50	20,404	370 **

\* Includes GSIS, Pag-ibig, KABISIG, Universal Starch Corp., DSWD and Iloilo Development Assistance Program.

\*\* Total does not tally due to multiple sources of credit.

fn:avelosoc

higher the income of the borrower, the higher is the amount that a creditor could loan to him. Rural bank and CRB borrowers reported higher incomes compared to coop borrowers that is why they have more access to higher loan sizes.

### Types of Loans Granted

The CIs studied extended loans for various purposes ranging from crop/livestock production to commercial/housing/industrial and salary/character loans (Table 8).

The most common type of loan provided by the CIs is crop production loan. About 92% of all the CIs extend loans for crop production while about 40% provided livestock production (46%) and commercial loans (41%). Housing and character loans are the least common type. Only one out of four CRBs and one out of 12 RBs provide this type of loan. On the other hand, only one coop extended commercial and character loans and loans for post harvest facilities. A large number of RBS provide commercial and industrial loans. These findings support the conjecture that among the three types of credit sources, RBs cater more to commercial and industrial loans since there is less risk of default in these loan types.

### Loan Purpose

At the borrower level, loans were availed for various reasons, foremost of which is crop production (96%). Around 14% borrowed for livestock production while some (2%) borrowed to augment their capital for their on-going business (Table 9). Non-LBP conduits provide loans for a wider variety of purposes (e.g., crop and livestock production, business, emergency/medical needs, educational needs and house repair/maintenance).

About 70% of those who borrowed for livestock production are coop borrowers. Most of them raised livestock and poultry to augment their income derived from farming (Table 10). Part of this is connected to LBP's cattle loan program wherein coop members were provided cattle.

### Actual Use of Loan

The bulk (88%) of the respondents used their loan for crop production while 15 percent each used their loan for livestock production and consumption purposes (Table 11). These figures reflect that there was a slight deviation between intended purpose and actual use of loan. While about 96% borrowed for crop production (Table 9) only 88%

Table 8. Type of loans granted by credit institution, 1992.

Type of Loan	C r e d i t     I n s t i t u t i o n							
	CRB		RB		Coop		All	
	No.	% (N=4)	No.	% (N=12)	No.	% (N=21)	No.	% (N=37)
Crop production	3	75.00	12	100.00	19	90.48	34	91.89
Livestock production	2	50.00	8	66.67	7	33.33	17	45.95
Post-harvest facilities	3	75.00	1	8.33	1	4.76	5	13.51
Commercial	3	75.00	11	91.67	1	4.76	15	40.54
Industrial	2	50.00	7	58.33	-	-	9	24.32
Housing	1	25.00	1	8.33	-	-	2	5.41
Consumption/character	1	25.00		0.00	1	4.76	2	5.41
Salary	3	75.00	7	58.33	-	-	10	27.03

fn:logranci

Table 9. Loan purpose of respondents by source of credit, all provinces, 1992.

Loan Purpose	Source of Credit									
	CRB		RB		COOP		Non-LBP Conduits		All	
	No.	% (N=40)	No.	% (N=121)	No.	% (N=218)	No.	% (N=31)	No. *	% ** (N=370)
Crop production	34	85.00	109	90.08	191	87.61	20	64.52	354	95.68
Livestock production	5	12.50	8	6.61	36	16.51	2	6.45	51	13.78
Business	-	-	3	2.48	3	1.38	2	6.45	8	2.16
Emergency/medical needs	-	-	-	-	-	-	1	3.23	1	0.27
Educational needs	-	-	-	-	-	-	2	6.45	2	0.54
House repair/maintenance	-	-	-	-	-	-	3	9.68	3	0.81
Others***	2	5.00	1	0.83	-	-	1	3.23	4	1.08

\* Total does not tally because respondent may have more than one loan source.

\*\* Total more than 100% due to multiple response.

\*\*\* Includes fishing, purchase of land/spareparts of vehicles and policy loan.

fn:lopurpo

Table 10. Livestock and poultry owned by respondents, by source of credit, all provinces, 1992.

Livestock and Poultry	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	% *
	(N=40)		(N=120)		(N=210)		(N=370)	
Carabao	6	15.00	39	32.50	107	50.95	152	41.08
Cattle	10	25.00	26	21.67	55	26.19	91	24.59
Swine	22	55.00	72	60.00	120	57.14	214	57.84
Chicken	27	67.50	69	57.50	155	73.81	251	67.84
Goat	7	17.50	25	20.83	40	19.05	72	19.46
Horse	-	-	1	0.83	2	0.95	3	0.81
Others **	12	30.00	29	24.17	55	26.19	96	25.95

\* Total more than 100% due to multiple response.

\*\* Includes fighting cock, rabbit, duck, turkey and geese.

fn:livestoc

reportedly used their loans for such purpose (Table 11). Notably, the use of loan for business, emergency/medical needs, educational needs and house repair was slightly higher than that indicated in the purpose of loan. More importantly, use of loan for consumption and to pay other loans was reported although such were not reflected in the intended purpose.

Deviation was reported to have occurred for all sources of credit. It may be observed, however, that deviation was smallest among coop borrowers. Aside from the 17% of the borrowers who diverted some of their production loans to consumption, the other diversions were minimal (less than 1%). It may also be stressed that while some used part of their production loans for consumption/repair, etc., some also invested part of their loans in business. This reflects the fungibility or multiplicity of credit; that is, it can be used for purposes other than what it was intended for.

### Loan Processing Time

Length of loan processing. The length of loan processing refers to the period it takes for the credit conduit to process the loan application until the loan is released. Among the credit institutions, RBs and CRBs appear to have faster loan processing than coops although the time difference is not very significant (Table 12). Eighty-three percent of RBs and 75 percent of CRBs finish loan processing within two weeks or less. On the other hand, only 62 percent of the coops said they can finish loan processing within such period of time.

When verified at the borrower level, it was found that loan processing is fastest among RB borrowers. The normal processing time appears to be 1-2 weeks as majority (83%) of the respondents got their loans within this period (Table 13). On the other hand, coop borrowers reported the longest loan processing period. Only 66% of the respondents reported a less than one week processing time compared to 17% and 23% of the CRB and RB borrowers, respectively. Moreover, a considerable number of coop borrowers (20%) had to wait for 1-3 months before their loan is released. It may be surprising that the coops which are expected to serve the immediate credit needs of the small farmers takes longer time to process loans than the other CIs.

Reports of long processing time (1-3 months) were noted in the coops in Negros Occidental (44%); Bohol (37%); Cebu (90%); Negros Oriental (40%); Iloilo(32%); and Aklan (35%).

The length of loan processing may be caused by either of the following factors: (1) the coop borrowers are new

Table 11. Actual loan use of respondents, by source of credit, all provinces, 1992.

Actual Loan Use	Source of Credit									
	CRB		RB		COOP		Non-LBP Conduits		All	
	No.	% (N=40)	No.	% (N=121)	No.	% (N=218)	No.	% (N=31)	No.	% (N=370)
Crop Production	27	67.50	95	78.51	190	87.16	21	67.74	324	87.57
Livestock Production	6	15.00	10	8.26	36	16.51	3	9.68	55	14.86
Business	8	20.00	10	8.26	5	2.29	2	6.45	25	6.76
Consumption	6	15.00	5	4.13	38	17.43	6	19.35	55	14.86
Emergency/Medical Needs	1	2.50	5	4.13	1	0.46	3	9.68	10	2.70
Educational Needs	2	5.00	7	5.79	1	0.46	6	19.35	16	4.32
House Repair/Maintenance	-	-	1	0.83	1	0.46	3	9.68	5	1.35
Payment of other loans	1	2.50	-	-	1	0.46	-	-	2	0.54
Others*	2	5.00	7	5.79	-	-	1	3.23	10	2.70

\* Includes fishing, purchase of land/spareparts of vehicles and policy loan.

fn:acuseloa

Table 12. Length of loan processing by credit institutions, 1992.

Length of Loan Processing	Credit Institutions							
	CRB		RB		Coop		All	
	No.	% (N=4)	No.	% (N=12)	No.	% (N=21)	No.	% (N=37)
1 week	2	50.00	6	50.00	6	28.57	14	37.84
1-2 weeks	1	25.00	4	33.33	7	33.33	12	32.43
2-4 weeks	-	-	1	8.33	8	38.10	9	24.32
more than 1 month	-	-	1	8.33	-	-	1	2.70
No response	1	25.00	-	-	-	-	1	2.70

fn:lengci



Table 13. Distribution of borrower-respondents by source of credit, by province and by length of loan processing, 1992.

Province/Length of Loan Processing	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
Negros Occidental	(N=10)		(N=20)		(N=30)		(N=110)	
Less than one week	2	20.00	7	35.00	2	2.50	11	10.00
1-2 weeks	6	60.00	8	40.00	13	16.25	27	24.55
2-4 weeks	1	10.00	3	15.00	21	26.25	25	22.73
1-3 months	1	10.00	2	10.00	35	43.75	38	34.55
3-6 months	-	-	-	-	5	6.25	5	4.55
6 months-1 year	-	-	-	-	3	3.75	3	2.73
More than one year	-	-	-	-	1	1.25	1	0.91
Bohol	(N=10)		(N=20)		(N=30)		(N=60)	
Less than one week	3	30.00	4	20.00	3	10.00	10	16.67
1-2 weeks	4	40.00	16	80.00	15	53.33	36	60.00
2-4 weeks	3	30.00	-	-	11	36.67	14	23.33
1-3 months	-	-	-	-	-	-	-	-
3-6 months	-	-	-	-	-	-	-	-
6 months-1 year	-	-	-	-	-	-	-	-
More than one year	-	-	-	-	-	-	-	-
Cebu			(N=20)		(N=20)		(N=40)	
Less than one week	-	-	1	5.00	-	-	1	2.50
1-2 weeks	-	-	12	60.00	1	5.00	13	32.50
2-4 weeks	-	-	6	30.00	18	90.00	24	60.00
1-3 months	-	-	1	5.00	-	-	1	2.50
3-6 months	-	-	-	-	1	5.00	1	2.50
6 months-1 year	-	-	-	-	-	-	-	-
More than one year	-	-	-	-	-	-	-	-
Negros Oriental			(N=20)		(N=20)		(N=40)	
Less than one week	-	-	-	-	3	15.00	3	7.50
1-2 weeks	-	-	19	95.00	9	45.00	28	70.00
2-4 weeks	-	-	1	5.00	8	40.00	9	22.50
1-3 months	-	-	-	-	-	-	-	-
3-6 months	-	-	-	-	-	-	-	-
6 months-1 year	-	-	-	-	-	-	-	-
More than one year	-	-	-	-	-	-	-	-

Iloilo	(N=10)	(N=20)	(N=40)	(N=70)
Less than one week	1 10.00	9 45.00	2 5.00	12 17.14
1-2 weeks	5 50.00	8 40.00	24 60.00	37 52.86
2-4 weeks	3 30.00	1 5.00	13 32.50	17 24.29
1-3 months	1 10.00	1 5.00	- -	2 2.86
3-6 months	- -	- -	1 2.50	1 1.43
6 months-1 year	- -	- -	- -	- -
More than one year	- -	- -	- -	- -

Aklan	(N=10)	(N=20)	(N=20)	(N=50)
Less than one week	1 10.00	6 30.00	3 15.00	10 20.00
1-2 weeks	6 60.00	10 50.00	5 25.00	21 42.00
2-4 weeks	1 10.00	4 20.00	5 25.00	10 20.00
1-3 months	1 10.00	- -	7 35.00	8 16.00
3-6 months	1 10.00	- -	- -	1 2.00
6 months-1 year	- -	- -	- -	- -
More than one year	- -	- -	- -	- -

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All Provinces	(N=40)	(N=120)	(N=210)	(N=370)
Less than one week	7 17.50	27 22.50	13 6.19	47 12.70
1-2 weeks	21 52.50	73 60.83	68 32.38	162 43.78
2-4 weeks	8 20.00	15 12.50	76 36.19	99 26.76
1-3 months	3 7.50	4 3.33	42 20.00	49 13.24
3-6 months	1 2.50	- -	7 3.33	8 2.16
6 months-1 year	- -	- -	3 1.43	3 0.81
More than one year	- -	- -	1 0.48	1 0.27

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fn:dilengpro

borrowers hence some paper requirements may be lacking; or (2) coops do not as yet have the manpower capability to process loans efficiently.

Timeliness of loan. In terms of the timeliness of loan, majority of the borrower-respondents mentioned that they were able to receive the loan during the time it was needed (Table 14). Among credit sources, RB borrowers reported the highest rate (98%) that received the loan on time since they reported the fastest length of loan processing. Surprisingly, even if CRBs process loans faster than coops, a lower ratio of CRB borrowers reported that they received their loans on time. Comparing responses across provinces, it is only in Negros Occidental where a considerable number of respondents (16%) said they did not receive their loans on time. On the other hand, all respondents from Negros Oriental and Cebu said that they received the loan on time.

#### Terms and Conditions of Loans Granted

Rural farmers seek for the service of the credit institutions which can give them the best credit terms and conditions. This can be in terms of the interest rates imposed, collateral required and maturity period.

Average interest rate. The average interest rates charged by all credit institutions ranged from 9 percent (housing loan) to 26 percent per annum (consumption loan) (Table 15). Across credit institutions, the RBs granted the highest interest rate (25 percent per annum) for agricultural, commercial, industrial and salary loans. This high interest rate could be one major reason why the number of borrowers from RBs is much lower than that of the CRBs and coops (Table 3). The interest rate charged by coops for production and commercial loans is understandably much lower (only 16 to 19 percent) because LBP, their major source of loanable funds also charge them a low interest rate. Because of this low interest rate, many small farmers whose incomes are low obtain their loans from the coops. It may be noted, however, that while interest rate on production related activities is low, the coops charge higher interest rate on consumption loans (26%) although it is still lower than the rate charged by CRBs. RBs do not grant consumption/character loans.

The respondents reported slightly different rates of interest on the loans that they obtained from the CIs studied (Table 16). For example, coop borrowers said they are being charged 18 percent interest rate for crop production loans while the coops said they are charging only 17 percent. This variation may be due attributed to the

Table 14. Number of borrower-respondents who received loan on time, by province and by source of credit, 1992.

Province/ Source of Credit	On Time		Not On Time		All	
	No.	%	No.	%	No.	%
<b>Negros Occidental</b>						
CRB	9	90.00	1	10.00	10	100.00
RB	19	95.00	1	5.00	20	100.00
COOP	64	80.00	16	20.00	80	100.00
All	92	83.64	18	16.36	110	100.00
<b>Bohol</b>						
CRB	7	70.00	3	30.00	10	100.00
RB	20	100.00	-	-	20	100.00
COOP	28	93.33	2	6.67	30	100.00
All	55	91.67	5	8.33	60	100.00
<b>Cebu</b>						
CRB	-	-	-	-	-	-
RB	20	100.00	-	-	20	100.00
COOP	20	100.00	-	-	20	100.00
All	40	100.00	-	-	40	100.00
<b>Negros Oriental</b>						
CRB	-	-	-	-	-	-
RB	20	100.00	-	-	20	100.00
COOP	20	100.00	-	-	20	100.00
All	40	100.00	-	-	40	100.00
<b>Iloilo</b>						
CRB	10	100.00	-	-	10	100.00
RB	19	95.00	1	5.00	20	100.00
COOP	39	97.50	1	2.50	40	100.00
All	68	97.14	2	2.86	70	100.00
<b>Aklan</b>						
CRB	9	90.00	1	10.00	10	100.00
RB	19	95.00	1	5.00	20	100.00
COOP	19	95.00	1	5.00	20	100.00
All	47	94.00	3	6.00	50	100.00
<b>All Provinces</b>						
CRB	35	87.50	5	12.50	40	100.00
RB	117	97.50	3	2.50	120	100.00
COOP	190	90.48	20	9.52	210	100.00
All	342	92.43	28	7.57	370	100.00

fn:resrecei

Table 15. Interest rate of loans granted by credit institution and by purpose of loan, 1992. (in % /annum).

Purpose of Loan	Credit Institution			
	CRB	RB	COOP	ALL
Crop production	21	25	17	20
Livestock production	24	24	19	22
Post-harvest facilities	19	25	*	21
Commercial	24	25	16	24
Industrial	22	24	-	23
Housing	12	6	-	9
Consumption/character	32	-	26	29
Salary	12	26	-	22

\* No response

fn:irategra

Table 16. Average interest rates paid by respondents by type of loan and by source of credit, 1992.

Type of Loan	Source of Credit				All
	CRB	RB	COOP	Others *	
Crop production	21	23	18	37	21
Livestock production	21	24	21	12	21
Commercial/business	-	27	16	10	18
Emergency/medical	-	-	-	0	0
House repair/maintenance	-	-	-	15	15
Educational needs	-	-	-	60	60
Others **	25	25	-	10	21
All	21	23	19	30	21

\* Includes informal moneylender, trader, miller, input dealer, DBP, PNB, sales/lending corp., landlord, GSIS, Pag-ibig, KABISIG, Universal Starch Corp., DSWD and Iloilo Development Assistance Program.

\*\* Includes fishing, purchase of land/spareparts of vehicles and policy loan.

fn:aveinter

failure of the borrower-respondents to accurately recall the terms of their loans. It is significant to note that those who borrowed from other sources generally paid a much higher interest rate than those who borrowed from the LBP conduits, although there are also cases when interest rate is lower. For example, crop production loans are charged an average of 37 percent per annum. Loans for educational purposes are charged an average of 60 percent per annum while livestock production and commercial loans are charged lower interest rates. Also, money borrowed for emergency/medical use is not charged any interest at all. Loans for educational needs and crop production are commonly obtained from private money lenders (under the 5:6 scheme) while loans for medical needs and small businesses are obtained from relatives.

Comparison of the provincial data show that the respondents from Negros Occidental obtained crop production loans from both the LBP conduits and other sources. Interest rate charged by other sources on crop production loans is 18 percent higher than the CIs. In Iloilo, the interest rate charged by the coop and the CRB (21%) is higher than that charged by the RB (20%). Crop production loans obtained from other sources is charged an interest that is 14 percent higher than the CIs, while loans for educational purposes are charged 120 percent. Respondents from Bohol, Cebu and Negros Oriental borrowed only from the LBP conduits (Annex Tables 1-6).

Collateral. About 81 percent of the CIs said that they do not require any collateral for the loans that they grant. Surprisingly, the proportion of RBs that reportedly do not require collateral (92%) is much higher than the coops (81%) and the CRBs (50%). CRBs commonly require farm buildings or land as collateral for all types of loans. Notably, one RB accepted CLOA/CLT as collateral. Also, two coops asked for collateral for crop production loans. In these cases, the CLOA/CLT was used (Table 17).

The response of the borrowers differ considerably from the CI management in terms of collateral requirement. According to the borrowers, majority (80%) of the RBs require collateral for all types of loans, although there were also a few that extend loans even without collateral (Table 18). Reportedly, all the RBs in Cebu and Aklan do not grant loans without collateral. Aside from lands (agricultural), other collaterals used by RB borrowers are cultivation rights/leasehold contract (7%), house and lot (8%) and farm animal (1%). This borrower may have availed of the cattle dispersal program of LBP wherein the animal is used as collateral. The CRB borrowers reported that they used either land, cultivation right/leasehold contract and CLT as collaterals.

The differences in the responses of the borrowers from that of the management are also very pronounced in the

Table 17. Collateral required for loans granted by credit institution and by type of loan, 1992.

Type of Loan/ Collateral	Credit Institution							
	CRB		RB		Coop		All	
	No.	%	No.	%	No.	%	No.	% *
Crop Production		(N=3)		(N=12)		(N=19)		(N=34)
None	2	66.67	9	75.00	16	84.21	27	79.41
Land/Real Estate								
Mortgage	2	66.67	3	25.00	2	10.53	7	20.59
Farm Buildings	1	33.33	-	-	-	-	1	2.94
Chattel Mortgage	1	33.33	-	-	-	-	1	2.94
CLT/CLOA	-	-	1	8.33	2	10.53	3	8.82
Livestock Production		(N=2)		(N=8)		(N=7)		(N=17)
None	1	50.00	7	87.50	6	85.71	14	82.35
Land/Real Estate								
Mortgage	2	100.00	-	-	1	14.29	3	17.65
Farm Buildings	1	50.00	-	-	-	-	1	5.88
Chattel Mortgage	1	50.00	-	-	-	-	1	5.88
CLT/CLOA	-	-	1	12.50	-	-	1	5.88
Post-Harvest facilities		(N=3)		(N=1)		(N=1)		(N=5)
None	2	66.67	1	100.00 **	1	100.00	4	80.00
Land/Real Estate								
Mortgage	2	66.67	-	-	-	-	2	40.00
Farm Buildings	1	33.33	-	-	-	-	1	20.00
Chattel Mortgage	1	33.33	-	-	-	-	1	20.00
CLT/CLOA	-	-	1	100.00 **	-	-	1	20.00
Commercial		(N=3)		(N=11)		(N=1)		(N=15)
None	2	66.67	9	81.82	1	100.00	12	80.00
Land/Real Estate								
Mortgage	2	66.67	3	27.27	-	-	5	33.33
Farm Buildings	1	33.33	-	-	-	-	1	6.67
Chattel Mortgage	1	33.33	1	9.09	-	-	2	13.33
CLT/CLOA	-	-	1	9.09	-	-	1	6.67
Industrial		(N=2)		(N=7)				(N=9)
None	1	50.00	5	71.43	-	-	6	66.67
Land/Real Estate								
Mortgage	2	100.00	3	42.86	-	-	5	55.56
Farm Buildings	1	50.00	-	-	-	-	1	11.11
Chattel Mortgage	1	50.00	1	14.29	-	-	2	22.22
CLT/CLOA	-	-	1	14.29	-	-	1	11.11



Housing		(N=1)	(N=1)				(N=2)
None			1 100.00	-	-		1 50.00
Chattel Mortgage	1	100.00	-	-	-	-	1 50.00
Consumption/character		(N=1)			(N=1)		(N=2)
None	1	100.00	-	-	1 100.00		2 100.00
Salary		(N=3)	(N=7)				(N=10)
None	2	66.67	7 100.00	-	-		9 90.00
Chattel Mortgage	1	33.33	-	-	-	-	1 10.00
All Loan Type		(N=4)	(N=12)		(N=21)		(N=37)
None	2	50.00	11 91.67	17	80.95		30 81.08
Land/Real Estate							
Mortgage	2	50.00	4 33.33	2	-		8 21.62
Farm Buildings	1	25.00	-	-	-		1 2.70
Chattel Mortgage	2	50.00	1 8.33	-	-		3 8.11
CLT/CLOA	-	-	1 8.33	2	9.52		3 8.11

\* Total does not tally since collateral required by one CI could vary across loan type and borrowers.

\*\* In some instances, the RB may require CLT/CLOA as collateral and in some instances, it does not require any collateral at all.

fn:collareq

Table 18. Collateral required from respondents by source of credit and by province, 1992.

Province/Collateral	Source of Credit									
	CRB		RB		COOP		Non-LBP Conduits		All	
	No.	%	No.	%	No.	%	No.	%	No.	%
<b>Negros Occidental</b>	(N=10)		(N=21)		(N=85)		(N=19)		(N=110)	
None	2	20.00	6	28.57	21	24.71	12	63.16	39	35.45
Land	3	30.00	9	42.86	24	28.24	1	5.26	34	30.91
House and lot	-	-	1	4.76	-	-	-	-	1	0.91
Standing crop	-	-	-	-	-	-	1	5.26	1	0.91
Farm equipment/machinery	-	-	1	4.76	-	-	-	-	1	0.91
Farm animals	-	-	1	4.76	1	1.18	-	-	2	1.82
Cultivation rights/leasehold contract	1	10.00	4	19.05	24	28.24	-	-	29	26.36
CLT	4	40.00	-	-	19	22.35	2	10.53	23	20.91
Others	-	-	-	-	-	-	-	-	1	0.91
<b>Bohol</b>	(N=10)		(N=20)		(N=31)		(N=1)		(N=60)	
None	2	20.00	6	30.00	23	74.19	1	100.00	32	53.33
Land	8	80.00	7	35.00	1	3.23	-	-	16	26.67
House and lot	-	-	3	15.00	-	-	-	-	3	5.00
Standing crop	-	-	-	-	10	32.26	-	-	10	16.67
Cultivation rights/leasehold contract	-	-	4	20.00	-	-	-	-	4	6.67
<b>Cebu</b>			(N=20)		(N=20)				(N=40)	
None	-	-	-	-	19	95.00	-	-	19	47.50
Land	-	-	18	90.00	2	10.00	-	-	20	50.00
House and lot	-	-	3	15.00	-	-	-	-	3	7.50
Others	-	-	1	5.00	-	-	-	-	1	2.50
<b>Negros Oriental</b>			(N=20)		(N=20)				(N=40)	
None	-	-	10	50.00	20	100.00	-	-	30	75.00
Land	-	-	4	20.00	-	-	-	-	4	10.00
House and lot	-	-	1	5.00	-	-	-	-	1	2.50
Farm animals	-	-	-	-	5	25.00	-	-	5	12.50
<b>Iloilo</b>	(N=10)		(N=20)		(N=40)		(N=9)		(N=50)	
None	8	80.00	2	10.00	39	97.50	8	88.89	50	71.43
Land	2	20.00	18	90.00	2	5.00	1	11.11	22	31.43
House and lot	-	-	1	5.00	-	-	-	-	1	1.43

Aklan		(N=10)		(N=20)		(N=22)		(N=2)		(N=70)
None	-	-	-	-	22	100.00	1	50.00	23	46.00
Land	10	100.00	19	95.00	-	-	1	50.00	28	56.00
Others	1	10.00	1	5.00	-	-	-	-	2	4.00
<hr/>										
All Provinces		(N=40)		(N=120)		(N=210)		(N=31)		(N=370)
None	12	30.00	24	20.00	144	68.57	22	70.97	193	52.16
Land	13	32.50	75	62.50	29	13.81	3	9.68	124	33.51
Farm animals	-	-	1	0.83	6	2.86	-	-	7	1.89
Cultivation rights/leasehold contract	1	2.50	8	6.67	24	11.43	-	-	33	8.92
CLT	4	10.00	-	-	19	9.05	2	6.45	23	6.22
Standing crop	-	-	-	-	10	4.76	1	3.23	11	2.97
House and lot	-	-	9	7.50	-	-	-	-	9	2.43
Others	1	2.50	2	1.67	-	-	-	-	4	1.08

fn:collasoc

coops. While 81 percent of the coops said they do not require collaterals, only 69 percent of the borrowers said so. About 31 percent of the borrowers said that they used land (14%), cultivation contract (11%), CLT (10%), standing crop (5%) and animals (3%) as collaterals for the loans that they obtained from their coops. These data also confirms earlier observations that most of the other sources of credit do not require collateral.

These figures imply that collateral is still a prime consideration in loan approval by banks. This also explains why a larger percentage of RB borrowers own more assets than CRB and coop borrowers. A comparison of the assets owned by the respondents showed that RB borrowers possess more than either the CRB or the coop respondents the coop borrowers own the least (Table 19). Big borrowers and people who have assets to back up their loans usually borrow from the banks since these institutions usually offer higher loan amounts than the coops. On the other hand, those who have very little asset hesitate to borrow from the banks because they do not have the necessary collateral required. Instead, they borrow from the coops and other lenders that are not very strict in imposing collateral requirements, if at all. Notably, both the CRBs and the coops accept CLT/CLOA as collateral not only for crop production loans but also for livestock production, post harvest facilities, commercial and industrial loans.

Maturity. The maturity period of loans granted differed widely, depending on source of credit and type of loan. Consumption loans obtained from coops mature in one month while those obtained from CRBs mature in six months. The period of maturity of crop production is less than one year, corresponding to one or two cropping seasons, while livestock production loans mature in one to 4 years (Table 20). Consumption/character loans have the shortest terms of payment probably because these are small, non-productive, emergency loans while housing loans involve big amounts that have to be amortized over a longer span of time. Livestock production loans obtained from the coops are mostly for cattle raising. Coop members who want to raise cattle are provided with animals that were imported by LBP. On the average, CRBs impose a shorter maturity period compared to the RBs and coops.

The borrowers, on the other hand, cited that the average maturity period of loans that they obtained is around nine months (Table 21). This implies that not one among the respondents obtained housing loans and/or cattle production loans from the coops.

Among the different credit sources, private sales/lending corporations impose the shortest term (3 months) while other sources (e.g., GSIS, Pag-ibig, DSWD), the longest at 24 months. The landlord, however, did not

Table 19. Assets owned by respondents by source of credit, all provinces, 1992.

Item	Source of Credit							
	CRB		RR		COOP		All	
	No.	% (N=40)	No.	% (N=120)	No.	% (N=210)	No.	% * (N=370)
<b>Land</b>								
Farm land	26	65.00	90	75.00	125	59.52	241	65.14
Residential lot	28	70.00	97	80.83	137	65.24	262	70.81
<b>Building</b>								
Residential	35	87.50	116	96.67	201	95.71	352	95.14
Farm house	9	22.50	20	16.67	20	9.52	49	13.24
Poultry house	6	15.00	15	12.50	31	14.76	52	14.05
Hog house	14	35.00	36	30.00	72	34.29	122	32.97
Others	1	2.50	1	0.83	14	6.67	16	4.32
<b>Farm Machineries</b>								
Tractor	3	7.50	10	8.33	6	2.86	19	5.14
Weeder	-	-	1	0.83	7	3.33	8	2.16
Thresher	1	2.50	13	10.83	11	5.24	25	6.76
Irrigation pump	-	-	4	3.33	2	0.95	6	1.62
Others	8	20.00	34	28.33	85	40.48	127	34.32
<b>Personal Assets</b>								
Television	20	50.00	72	60.00	68	32.38	160	43.24
Radio/cassette	29	72.50	86	71.67	143	68.10	258	69.73
Stereo/sing-along	6	15.00	36	30.00	24	11.43	66	17.84
Video cassette recorder	7	17.50	29	24.17	8	3.81	44	11.89
Car/jeep	2	5.00	8	6.67	3	1.43	13	3.51
Others **	13	32.50	49	40.83	52	24.76	114	30.81

\* Total more than 100% due to multiple response.

\*\* Includes refrigerator, tricycle, wall clock, sewing machine, truck, electric fan, typewriter, motorcycle pump boat, gas range, sala set, welding machine, bicycle, rechargeable lamp, washing machine and saxoph

Table 20. Average maturity of loans granted by credit institution and by purpose of loan, 1992 (in months).

Purpose of Loan	Credit Institution			
	CRB	RB	COOP	ALL
Crop Production	6	11	10	10
Livestock Production	12	11	48	24
Post-harvest facilities	8	12	*	9
Commercial	6	13	12	11
Industrial	9	22	-	18
Housing	12	300	-	156
Consumption/character	6	-	1	4
Salary	10	8	-	9

\* No response

fn:avmatpur

Table 21. Average maturity period of respondents by province and by source of credit, 1992 (in months).

Source of Credit	Province						
	Negros Occidental	Bohol	Cebu	Negros Oriental	Iloilo	Aklan	All
Cooperative Rural Bank	6	11	-	-	6	9	8
Rural Bank	8	11	12	8	7	12	9
Cooperative	10	8	10	12	6	6	9
Private money lender/ trader/miller/input dealer	6	-	-	-	12	-	6
Landlord	-	-	-	-	*	-	*
Other banks	6	-	-	-	12	12	10
Private sales/lending corp.	3	*	-	-	3	-	3
Others	10	-	-	-	18	24	15
All	9	9	11	10	7	10	9

\* No definite terms of payment.

fn:aveatur

set a specific time within which the loan has to be paid. Loans obtained from private money lenders, CRBs and other banks of Negros Occidental mature in six months, on the average.

Comparing the terms and conditions set by the different credit institutions, the coops seem to provide the most affordable terms for small farmers. It provides the longest maturity period coupled with lower interest rates for all types of loans although the type of loans granted are limited. Moreso, collateral is not a prerequisite or major consideration for loan approval.

#### Mode of Release

More than half of the loans released are in cash form (57%) but a large proportion (47%) also received their loans in cash and kind (Table 22). Except for the loans intended for crop production, loan releases were usually in cash. Notably, a greater percentage of loans obtained from RBs (92%) and CRBs (68%) were released in cash while most (76%) of the loans obtained from the coops were released in both cash and kind.

There appears to be a correlation between loan diversion and mode of release. The incidence of diversion of crop production loans obtained from CRBs and RBs is reportedly high compared to the coops. Loans borrowed by the coop respondents were actually used for the intended purpose. Loan diversion could easily be done if the loans were in cash since the debtor could easily use it to buy things other than what it was intended for. On the other hand, if loans were in kind, i.e. fertilizer, the debtor will have to go through the trouble of selling the fertilizers before the loan can be used for other purpose. Apparently, financial sources could look at the possibility of adopting the mechanism of releasing loans in kind to prevent loan plevaulting.

#### Perceived Effects on Productivity and Income/Welfare

Effectiveness of the different credit institutions can be viewed in terms of the impact of loans availed by the rural farmers on their productivity and income. During the survey, respondents were asked about their perceptions on the effect of their loans on their productivity and income/welfare.

About four-fifths (80%) of all borrower-respondents perceived that the loans they got helped increase their productivity (Table 23). The percentage of positive



Table 22. Mode of release of loans to respondents, by source of credit and by loan purpose, 1992.

Loan Purpose/ Mode of Release	Source of Credit									
	CRB		RB		COOP		Non-LBP Conduit		All *	
	No.	%	No.	%	No.	%	No.	%	No.	%
Crop production	(N=34)		(N=109)		(N=191)		(N=20)		(N=324)	
Cash	21	61.76	99	90.83	37	19.37	13	65.00	162	50.00
Kind	1	2.94	2	1.83	14	7.33	-	-	17	5.25
Cash and Kind	12	35.29	13	11.93	145	75.92	7	35.00	171	52.78
Livestock production	(N=5)		(N=8)		(N=36)		(N=2)		(N=51)	
Cash	5	100.00	8	100.00	24	66.67	2	100.00	39	76.47
Kind	-	-	-	-	6	16.67	-	-	6	11.76
Cash and Kind	-	-	-	-	6	15.67	-	-	6	11.76
Business/Commercial			(N=3)		(N=3)		(N=2)		(N=8)	
Cash	-	-	3	100.00	3	100.00	1	50.00	7	87.50
Kind	-	-	-	-	-	-	1	50.00	1	12.50
Cash and Kind	-	-	-	-	-	-	-	-	-	-
Emergency/medical needs							(N=1)		(N=1)	
Cash	-	-	-	-	-	-	1	100.00	1	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-
Housing							(N=2)		(N=2)	
Cash	-	-	-	-	-	-	2	100.00	2	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-
House repair/maintenance							(N=3)		(N=3)	
Cash	-	-	-	-	-	-	3	100.00	3	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-

Others		(N=2)		(N=1)			(N=1)		(N=1)	
Cash	2	100.00	1	100.00	-	-	1	100.00	4	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-
All Loans **		(N=41)		(N=121)		(N=219)		(N=29)		(N=370)
Cash	28	68.29	111	91.74	57	26.03	21	72.41	211	57.03
Kind	1	2.44	2	1.65	18	8.22	1	3.45	23	6.22
Cash and Kind	12	29.27	3	2.48	144	65.75	7	24.14	174	47.03

\* Total does not tally because respondents may have more than one source of credit.

\*\* Total does not tally because respondents may have more than one loan with different loan purposes.

fn:moreleas

Table 23. Number of respondents whose productivity increased due to the loan, by province and by source of credit, 1992.

Province/ Source of Credit	Increase		Did Not Increase		All	
	No.	%	No.	%	No.	%
<b>Negros Occidental</b>						
CRB	9	90.00	1	10.00	10	100.00
RB	17	85.00	3	15.00	20	100.00
COOP	64	80.00	16	20.00	80	100.00
All	90	81.82	20	18.18	110	100.00
<b>Bohol</b>						
CRB	7	70.00	3	30.00	10	100.00
RB	10	50.00	10	50.00	20	100.00
COOP	28	93.33	2	6.67	30	100.00
All	45	75.00	15	25.00	60	100.00
<b>Cebu</b>						
CRB	-	-	-	-	-	-
RB	15	75.00	5	25.00	20	100.00
COOP	18	90.00	2	10.00	20	100.00
All	33	82.50	7	17.50	40	100.00
<b>Negros Oriental</b>						
CRB	-	-	-	-	-	-
RB	19	95.00	1	5.00	20	100.00
COOP	14	70.00	6	30.00	20	100.00
All	33	82.50	7	17.50	40	100.00
<b>Iloilo</b>						
CRB	9	90.00	1	10.00	10	100.00
RB	18	90.00	2	10.00	20	100.00
COOP	35	87.50	5	12.50	40	100.00
All	62	88.57	8	11.43	70	100.00
<b>Aklan</b>						
CRB	6	60.00	4	40.00	10	100.00
RB	9	45.00	11	55.00	20	100.00
COOP	19	95.00	1	5.00	20	100.00
All	34	68.00	16	32.00	50	100.00
<b>All Provinces</b>						
CRB	31	77.50	9	22.50	40	100.00
RB	88	73.33	32	26.67	120	100.00
COOP	178	84.76	32	15.24	210	100.00
All	297	80.27	73	19.73	370	100.00

fn:prodinacr

response among the credit sources ranged from 73 percent (RBs) to 85 percent (coops). Of all the provinces covered, it was only in Aklan where the proportion of borrowers who said their productivity increased is relatively low (68%). The highest percentage (89%) was cited by respondents from Iloilo.

Majority (64%) of those who perceive that their productivity rose mentioned that the loans they got augmented their ability to procure inputs (64%) while others (34%) cited that they were also able to hire additional labor hence farm productivity improved (Table 24). Appendix Table 7 shows the responses across provinces. These figures further confirm the observation that releases of loans through cash and kind help the farmer allocate his resources. Farm inputs constitute the amount released in kind while the portion released in cash is intended for farm related expenses like payment for hired labor.

Majority of the respondents (82%) perceive that the loan contributed to the improvement of their income/welfare (Table 25). The perception is almost the same regardless of source of credit. The proportion of respondents in each province who said that the loans added to their welfare/income did not fall below 80 percent except in Bohol (67%). The highest percentage (94%) was reported by Aklan respondents (Appendix Table 8).

With the increase in production that the farmers realized as a result of the loans that they got, the 82 percent of respondents said their welfare/income level increased and they were able to buy their household needs (Appendix Table 9). Others mentioned that they were able to put up small businesses (7%) that provides them additional source of income.

Other respondents averred that their productivity did not change despite the loan that they got. The major reason cited by many (31%) of these respondents is the negative effect of the long dry season on their crops (Appendix Table 10). Others (16%) mentioned that they used their loans for house repair and not for productive purposes hence, it did not have any effect on productivity and income/welfare.

Table 24. Reasons why respondents' productivity increased, by source of credit and by province, 1992.

Frequency	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
		(N=31)		(N=88)		(N=178)		(N=287)
Increased ability to procure inputs	15	48.39	53	60.23	115	64.61	183	63.76
Increased ability to hire additional labor	-	-	5	5.68	5	2.81	10	3.48
Increased ability to procure inputs/ increased ability to hire additional labor	15	48.39	28	31.82	57	32.02	100	34.84
Purchase equipment for family business	1	3.23	-	-	-	-	1	0.35
No response	-	-	2	-	1	-	3	-

fn:reaspro2

Table 25. Number of respondents whose welfare/income increased due to the loan, by province and by source of credit, 1992.

Source of Credit	Increased		Did Not Increase		All	
	No.	%	No.	%	No.	%
CRB	31	77.50	9	22.50	40	100.00
RB	98	81.67	22	18.33	120	100.00
COOP	174	82.86	36	17.14	210	100.00
All	303	81.89	67	18.11	370	100.00

fn:welfinc2

## Viability

Viability, which refers to a credit institution's capability to succeed or become profitable, develop and function adequately at a given period of time, is another aspect that was looked into. The viability of a credit mechanism was assessed in terms of the following variables: (1) repayment rate; (2) collection mechanism; (3) trend in number of borrowers; (4) administration/lending cost incurred; (5) net income of conduits and their farmer-borrowers; (6) capital build-up; and (7) monitoring system.

### Collection Mechanisms

The credit institutions adopted various loan collection schemes. The largest proportion (68%) usually wait for borrowers to voluntarily pay their loans/amortizations although a considerable number of CIs send a written notice (30%) or representatives (24%) to borrowers to remind them that their payment is due, then wait for the borrowers to personally come to their office to pay their loans (Table 26). Sending of representatives/personnel to personally remind borrowers is a strategy that is more commonly adopted by the RBs than by the coops. CRBs do not practice this. In some instances, the coops and CRBs send a collector to personally collect the amount due.

From the borrowers' end, three common ways of repaying loans were cited. These are: (1) they were sent notice of payment due after which they went to the coop/bank to pay (42%); (2) they voluntarily pay their dues even without notice from the coop/bank (34%); or (3) they paid their loans after an official/representative from the bank/coop came to remind them of their obligations (19%) (Table 27). Some coop and RB borrowers pay their loans through the quedan while a few of the remaining individual borrowers pay directly to the LBP.

About one-half of the borrower-respondents (45%) reported that loans are collected from them every harvest; others (25%) pay every six months; while some (22%) pay yearly (Table 28). Most of the coop borrowers pay their loans after harvest, while CRB and RB borrowers commonly pay every year (32% and 37%, respectively). Appendix Table 11 show the frequency of loan repayment across province..

Around 95 percent of the borrower-respondents also mentioned that they paid their loans in cash while an almost equal proportion paid either in kind or in cash/kind (5% and 4%, respectively) (Table 29). All of the CRB and almost all RB borrowers paid cash. This is understandable

Table 26. Procedures of loan collection by credit institutions, 1992.

Procedures	Credit Institution							
	CRB		RB		COOP		All	
	No. (n=4)	%	No. (n=12)	%	No. (n=21)	%	No. (n=37)	%
Through quedan	-	-	-	-	6	28.57	6	16.22
Borrower pays personally at Coop/Bank	4	100.00	7	58.33	14	66.67	25	67.57
Bank/coop representative goes to borrower to remind payments then borrower goes to coop/bank to pay	-	-	5	41.67	4	19.05	9	24.32
Letter sent before maturity then the collector goes to borrower on maturity date	1	25.00	4	33.33	6	28.57	11	29.73
Collector goes to borrower on dates of maturity	-	-	2	16.67	-	-	2	5.41
LBP personnel reminds payment during general assembly	-	-	-	-	1	4.76	1	2.70

\* Total more than 100% due to multiple response.

fn:procoll



Table 27. Procedures of loan repayment by borrower-respondents, by source of credit, all provinces, 1992.

Procedures	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=40)	No.	% (N=120)	No.	% (N=210)	No.	% (N=370)
Bank/coop sends letter then borrower pays personally	26	65.00	64	53.33	66	31.42	156	42.16
Coop/bank waits for the borrower to pay personally w/o sending letter	7	17.50	28	23.33	89	42.38	124	33.51
Institution manager/official goes to the borrower's house personally	8	20.00	26	21.66	35	16.66	69	18.64
Pay directly or personally to LBP	-	-	-	-	5	2.38	5	1.35
Through quedan	-	-	8	6.67	25	11.90	33	8.92
Land Bank collector goes to lenders house	-	-	-	-	2	0.95	2	0.54
Through Brgy. Chairman	-	-	-	-	1	0.48	1	0.27
Through coop	-	-	-	-	1	0.48	1	0.27
Coop members/officials hold an assembly before maturity	-	-	-	-	1	0.48	1	0.27

fn:procosoc

Table 28. Frequency of loan collection from borrower-respondents by source of credit, all province, 1992.

Frequency	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
	(N=40)		(N=120)		(N=210)		(N=370)	
Every 6 months	8	20.00	35	29.17	51	24.29	94	25.41
Every after harvest	11	27.50	29	24.17	128	60.95	168	45.41
Every year	13	32.50	44	36.67	26	12.38	83	22.43
Every month	6	15.00	7	5.83	3	1.43	16	4.32
Every quarter	2	5.00	1	0.83	2	0.95	5	1.35
Others *	-	-	2	1.67	-	-	2	0.54

\* Includes every eight and nine months

Table 29. Mode of collection of loans from borrower-respondents, by source of credit and by loan purpose, all provinces, 1992.

Loan Purpose/ Mode of Release	Source of Credit									
	CRB		RB		COOP		Non-LBP Conduit		All *	
	No.	%	No.	%	No.	%	No.	%	No.	%
Crop production	(N=34)		(N=109)		(N=191)		(N=20)		(N=324)	
Cash	34	100.00	108	99.08	172	90.05	11	55.00	304	93.83
Kind	-	-	-	-	14	7.33	6	30.00	19	5.86
Cash and Kind	-	-	1	0.92	9	4.71	2	10.00	12	3.70
Livestock production	(N=5)		(N=8)		(N=36)		(N=2)		(N=51)	
Cash	5	100.00	8	100.00	36	100.00	2	100.00	51	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-
Business/commercial			(N=3)		(N=3)		(N=2)		(N=8)	
Cash	-	-	3	100.00	3	100.00	2	100.00	8	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-
Emergency/medical needs							(N=1)		(N=1)	
Cash	-	-	-	-	-	-	1	100.00	1	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-
Educational needs							(N=2)		(N=2)	
Cash	-	-	-	-	-	-	2	100.00	2	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-
House repair/maintenance							(N=3)		(N=3)	
Cash	-	-	-	-	-	-	3	100.00	3	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-

Others		(N=2)		(N=1)			(N=1)		(N=4)	
Cash	2	100.00	1	100.00	-	-	1	100.00	4	100.00
Kind	-	-	-	-	-	-	-	-	-	-
Cash and Kind	-	-	-	-	-	-	-	-	-	-
All Loans **		(N=41)		(N=121)		(N=219)		(N=29)		(N=370)
Cash	41	100.00	120	99.17	200	91.32	20	68.97	350	94.59
Kind	-	-	-	-	14	6.39	6	20.69	19	5.14
Cash and Kind	-	-	1	0.83	9	4.11	3	10.34	13	3.51

\* Total does not tally because respondents may have more than one source of credit.

\*\* Total does not tally because respondents may have more than one loan with different loan purpose.

fn:modcoll

considering the fact that the banks do not have mechanisms to handle payment in kind. Among the credit sources, the borrowers from other sources of credit recorded the highest percentage which paid loans in kind (21%) and in cash and kind (10%). This could be due to existing marketing arrangements that borrowers and informal creditors enter into to ensure repayment, market for the goods produced and assured supply of palay for the traders to sell. Payment in kind was reported only for crop production loans.

Majority of financial institutions (86%) reportedly encountered problems in collecting loan repayments from their borrowers. Among the problems cited, foremost is non-repayment due to low production (72%) (Table 30). This problem was encountered by majority of the CIs. In contrast, almost all the borrower-respondents (98%) claim they had no problems regarding the loan collection scheme of their creditor institutions (Table 31). The problems cited by coop borrowers are in relation to the group liability principle. There are some members of the group who are unable to raise the necessary funds to meet their obligations while others do not remit their payment on time such that their payments are not credited by the coop/LBP. Bank borrowers on the other hand, said that the inaccessibility of banks constrain them from remitting their payments on time.

#### Repayment Rate

The average repayment rate of the respondents was about 37% (Table 32). The low repayment rate is due to the fact that as of interview date, most of the loans have not matured. The borrowers from non-LBP conduits (particularly GSIS, Pag-ibig and informal lenders/traders/millers), recorded the highest repayment rate of 56 percent. Among the LBP conduits, the Coops have the highest repayment rates, while CRB debtors posted the lowest, at 26 percent. Across loan types, the highest (58%) repayment rate reported are those house repair/maintenance while the lowest (8%) is that of emergency and medical loans. The repayment rate is high for house repair/maintenance loans because these loans were borrowed from sources such as GSIS and Pag-ibig where payment is done through monthly salary deduction. Meanwhile, coop borrowers who loaned for commercial/business purposes recorded the highest repayment rate. The repayment rate for livestock production (47%) is higher than that of crop production (37%).

The efficiency of non-LBP conduits (mostly traders), in collecting loan repayments is further reflected in the high repayment rates reported by borrowers in Negros Occidental, Aklan and Bohol (Appendix Tables 12 to 14). In fact, in Bohol, repayment rate to non-LBP conduits is 100 percent although coop borrowers who availed of loans for livestock

Table 30. Problems encountered in collecting loans from borrowers by credit institution, 1992.

Problems	Credit Institution							
	CRB		RB		COOP		All	
	No. (n=4)	%	No. (n=11)	%	No. (n=17)	%	No. (n=32)	% *
Only the interest is paid	-	-	1	9.09	-	-	1	3.13
Borrowers take their loan for granted	1	25.00	-	-	2	11.76	3	9.38
Diversion of loan	-	-	-	-	1	5.88	1	3.13
Non-repayment due to low production	3	75.00	7	63.64	13	76.47	23	71.88
No permanent office to hold transaction	-	-	-	-	2	11.76	2	6.25
Product sold to another market inspite of market tie-up agreement	-	-	-	-	1	5.88	1	3.13
Failure of PCIC to pay borrowers claim	-	-	-	-	2	11.76	2	6.25
Borrowers died	-	-	1	9.09	-	-	1	3.13
Borrower transferred to another place	-	-	2	18.18	-	-	2	6.25
<b>Total</b>	<b>4</b>	<b>100.00</b>	<b>11</b>	<b>91.67</b>	<b>21</b>	<b>100.00</b>	<b>36</b>	<b>97.30</b>

\* Total more than 100% due to multiple response.

fn:proencou

Table 31. Problems encountered by borrower-respondents re their creditors' collection scheme, all provinces, 1992.

Problems	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=40)	No.	% (N=120)	No.	% (N=210)	No.	% (N=370)
None	38	95.00	116	96.67	208	99.05	362	97.84
Cannot easily remit payment since other members of the group have no money	1	2.50	-	-	1	0.48	2	0.54
Some payment was not remitted to LBP by the credit source	-	-	-	-	1	0.48	1	0.27
Transportation going to the bank	-	-	1	0.83	-	-	1	0.27
No response	1	2.50	4	3.33	-	-	5	1.35

fn:proschem

Table 32. Average repayment rate of borrower-respondents by source of credit and by type of loan, all provinces, 1992.

Type of Loan	Source of Credit				
	CRB	RB	COOP	Non-LBP Conduits	All
Crop production	31	35	38	62	37
Livestock production	18	26	55	69	47
Commercial/business	-	42	79	27	42
Emergency/medical	-	-	-	8	8
Educational needs	-	-	-	0	0
House repair/maintenance	-	-	-	58	58
Others	20	21	-	-	20
All	26	36	41	56	37

fn:average



production also posted a very high repayment rate of 99 percent. In Iloilo, CRB borrowers recorded the highest repayment rate (83%) although mortgagors from non-LBP conduits who borrowed for livestock and crop production reported repayment rates of 100 percent and 73 percent, respectively (Annex Table 15). In Cebu and Negros Oriental, where no respondent sought financial assistance from non-LBP conduits, the highest repayment rates were paid by the coop (75%) and RB (27%) borrowers, respectively (Annex Tables 16 and 17). High repayment rates to the non-LBP conduits can be attributed to the tie-up mechanism that they employed to ensure efficient loan collection. For instance, traders and input dealers use marketing tie-up strategies, GSIS and Pag-ibig have the salary deduction scheme and the landlords normally deduct their tenant's loan from their share of the produce.

More than three-fourths (76%) of the borrowers claim that they are always able to pay their loans (Table 33). The highest proportion (38%) of borrowers who said they are not always able to repay their loans on time are the CRB borrowers while the lowest (17%) are the RB borrowers. The percentage of borrowers in each province who say that they are always able to pay their loans ranged from 67 percent (Bohol and Negros Occidental) to 100 percent (Cebu) (Appendix Table 18).

The borrowers' inability to repay their loans was attributed to a number of factors, foremost of which is the occurrence of calamities that adversely affected their harvest (Table 34). This reflects the uncertainties and risks involved in agri-lending which is the primary reason why a large number of banks particularly the commercial banks focus on other types of loans. Another reason why some of the borrower-respondents were not able to pay was that loan funds were used for other purposes.

Unfortunately, data gathered from the institutions are not sufficient to compute for the repayment rates since data on loan collection include repayments on matured and unmatured loans. Nevertheless, the amount of loan collection across credit sources were captured.

Table 35 shows that the average amount of loans collected decreased continuously from 1989 (P7.1 M) to 1992 (P5.4 M). This, however, is not a reflection that repayment rates are dropping since basically loans granted during the said period decreased. Repayment for crop, livestock and post-harvest facilities constituted the biggest portion from 1989 to 1992 primarily because this loan type also got the largest share of loan grants. Across credit institutions, RBs reported the highest loan collection in 1989 and 1990 and CRBs, in 1991 and 1992. Note that the percent share of repayment for commercial loans of CRBs has increased tremendously from 2% in 1989 to 24% in 1992. Likewise,

Table 33. Number of borrower-respondents who are always able to pay their loan, by province and by source of credit, 1992.

Source of Credit	Always		Not Always		All	
	No.	%	No.	%	No.	%
CRB	25	62.50	15	37.50	40	100.00
RB	100	83.33	20	16.67	120	100.00
COOP	156	74.29	54	25.71	210	100.00
All	281	75.95	89	24.05	370	100.00

fn:ablepay2

Table 34. Reasons for non-repayment by source of credit, all provinces, 1992.

Reasons	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
	(N=15)		(N=20)		(N=54)		(N=89)	
Bad harvest/low production due to calamities/pests and diseases	2	13.33	4	20.00	7	12.96	13	14.61
Money was used for other purpose	10	66.67	15	75.00	39	72.22	64	71.91
Low market price of crop	3	20.00	4	20.00	8	14.81	15	16.85
No money to pay/income deficiency	-	-	1	5.00	4	7.41	5	5.62
The balance was restructured	2	13.33	3	15.00	1	1.85	6	6.74
High farm expenses	-	-	-	-	3	5.56	3	3.37
Delayed harvest time	-	-	-	-	3	5.56	3	3.37
PCIC failed to pay the sugar planters	-	-	-	-	2	3.70	2	2.25
Payments were not remitted to LBP	-	-	-	-	2	3.70	2	2.25
No response	-	-	-	-	1	1.85	1	1.12
	2	13.33	2	10.00	3	5.56	7	7.87

fn:nonrepay

Table 35. Amount of loans collected, by type of loan and by year.

Credit Institutions/ Type of loan	Y E A R							
	1989		1990		1991		1992	
	Amount (P)	%	Amount (P)	%	Amount (P)	%	Amount (P)	%
<b>Cooperative Rural Bank</b>								
Agricultural	6,006,781	73.54	6,549,039	57.30	6,613,529	44.70	9,018,726	66.91
Commercial	122,819	1.50	2,221,428	19.43	1,938,701	13.10	3,218,486	23.88
Industrial	28,314	0.35	42,371	0.37	41,074	0.28	7,106	0.05
Housing	-	-	47,808	0.42	3,469,775	23.45	68,067	0.50
Consumption	13,000	0.16	7,000	0.06	13,000	0.09	39,333	0.29
Salary	1,996,861	24.45	2,562,546	22.42	2,720,575	18.39	1,127,091	8.36
<b>Total</b>	<b>8,167,774</b>	<b>100.00</b>	<b>11,430,192</b>	<b>100.00</b>	<b>14,796,654</b>	<b>100.00</b>	<b>13,478,809</b>	<b>100.00</b>
<b>Rural Bank</b>								
Agricultural	5,987,119	60.95	7,795,300	63.58	6,462,707	60.45	4,641,709	62.06
Commercial	1,840,724	18.74	2,943,441	24.01	2,898,163	27.11	1,376,392	18.40
Industrial	1,025,511	10.44	811,410	6.62	246,218	2.30	184,986	2.47
Housing	260,523	2.65	-	-	332,925	3.11	636,731	8.51
Consumption	-	-	-	-	-	-	-	-
Salary	708,327	7.21	710,640	5.80	751,605	7.03	639,714	8.55
<b>Total</b>	<b>9,822,203</b>	<b>100.00</b>	<b>12,260,791</b>	<b>100.00</b>	<b>10,691,618</b>	<b>100.00</b>	<b>7,479,532</b>	<b>100.00</b>
<b>Cooperative</b>								
Agricultural								
Crop production	76,647	100.00	386,570	91.40	572,147	92.81	868,950	78.38
Livestock production	-	-	-	-	21,000	3.41	236,000	21.29
Post-harvest facilities	-	-	-	-	14,531	2.36	3,738	0.34
Commercial	-	-	36,364	8.60	8,824	1.43	-	-
Industrial	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Consumption	-	-	-	-	-	-	-	-
Salary	-	-	-	-	-	-	-	-
<b>Total</b>	<b>76,647</b>	<b>100.00</b>	<b>422,934</b>	<b>100.00</b>	<b>616,502</b>	<b>100.00</b>	<b>1,108,687</b>	<b>100.00</b>

All

Agricultural	4,513,187	63.79	4,336,057	62.67	3,271,345	57.43	3,632,656	67.25
Commercial	1,058,436	14.96	1,548,805	22.38	1,189,885	20.89	1,001,954	18.55
Industrial	582,159	8.23	331,343	4.79	84,725	1.49	76,645	1.42
Housing	146,544	2.07	7,649	0.11	555,108	9.75	269,763	4.99
Consumption	2,438	0.03	1,120	0.02	1,677	0.03	5,364	0.10
Salary	772,845	10.92	694,263	10.03	593,495	10.42	415,395	7.69
Total	7,075,609	100.00	6,919,238	100.00	5,696,236	100.00	5,401,777	100.00

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fn:antlorep

share of repayment for commercial loans of RBs has also gone up from 1989 (19%) to 1990 (24%) and 1992 (27%) although in 1992, it dropped to 18 percent. Meanwhile, the amount of loan repayment for coops rose from ₱76,647 to ₱1,108,687 primarily because loans granted by coops also grew.

Maintaining a high repayment rate is critical to the viability of a financial institutions since it is through high repayment rate that the roll-over of funds is assured. However, achieving high repayment rates is heavily dependent on an efficient and aggressive collection scheme. Apparently, it is not enough that the banks/coops adopt the "wait and see" attitude in loan collection. In fact, to ensure high repayment rates private traders/lenders make sure that during harvest time, they are present so that they can get the payments right away.

Another mechanism that credit intermediaries could look into is the mode of loan repayment. Note that those who obtained crop production loans from non-LBP conduits and who paid their loans in kind or in cash/kind reported the highest repayment rates. Among the LBP conduits, the coops recorded the highest repayment rates and they also reported the highest payments in kind or cash and kind. On the other hand, CRB borrowers who generally pay in cash had the lowest repayment rates. If payments are made in cash, there are possibilities for the cash to be used for other purposes especially if the payment cannot be made immediately and considering the low level of income and savings of the farmers. Moreover, it will take sometime before the produce is sold and encashed so, oftentimes, cash payments are not delivered to the lender right away.

Another scheme that could be considered is marketing tie-ups. When the CRB was conceived, a market-tie-up scheme with the Area Marketing Cooperative (AMCs) was supposed to be employed. However, due to several factors, foremost of which is mismanagement, majority of the AMCs stopped their operations. Hence, if a marketing tie-up will be undertaken, it is imperative to ensure that the capacity of the institutions/organizations involved to deliver the necessary tie-up services can be maintained.

#### Financial Status of Conduits and Farmer-borrowers

Credit conduits. Based on their latest financial records, the 37 credit institutions netted an average income of ₱162,842 (Table 36). Across financial intermediaries, CRBs derived the highest average net income (₱481,444) although the RBs generated higher gross revenues. On the other hand, coops incurred an average net loss of ₱3,887. CRBs and RBs have higher average gross revenues and expenses because their volume of lending transactions are much bigger

Table 36. Financial status of the credit institutions (in pesos)\*.

Item	Credit Institutions			
	CRB	RB	COOP	All
<b>Income Statement</b>				
Average revenue	3,106,000	3,313,903	198,246	1,520,643
Average expenses	2,624,555	2,977,729	202,133	1,357,802
Average lending cost	952,590	1,434,729	55,531	599,818
Percent to ave. expenses	36.30	48.18	27.47	44.18
Administrative cost	389,066	786,642	12,469	304,265
Percent to lending cost	40.84	54.83	22.45	50.73
Cost of funds	93,348	82,403	944	37,353
Percent to lending cost	9.80	5.74	1.70	6.23
Average net income	481,444	336,174	(3,887)	162,842
<b>Balance Sheet</b>				
Average assets	19,938,632	18,029,540	988,294	8,930,675
Average liabilities	13,974,840	14,182,861	887,228	6,864,769
Average owner's equity	5,963,793	3,846,679	101,066	2,065,906

\* Period covered varied from 1991 to 1992.

fn:finstat

than those of coops. The CRBs normally cover one province; the RBs service at least one town; while the coops normally cover only one barangay/barrio.

The viability of the CIs could be assessed more thoroughly through the trends in their income at least for the last 3 years. However, due to the lack of trends on the part of the coops and the hesitations of most CRBs/ARBs to provide the necessary financial statements, this could not be done. The average assets and liabilities of the CRBs are much higher than the RBs and the coops.

In terms of average owner's equity, the CRBs reported the highest (P5,963,793) while the coops reported the lowest figure (P101,066).

More than half (57%) of the RBs reported net incomes above P50,000 (Table 37). Moreover, not a single RB incurred losses. In contrast, all the coops with financial statements reported net incomes of P50,000 or less with two incurring net losses. Meanwhile, the CRBs showed extreme trends in terms of net incomes. While one CRB netted more than one million pesos, another incurred net losses.

The lending cost constitute a large portion (44%) of the average costs of the CIs (Table 36). Almost half (48%) of the expenditures of the RBs were for its lending activities. In contrast, lending cost of the coops is only 27 percent of its average outlays. More than half (54%) of the lending cost of the RBs were for administrative outlays while the coops' administration expenses constitute less than one-fourth of the total lending cost. This is because coops usually have very few personnel. Furthermore, the cost of funds incurred by the coops is also the smallest probably because the amount of financial assistance they receive is less than the other credit sources and they are charged much lower interest rates compared to CRBs and RBs.

Income of farmer-borrowers. The respondents reportedly earned an average annual income of P51,390 in 1992 (Table 38). Among the three sources of credit, the RB borrowers had the highest average income (P65,082) while the coop borrowers earned the lowest income (P43,866).

Across provinces, respondents from Cebu received the highest average annual income (P91,501) while those from Bohol had the lowest at P30,530.

Table 39 shows that about 50 percent of the respondents fall below the poverty line of P32,500 per annum or P2,709/month (1992 NEDA Statistical Yearbook). The proportion of borrowers falling below this income level is highest among coop respondents (52%) and lowest (40%) among CRB borrowers. On the other hand, the proportion of borrowers who received incomes of more than P100,000 is



Table 37. Income distribution of credit institutions.\*

Income Class (Pesos)	Credit Institutions							
	CRB		RB		Coop		All	
	No.	% (N=4)	No.	% (N=12)	No.	% (N=21)	No.	% (N=37)
<0	1	25.00	-	-	2	9.52	3	8.11
0-50,000	1	25.00	2	16.67	11	52.38	14	37.84
50,001-100,000	-	-	1	8.33	2	9.52	3	8.11
100,001-500,000	-	-	4	33.33	-	-	4	10.81
500,001-1,000,000	1	25.00	2	16.67	-	-	3	8.11
>1M	1	25.00	-	-	-	-	1	2.70
PS not available	-	-	3	25.00	6	28.57	9	24.32
All	4	100.00	12	100.00	21	100.00	37	100.00

\* dates of financial statement ranged from 1991 to 1992.

fn:incodist

Table 38. Average annual income of borrower-respondents by source of credit and by province, 1992.

Province	Source of Credit							
	CRB		RB		COOP		All	
	Amt. (Pesos)	No. Reporting	Amt. (Pesos)	No. Reporting	Amt. (Pesos)	No. Reporting	Amt. (Pesos)	No. Reporting
Negros Occidental	41,282	10	67,491	20	45,173	80	48,877	110
Bohol	36,864	10	24,495	20	32,441	30	30,530	60
Cebu	-	-	96,396	20	86,606	20	91,501	40
Negros Oriental	-	-	81,220	20	41,979	20	61,599	40
Iloilo	58,892	10	76,032	20	38,003	40	51,424	70
Aklan	65,224	10	44,857	20	26,650	20	41,648	50
All Provinces	49,815	40	65,082	120	43,866	210	51,390	370

fn:averinco

Table 39. Income distribution of borrower-respondents by source of credit, by province and by income class, 1992.

Province/ Income Class	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
<b>Negros Occidental</b>								
32,500 and below	4	40.00	6	30.00	29	36.25	39	35.45
32,500 - 49,999	2	20.00	3	15.00	27	33.75	32	29.09
50,000 - 99,999	4	40.00	7	35.00	19	23.75	30	27.27
100,000 and above	-	-	4	20.00	5	6.25	9	8.18
All	10	100.00	20	100.00	80	100.00	110	100.00
<b>Bohol</b>								
32,500 and below	5	50.00	15	75.00	23	76.67	43	71.67
32,500 - 49,999	1	10.00	4	20.00	3	10.00	8	13.33
50,000 - 99,999	4	40.00	1	5.00	3	10.00	8	13.33
100,000 and above	-	-	-	-	1	3.33	1	1.67
All	10	100.00	20	100.00	30	100.00	60	100.00
<b>Cebu</b>								
32,500 and below	-	-	6	30.00	9	45.00	15	37.50
32,500 - 49,999	-	-	3	15.00	3	15.00	6	15.00
50,000 - 99,999	-	-	5	25.00	4	20.00	9	22.50
100,000 and above	-	-	6	30.00	4	20.00	10	25.00
All	-	-	20	100.00	20	100.00	40	100.00
<b>Negros Oriental</b>								
32,500 and below	-	-	11	55.00	11	55.00	22	55.00
32,500 - 49,999	-	-	-	-	5	25.00	5	12.50
50,000 - 99,999	-	-	2	10.00	3	15.00	5	12.50
100,000 and above	-	-	7	35.00	1	5.00	8	20.00
All	-	-	20	100.00	20	100.00	40	100.00
<b>Iloilo</b>								
32,500 and below	5	50.00	7	35.00	25	62.50	37	52.86
32,500 - 49,999	1	10.00	-	-	4	10.00	5	7.14
50,000 - 99,999	3	30.00	8	40.00	10	25.00	21	30.00
100,000 and above	1	10.00	5	25.00	1	2.50	7	10.00
All	10	100.00	20	100.00	40	100.00	70	100.00

Akian								
32,500 and below	2	20.00	8	40.00	13	65.00	23	46.00
32,500 - 49,999	2	20.00	3	15.00	6	30.00	11	22.00
50,000 - 99,999	4	40.00	8	40.00	1	5.00	13	26.00
100,000 and above	2	20.00	1	5.00	-	-	3	6.00
All	10	100.00	20	100.00	20	100.00	50	100.00

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All Provinces								
32,500 and below	16	40.00	53	44.17	110	52.38	179	48.38
32,500 - 49,999	6	15.00	13	10.83	48	22.86	67	18.11
50,000 - 99,999	15	37.50	31	25.83	40	19.05	86	23.24
100,000 and above	3	7.50	23	19.17	12	5.71	38	10.27
All	40	100.00	120	100.00	210	100.00	370	100.00

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fn:incosoc

highest (19%) among RB borrowers. Less than 10 percent of the CRB and coop borrowers fall within this income class.

Across provinces, the highest and lowest incidence of poverty can be observed in Bohol and Negros Occidental where 72 and 35 percent of the respondents, respectively fall below the poverty level. The figures, however, do not show any conclusive relationship between source of credit and income level of borrowers. An equal proportion of low income borrowers from Negros Occidental, Bohol, and Negros Oriental borrow from the RBs and coops. It is only in Iloilo and Aklan where a considerable number of poor borrowers (62% and 65%, respectively) obtained loans from the coops.

The trends in incomes could be related to the respondents' occupation. It can be observed that although across credit institutions, the bulk of the respondents' source of primary income are farm related, the proportion of coop borrowers who derive most of their income from the farm is higher (83%) than either the RB (66%) or the CRB (72%) borrowers (Table 40). In contrast, one third (33%) of the RB loaners derived incomes primarily from non-farm jobs while only 15% of coop borrowers are dependent on such source of income. The sources of primary income across provinces as indicated in Appendix Table 19 while Appendix Table 20 reflects their primary occupation.

Moreover, about half of the CRB and RB borrowers who have secondary sources of income considered farming only as their secondary source (Table 41). These show that most coop borrowers rely heavily on farming than other sources of income but as empirical studies have shown incomes derived from farming is normally lower than other sources of income especially non-farm sources. Furthermore, Appendix Table 21 indicate that about half of CRB and RB borrowers consider farm related activities as their secondary sources of income.

The RB borrowers are the least dependent on farming but they derived the highest annual net farm income (P32,360) (Table 42). On the other hand, CRBs borrowers received the lowest farm income (P20,359 per annum). The highest farm income (P73,126) was reported by a RB borrower from Negros Oriental while the lowest (P8,450) was made by a CRB borrower from Bohol. Among RB borrowers, those from Bohol also reported the lowest farm income (P10,269). This could be related to the farm area, crops raised and average production across credit institutions.

RB borrowers cultivate/own the highest average farm area (2.40 has.) while CRB borrowers, the lowest (1.76 has.) (Table 43). The borrowers who reported the highest and lowest farm incomes have farm sizes averaging to 4.51 and 0.74 hectares, respectively. Regardless of source of credit,

Table 40. Sources of primary income of borrower-respondents by source of credit, 1992.

Source of Income	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
Farm	29	72.50	79	65.83	175	83.33	283	76.49
Off-farm	-	-	1	0.83	3	1.43	4	1.08
Non-farm	11	27.50	40	33.33	32	15.24	83	22.43
All	40	100.00	120	100.00	210	100.00	370	100.00

fn:primiaco

Table 41. Secondary occupation of borrower-respondents by source of credit, 1992.

Secondary Occupation	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=26)	No.	% (N=82)	No.	% (N=139)	No.	% (N=247)
Farmer	8	30.77	36	43.90	29	20.86	73	29.55
Businessman	1	3.85	6	7.32	4	2.88	11	4.45
Hired farm laborer/helper	-	-	7	8.54	16	11.51	23	9.31
Dressmaker/tailor	1	3.85	2	2.44	2	1.44	5	2.02
Storeowner	2	7.69	2	2.44	6	4.32	10	4.05
Laborer	-	-	4	4.88	8	5.76	12	4.86
Carpenter	-	-	1	1.22	10	7.19	11	4.45
Fishing	2	7.69	1	1.22	7	5.04	10	4.05
Pensioner	-	-	2	2.44	5	3.60	7	2.83
Animal raising	5	19.23	4	4.88	19	13.67	28	11.34
Vendor	1	3.85	4	4.88	6	4.32	11	4.45
Brgy. official	1	3.85	1	1.22	11	7.91	13	5.26
Others *	5	19.23	12	14.63	16	11.51	33	13.36
Total	26	100.00	82	100.00	139	100.00	247	100.00
Percent to total borrower-respondents		65.00		68.33		66.19		66.76

\* Includes Truck/tricycle/motorcycle operator, Security guard, Welder, Teacher, Farmer, Electrician, Tuba gatherer, Carpenter/Sales representative, Bookkeeper, Trained pilot, Coop official/employee, Salvaro making, Remittance from abroad.

fn:secoccup

Table 42. Average annual net farm income of borrower-respondents by source of credit and by province, 1992 (in pesos).

Province	Source of Credit			
	CRB	RB	Coop	All
Negros Occidental	22,263	40,380	20,576	24,330
Bohol	8,450	10,269	18,274	13,968
Cebu		13,942	39,736	26,838
Negros Oriental		73,126	31,100	52,112
Iloilo	12,763	20,056	16,487	16,975
Aklan	37,960	36,388	10,383	38,305
All	20,359	32,360	21,324	26,421

fn:netinco



Table 43. Average farm size per respondent, by source of credit and by province, 1992 (in hectares).

Province	Source of Credit			
	CRB	RB	COOP	All
Negros Occidental	2.54	2.14	1.92	2.02
Bohol	0.74	1.27	1.71	1.40
Cebu	-	2.75	1.27	2.01
Negros Oriental	-	4.51	5.94	5.22
Iloilo	1.53	2.43	2.12	2.12
Aklan	2.21	1.27	1.35	1.49
All Provinces	1.76	2.40	2.19	2.21

fn:avefasiz

farmers from Negros Oriental cultivate the largest farms (5.22 has.) while the Bohol farmers till the smallest (1.4 has.). Farms in Negros Oriental are relatively big because most of these lands are either sugar-based or coconut-based plantations.

The farmer-respondents planted different crops, the most common of which were palay (65%); sugarcane (23%) and corn (19%) which are all annual crops (Table 44). Some raised permanent crops such as coconut (9%) but most planted annuals because they provide immediate returns. Meanwhile, there were few respondents who planted legumes and bananas basically for home consumption.

Regardless of crops planted, RB borrower recorded the highest average production per hectare (33,903 kgs.) while the CRB debtors reported the lowest at 5,054 kgs. per hectare (Table 45).

Across provinces, respondents from Negros Oriental gained the highest average income (₱52,112) probably because the most common crop planted in this province is sugarcane which is a high value. In contrast, Bohol which had the lowest average net farm income of ₱13,968 grow rice mostly.

The above discussion supports the premise that RB borrowers are more affluent than the CRB and coop borrowers. This could be due to the fact that the RBs put emphasis on the borrower's capacity to pay and income is one of the indicators of the capacity to pay. Moreover, the revenues of the borrower-respondents could also be associated with the collaterals being usually asked for by the RBs since the higher the income of the borrowers, the greater is his capability to buy large assets that could serve as collaterals being asked for. On the other hand, those with low incomes and cannot afford to buy the collaterals being asked by institutions such as RBs and CRBs will shift to other sources such as coops, other farmer organizations and even informal credit sources like private moneylenders, traders and input dealers who do not require collaterals.

#### Capital Structure/Build-up

The authorized capital of credit institutions surveyed averaged ₱3.2 million, of which ₱1.5 million (47%) is subscribed and ₱1.6 million (51%) is paid-up (Table 46). Of the three types of institutions, RBs have the highest authorized capital (₱7.8 million) while the coops have the lowest (₱0.4 million).

Funds for the institutions were raised through paid-up capital, membership fees, savings generated and other sources like annual dues, and general assembly fees (Table 47). In 1992, the average capitalization of the CRBs

Table 44. Major crops planted by respondents by source of credit, all provinces 1992.

Crops	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=40)	No.	% (N=120)	No.	% (N=210)	No.	% * (N=370)
Palay	33	82.50	77	64.17	130	61.90	240	64.86
Corn	6	15.00	28	23.33	38	18.10	72	19.46
Sugarcane	1	2.50	16	13.33	69	32.86	86	23.24
Coconut	5	12.50	10	8.33	19	9.05	34	9.19
Rootcrops	3	7.50	1	0.83	13	6.19	17	4.59
Legumes	1	2.50	9	7.50	4	1.90	14	3.78
Banana	3	7.50	4	3.33	7	3.33	14	3.78
Others	1	2.50	11	9.17	10	4.76	22	5.95
No response	2	5.00	8	6.67	8	3.81	18	4.86
Not applicable	2	5.00	-	-	2	0.95	4	1.08

\* Total more than 100% due to multiple response.

fn:croplant

Table 45. Average production per hectare, all crops,  
by source of credit, all provinces,  
1992 (in kgs.).

Source of Credit	Average Production Per hectare
Cooperative Rural Bank	5,054
Rural Bank	33,903
Cooperative	8,534
All	18,623

fn:aveprod

Table 46. Capital structure by credit institution, 1992 (in pesos).

Credit Institution	Kind of Capital		
	Authorized	Subscribed	Paid-up
Cooperative Rural Bank	4,250,000	2,172,200	2,444,076
Rural Bank	7,844,742	3,477,225	4,117,450
Cooperative	423,778	158,654	80,576
All	3,244,223	1,511,007	1,645,346

fn:capstruc

Table 47. Average amount of capital by source and by credit institution, 1992.

Sources	Credit Institution							
	CRB		BB		COOP		All	
	Amount (Pesos)	%	Amount (Pesos)	%	Amount (Pesos)	%	Amount (Pesos)	%
Paid-up capital	2,444,076	33.99	4,117,450	71.36	80,576	92.56	1,645,346	60.98
Membership fee	16,250	0.23	-	-	2,857	3.28	105,946	3.93
Savings	1,803,039	25.07	1,282,160	22.22	1,445	1.66	611,579	22.67
Others	2,928,058	40.72	370,205	6.42	2,173	2.50	335,279	12.43
All	7,191,423	100.00	5,769,815	100.00	87,051	100.00	2,698,150	100.00

fn:capblđ

reached ₱7.2 million, the RBs - ₱5.8 million and the coops - ₱87,051. In terms of generating savings and raising funds from other sources, the CRB ranked first. In 1992, the average savings generated by the CRBs was ₱1.8 million compared to the RBs' ₱1.3 million and the coops' ₱1,445. The CRBs were also able to generate substantial amount of funds from other sources (₱2.9 million) while the RBs raised only about ₱0.4 million and the coops, only ₱2,173.00. The weakness of the savings mobilization scheme of the coops is indicated by the fact that savings comprise only two percent of the coops total capitalization in contrast to 25 percent of the CRBs and 22 percent of the RBs.

The limited amount of capital generated will redound on the amount of loans that can be loaned out. The bigger the amount of capital base, the higher is the amount of loans that can be provided to the borrowers. Hence, the RBs and CRBs granted the larger amounts of loan than the coops. Moreover, the size of capital base also has bearing on the timeliness of loan. Because the institution has the resources, it can readily release loans upon approval of the application. This is probably one cause why RBs and CRBs process loans faster than coops.

In addition, the type of loan offered may also be influenced to some extent by the availability of funds. Rural banks and CRBs have greater capital base than coops hence they can afford to offer diversified loan types within the bounds of Central Bank restrictions. Much as some coops would like to offer other loan types, they are inhibited by the amount of funds available. For instance, acquisition of farm machinery/equipment is essential to farm production but not all coops can provide this type of loans and they have to give priority to production loans.

These findings indicate the capability of the CRBs to raise funds that may be available for lending and the relatively weak position of the coops, in general, in terms of putting up the necessary capital to back-up its operations. This could be related to the "age" of the institutions. All the CRBs have been operating for 11-15 years while majority (76%) of the coops have been in existence for less than 5 years (Table 48). The coops may have not yet built up their systems of processing loans and collecting repayments, and their manpower may not yet be as efficient as the CRBs or the RBs. On the other hand, the CRBs and RBs may have developed systems and mechanisms to more efficiently operate and manage their resources based on their long years of experience in the business.

The fact that the CRBs and RBs have stayed in the business for more than 10 years is an indication of the viability of their operations. On the other hand, it may be too early to say if the coops are viable or not considering that many of them are in operation for only a few years.

Table 48. Distribution of CI-respondents by number of years of operation, 1992.

No. of years of operation	C r e d i t   I n s t i t u t i o n							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
	(N=4)		(N=12)		(N=21)		(N=37)	
0-5	-	-	-	-	16	76.19	16	43.24
6-10	-	-	1	8.33	1	4.76	2	5.41
11-15	4	100.00	2	16.67	1	4.76	7	18.92
16-20	-	-	1	8.33	-	-	1	2.70
21 and above	-	-	4	33.33	-	-	4	10.81
No Response	-	-	4	33.33	3	14.29	7	18.92
Total	4	100.00	12	100.00	21	100.00	37	100.00

fn:disoper



Given time and proper supervision from concerned government agencies, they may also grow and become as viable as the other conduits of rural credit.

#### **Trend in Number of Borrowers**

The current number of borrowers was discussed on the section on effectivity. However, the trend in the number of borrowers across institutions was not captured. Nevertheless, for the coops and CRBs, one indication that could be used instead is the increase in the number of members. For the coops, membership grew from 903 to 3,906 while for CRBs, from 1,735 to 3,289 coops. If the number of members have increased, it could be inferred that these coops and CRBs are able to provide the necessary services to their members hence other people in the community are enjoined to become members too.

#### **Monitoring System**

The existence of loan diversion implies some lapses in the CIs' monitoring systems. Apparently, after loan release, most of the sample institutions do not check whether loans have been really used for the purpose that it was intended for. Probably because this entails additional manpower/administrative cost and because loan repayment is a more important consideration than utilization of loan for intended purpose. The attitude could be as long as loans are paid, loan diversion to other uses is immaterial; hence monitoring of loan utilization is not given much attention.

## Sustainability

The sustainability of the operations of the CIs is assessed to determine if they have the capability to continuously serve as a conduit of rural credit for a long period of time. Sustainability is related to the viability of a CI because a CI cannot provide continuous service unless it is viable. The variables critical to sustainability include: policies re-qualification of borrowers, default or non-repayment, credit investigation, savings mobilization, management/staff capability, (HRD, investment, etc.) and linkages with other FIs, and development organizations.

### Lending Policies/Procedures

Borrower's qualification. The credit institutions require different qualifications of their borrowers. Nearly 38 percent consider membership as a prime consideration while about 34% consider not only plain membership. They require that their borrowers should also be in good standing. About 35 percent each look at the applicant's capacity to pay and possession of collateral (Table 49). Across credit conduits, the foremost criteria differed. Rural banks considered more the capacity to pay (75%) and ownership of collateral (58%) while coops give priority to members (52%) especially to those members of good standing (38%). The difference in the criteria of these institutions could be due to their objectives. Banks operate for profit while coops were organized to provide service to their members. Meanwhile, CRBs which is a cross between RB and coops in terms of organizational set-up and functions, take into account membership (75%) and the possession of collateral (50%). One CRB also considers the viability of the borrower's business since it requires the borrower to be in business for at least three years.

Farmer-respondents cited the same reasons why they are qualified to borrow foremost of which is that they are Samahang Nayan/coop members (68%) (Table 50). Other important qualifications include also ownership of collateral (43%) and applicant must have a good track of record in terms of loan repayment (38%). These three factors are also the major qualifications preferred by each credit source although their ranking vary.

The importance to RBs of collaterals and good track of record is more evident in the provinces of Negros Occidental, Cebu, Negros Oriental, Iloilo and Aklan (Appendix Tables 22 to 26). It is only in Bohol that RBs considered SN/coop membership as a primary requirement.

Table 49. Lending policies on qualification of borrowers by credit institution, 1992.

Policy	Credit Institution								
	CRB		RB		COOP		ALL		
	No.	%	No.	%	No.	%	No.	% *	
	(N=4)		(N=12)		(N=21)		(N=37)		
Capacity to pay/									
With collateral	3	75.00	7	58.33	7	57.14	17	45.95	
Good character	-	-	3	25.00	-	-	3	8.11	
Paid the set minimum shares	-	-	-	-	2	9.52	2	5.41	
Actual tiller	1	25.00	2	16.67	4	19.05	7	18.92	
Undergo seminar on nature of loan applied for	-	-	-	-	1	4.76	1	2.70	
Member of good standing	1	25.00	-	-	8	38.10	9	24.32	
Membership	3	75.00	-	-	11	52.38	14	37.84	
No outstanding loan	-	-	-	-	3	14.29	3	8.11	
In business for three years	1	25.00	-	-	-	-	1	2.70	
CLT/EP Holder	-	-	-	-	1	4.76	1	2.70	
Resident of town barangay	-	-	-	-	6	28.57	6	16.22	

\* Total more than 100% due to multiple response.

fn:lendpol

Table 50. Qualifications of borrowers by source of credit, all provinces, 1992.

Qualifications	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=40)	No.	% (N=120)	No.	% (N=210)	No.	% (N=370)
Samahang Nayon/coop member	32	80.00	46	38.33	175	83.33	253	68.38
W/ collateral (i.e., land)	25	62.50	86	71.67	48	22.86	159	42.97
W/ good track record/without outstanding loan	17	42.50	52	43.33	79	37.62	148	40.00
Resident of/known in the barangay	4	10.00	7	5.83	31	14.76	42	11.35
W/ share of stocks in the institution	2	5.00	1	0.83	28	13.33	31	8.38
ARB beneficiary	-	-	-	-	27	12.86	27	7.30
Good citizen/with good moral character	-	-	9	7.50	14	6.67	23	6.22
W/ relatives/friends working in the bank	-	-	22	18.33	-	-	22	5.95
A farmer	1	2.50	3	2.50	18	8.57	22	5.95
Attended pre-membership seminar	1	2.50	1	0.83	19	9.05	21	5.68
W/ regular source of income	4	10.00	8	6.67	1	0.48	13	3.51
Has a position in the coop/bank	-	-	-	-	11	5.24	11	2.97
Farmland is ready for planting	-	-	-	-	8	3.81	8	2.16
Co-maker is an employee of the coop	-	-	-	-	4	1.90	4	1.08
A depositor	-	-	4	3.33	-	-	4	1.08
Parents are Rural Bank borrowers	-	-	1	0.83	-	-	1	0.27

fn:qualifi

(Appendix Table 27). On the other hand, most coop members in Negros Occidental, Negros Oriental, Iloilo and Bohol were granted loans due to their membership. It is only in Aklan where good track record is essential for coop-members while in Cebu, SN/coop membership and having a good track record are almost equally important.

Because the primary objective of coops is to provide the necessary services to members, even members with no capacity to repay are granted loans without any type of security. The laxity in the criteria of most coops in terms of borrower qualification may prove to be detrimental to its repayment rate and consequently, to its viability and sustainability. On the other hand, the main criteria of the RBs enhanced their financial viability hence among the three, they reported the highest net incomes. Moreover, at the borrower level, , The RB respondents posted the highest annual incomes and they also reported more assets than the CRB and coop borrowers.

Documentation requirements. The financial institutions require a number of supporting documents from the borrowers but the major requirements include: (1) residence certificate; (2) sketch plan/location map of farm and ID picture; and (3) tax declaration/current land tax receipt (Tables 51 and 52). About half of the RBs ask for the borrower's current land tax receipt while 42 percent asks for copy of the tax declaration. For the coops, more than half (52%) ask for ID pictures; 48 percent, for sketch plans/location maps and about 20 percent require CLT/EP, current land tax receipt and DAR certification re: being CARP beneficiary.

Most of the borrowers (95%) reportedly did not encounter any problems in complying with the various documentary requirements although about two percent reported that the preparation of these documentary requirements took some time (Table 53). This problem was cited mostly by the RB borrowers.

Credit investigation. Almost all (95%) of the financial institutions conduct credit investigation (Table 54). Only two CIs, both coops, did not conduct formal credit investigation but also informally assessed the qualifications of the borrowers before granting loans.

The common method of credit investigation is by field visitation and inspection of the borrower's farm/project. This is done by the majority of the CIs surveyed (Table 55). About one-fourth (26%) investigate the borrower's character/credit standing, while some (20%) appraised the value of the borrowers' collateral as part of the investigation process.

Table 51. Documentary requirement by credit institution, 1992.

Requirement	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	% (N=4)	No.	% (N=12)	No.	% (N=21)	No.	% (N=37) *
Chattel/real estate mortgage	1	25.00	4	33.33	1	4.76	6	16.22
Application for crop insurance with PCIC	-	-	1	8.33	1	4.76	2	5.41
Sketch plan/location map	1	25.00	4	33.33	10	47.62	15	40.54
Residence certificate	1	25.00	2	16.67	6	28.57	9	24.32
ID picture	-	-	4	33.33	11	52.38	15	40.54
CLT/EP	-	-	-	-	5	23.81	5	13.51
Tax declaration	1	25.00	5	41.67	2	9.52	8	21.62
Current land tax receipt	1	25.00	6	50.00	4	19.05	11	29.73
DAR certification re:								
CARP beneficiary	-	-	-	-	4	19.05	4	10.81
COOP membership form	1	25.00	-	-	2	9.52	3	8.11
Special power of attorney	-	-	2	16.67	-	-	2	5.41
Affidavit of adjacent owners	-	-	2	16.67	-	-	2	5.41
Statement of co-makers	-	-	2	16.67	1	4.76	3	8.11
Land title	1	25.00	3	25.00	2	9.52	6	16.22
Income tax return	-	-	3	25.00	-	-	3	8.11
Farm plan and budget	-	-	-	-	2	9.52	2	5.41
Proof of ownership/deed of sale	-	-	3	25.00	-	-	3	8.11
Others **	2		1		3	14.29	6	16.22

\* Total more than 100% due to multiple response.

\*\* Includes pension/income statement, marketing agreement, DA Certification, recommendation of coop leader, disclosure statement and discount statement

fn:dcreqci

Table 52. Supporting documentary asked from borrower-respondents by source of credit, all provinces, 1992.

Documentary Requirements	Source of Credit							
	CRB		RB		COOP		All	
	No.	₱	No.	₱	No.	₱	No.	₱
	(N=40)		(N=120)		(N=210)		(N=370)	
Residence certificate	39	97.50	100	83.33	134	63.81	273	73.78
Sketch plan	26	65.00	77	64.17	166	79.05	269	72.70
ID picture	30	75.00	47	39.17	112	53.33	189	51.08
Tax declaration	5	12.50	58	48.33	71	33.81	134	36.22
Coop certification	10	25.00	20	16.67	99	47.14	129	34.86
Land title	8	20.00	35	29.17	62	29.52	105	28.38
Co-maker	15	37.50	37	30.83	48	22.86	100	27.03
DA/DAR certification	10	25.00	27	22.50	60	28.57	97	26.22
Leasehold contract	10	25.00	27	22.50	42	20.00	79	21.35
Certificate of land transfer	10	25.00	7	5.83	50	23.81	67	18.11
Emancipation patent	10	25.00	7	5.83	50	23.81	67	18.11
Tax clearance	5	12.50	30	25.00	20	9.52	55	14.86
Certificate of bank technician	1	2.50	10	8.33	39	18.57	50	13.51
Tax/trust receipt	5	12.50	20	16.67	15	7.14	40	10.81
Financial statement	-	-	20	16.67	20	9.52	40	10.81
Landowner certification	-	-	20	16.67	19	9.05	39	10.54
Power of attorney	10	25.00	15	12.50	10	4.76	35	9.46
Feasibility study	-	-	10	8.33	20	9.52	30	8.11
Income tax return	-	-	20	16.67	10	4.76	30	8.11
Vicinity plan	-	-	20	16.67	10	4.76	30	8.11
Deed of assignment	-	-	-	-	20	9.52	20	5.41
Police/Brgy. clearance	-	-	-	-	19	9.05	19	5.14
Budget plan	-	-	-	-	12	5.71	12	3.24
Others*	20	50.00	117	97.50	64	30.48	201	54.32

\*Includes affidavit, parcellary plan, marketing agreement, board resolution, etc.

fn:docreqre

Table 53. Problems encountered by borrower-respondents in complying with the documentary requirements by source of credit, all provinces, 1992.

Problems	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=40)	No.	% (N=120)	No.	% (N=210)	No.	% (N=370)
None	38	95.00	108	51.43	204	97.14	350	94.59
Coop officials are not available	1	2.50	1	0.48	1	0.48	3	0.81
Difficulty in preparing feasibility took time	1	2.50	6	2.86	1	0.48	8	2.16
Others*	-	-	5	2.38	3	1.43	8	2.16
No response	-	-	-	-	1	0.48	1	0.27

\* Includes: preparation of documentary requirements is time consuming; mis entry of information, difficulty in filling-up application form, finding a co-maker and taking hold of landlord's certification; processing of tax declaration is very slow; and screening committee does not sign the application form right away.

fn:comply



Table 54. Number of institutions conducting credit investigation by credit institution, 1992.

Credit Institution	Conducting		Not conducting		All	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	4	100.00	-	-	4	100.00
Rural Bank	12	100.00	-	-	12	100.00
Cooperative	19	90.48	2	9.52	21	100.00
All	35	94.59	2	5.41	37	100.00

fn:invest

Table 55. Methods of credit investigation by credit institution, 1992.

Methods	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	%	No.	%	No.	%	No.	% *
(N=4)		(N=12)		(N=21)		(N=37)		
Ocular inspection/field visitation	4	100.00	8	66.67	15	78.95	27	77.14
Appraisal of collateral	2	50.00	4	33.33	1	5.26	7	20.00
Examination of project proposal	-	-	2	16.67	1	5.26	3	8.57
Investigation of borrowers character/credit standing	2	50.00	4	33.33	3	15.79	9	25.71
Investigation of credit committee	-	-	-	-	3	15.79	3	8.57
Personal interview with borrowers/referrals	1	25.00	-	-	-	-	-	-

\* Total more than 100% due to multiple response.

fn:proced

Among those conducting credit investigation, (60%) have a full-time credit investigator (Table 56). Almost all (92%) of the RBs have full time investigators while less than half of the coops (42%) and half of the CRBs have. In some CIs, credit investigation is done by the loan officer or the credit committee so they have no need for a full-time credit employee just for credit investigation (Appendix Table 28).

Different methods were employed to check the background of the borrowers. For the 307 borrowers who underwent credit investigation (Appendix Table 29), 79 percent reported that on-site farm investigation/ocular inspection of collateral were conducted (Table 57). Others said that information was drawn from their neighbors (11%) while previous credit records of around seven percent were examined.

Sixty-three borrowers were granted loans without credit investigation. About 80% of five CRB and 37 coop borrowers and 57% of RB borrowers were able to obtain loans on the basis of good track record and good character (Appendix Table 30).

Conducting credit investigation lessens the risk of loan defaults since the qualification of the borrower and his capacity to pay is assessed thoroughly. The probability of recouping the CIs' expenses is improved through high repayment rates. Consequently, continuous turnover and flow of funds from the lending institution to the borrowers are assured thus enabling the CI to maintain if not further improve its financial position and serve more and more clientele. However, some credit sources especially coops have scarce financial resources to hire full-time credit investigators thereby constraining their ability to screen borrowers. To be able to better screen borrowers and ensure high repayment rates, the coops can strengthen its information and education campaign regarding the responsibilities of its borrowers and instill social/peer pressure within the organization.

Loan limit. As pointed out earlier, the CIs set loan limits. The major factor considered in setting loan limits is the type of loan although farm size is also essential to some CIs (Table 58).

Based on the responses of all farmer-borrowers the average loan ceiling regardless of credit source in all provinces is ₱27,766 (Table 59). Across credit sources, CRBs have the highest average loan ceiling at ₱54,421 while cooperatives, the smallest (₱14,902). These loan ceilings could be related to the capital/resources of the three credit sources since RBs and CRBs usually have higher capital base/assets than coops. Hence they have more funds

Table 56. Number of CI-respondents who have full-time credit investigator, 1992.

Credit Institution	With Full-Time Investigator		W/out Full-Time Investigator		Al	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	2	50.00	2	50.00	4	100.00
Rural Bank	11	91.67	1	8.33	12	100.00
Cooperative	8	42.11	11	57.89	19	100.00
All	21	60.00	14	40.00	35	100.00

fn: numinve

Table 57. Manner of credit investigation undergone by borrower-respondents by source of credit, all provinces, 1992.

Manner of Credit Investigation	Source of Credit							
	CBB		RB		COOP		All	
	No.	% (N=35)	No.	% (N=99)	No.	% (N=173)	No.	% (N=307)
On-site investigation of farm/ ocular inspection of collateral	31	88.57	81	81.82	132	76.30	244	79.48
Asked information from neighbors	2	5.71	11	11.11	20	11.56	33	10.75
Review previous credit records	1	2.86	6	6.06	14	8.09	21	6.84
Asked other coop members/co-farmers	-	-	-	-	14	8.09	14	4.56
LBP officials/credit committee assessed capacity to pay of the borrower	-	-	-	-	9	5.20	9	2.93
Asked info. from boundary landowner	3	8.57	5	5.05	-	-	8	2.61
Asked questions from co-maker	1	2.86	7	7.07	-	-	8	2.61
Inquire from other banks/lenders	2	5.71	-	-	5	2.89	7	2.28
Pay share of capital	1	2.86	-	-	2	1.16	3	0.98
Asked Brgy. Capt. about the borrower	-	-	-	-	3	1.73	3	0.98
Checked with landowner	-	-	1	1.01	1	0.58	2	0.65
Asked info. from Samahang Nayon manager	1	2.86	1	1.01	-	-	2	0.65
Checked with other banks	-	-	1	1.01	-	-	1	0.33

fn:manner

Table 58. Criteria on loan limit by credit institution, 1992.

Policy	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	%	No.	%	No.	%	No.	% *
	(N=4)		(N=12)		(N=21)		(N=37)	
Collateral offered	1	25.00	2	16.67	1	4.76	4	10.81
Capacity to pay	1	25.00	2	16.67	2	9.52	5	13.51
Character of borrower	-	-	2	16.67	3	14.29	5	13.51
Type of loan	2	50.00	2	16.67	18	85.71	22	59.46
Policies set by those in-charge	1	25.00	5	41.67	2	9.52	8	21.62
Viability of project	1	25.00	-	-	1	4.76	2	5.41
No response	-	-	2	16.67	1	4.76	3	8.11

\* Total more than 100% due to multiple response.

fn:criteria

Table 59. Average loan ceiling by source of credit and by province, 1992 (in pesos).

Province	Source of Credit			
	CRB	RB	COOP	All
Negros Occidental	6,950	14,211	15,510	14,498
Bohol	23,215	38,450	7,774	18,513
Cebu	-	89,500	20,400	51,111
Negros Oriental	-	13,125	10,000	11,515
Iloilo	20,350	57,158	20,526	30,735
Aklan	161,000	45,368	6,794	56,250
All Provinces	54,421	42,874	14,902	27,766

fn: loanceil

to relend besides the funds which they source from other financial institutions such as LBP.

Among the six provinces, the CRBs in Aklan have the highest loan ceiling (P161,000) while the CRBs in Negros Occidental (P6,950) and the coops in Aklan (P6,794) and Bohol (P7,774) are the lowest. Among the CIs in Bohol, Cebu, Negros Oriental and Iloilo, the RBs have the highest loan ceilings. It can be noted that the average loan ceiling for all CIs is lowest in Negros Occidental (P14,498) and Negros Oriental (P11,515). This is quite surprising considering that major crops in these provinces is sugarcane, a crop that is capital intensive.

Relending to delinquent borrowers. The CIs impose disciplinary action against borrowers who fail to pay their dues on maturity date without valid reason (Table 60). Appendix Table 31 indicate the basis of how CIs consider a borrower delinquent.

Imposition of surcharge ranging from two (2) percent to five (5) percent per month and litigation and foreclosure are the common actions taken against delinquent borrowers. Surprisingly, the coops impose a relatively higher surcharge (1% to 5% per month) than the RBs (2% to 8% per year). The RBs and CRBs resort to litigation and foreclosure more than the other measures probably because they require collaterals more than the coops. In some cases (22%), the CIs took over the management of the erring borrowers' farm, monetized the produce and used it to cover the loan. About 33 percent of the coops and eight percent of the RBs surveyed have taken this action against loan defaulters.

These disciplinary measures had been verified at the borrower level. Most of the borrower-respondents mentioned that their credit sources usually impose fines on erring borrowers while some, mostly coop borrowers, cited farm management take-over (Table 61). However, only a few borrowers reported that their credit sources resort to court litigation and foreclosure. The discrepancy could be due to the fact that many respondents have not undergone any disciplinary measure as evidenced by the 22 percent who said that although they know that their credit sources impose penalties on delinquent borrowers, they are not aware what these penalties are.

Further actions are taken by the CIs against these borrowers. Majority (70%) of the credit sources surveyed do not relend to delinquent borrowers (Table 62). This course of action is taken by almost all (90%) of the coops. On the other hand, delinquent borrowers from CRBs and RBs are allowed to borrow again once they have settled their obligations, although more stringent terms are imposed (Appendix Table 32). The borrowers were either charged higher interest rates or, in case of those who claim crop



Table 60. Disciplinary measures against delinquent borrowers by credit institution, 1992.

Disciplinary measures	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	% (N=4)	No.	% (N=12)	No.	% (N=21)	No.	% (N=37) *
Imposition of fines	1	25.00	8	66.67	11	52.38	20	54.05
Litigation and foreclosure	2	50.00	8	66.67	6	28.57	16	43.24
Farm management take over	-	-	1	8.33	7	33.33	8	21.62
No reloan	1	25.00	1	8.33	1	4.76	3	8.11
Balance will be deducted from the reloan	1	25.00	1	8.33	-	-	2	5.41
Suspension	1	25.00					1	2.70
Exclusion from being an officer	-	-	-	-	1	4.76	1	2.70

\* Total more than 100% due to multiple response.

fn:dmdelbor

Table 61. Penalties imposed for non-repayment by source of credit, all provinces, 1992.

Penalties	Source of Credit							
	CRB		RB		COOP		All	
	No. (N=40)	%	No. (N=120)	%	No. (N=210)	%	No. (N=370)	%
Imposition of fines	17	42.50	68	56.67	91	43.33	176	47.57
Farm management take-over	1	2.50	8	6.67	61	29.05	70	18.92
Litigation and foreclosure	1	2.50	4	3.33	11	5.24	16	4.32
Can't avail of any loan unless previous loan is paid	-		1	0.83	5	2.38	6	1.62
There is a penalty but respondent does not know	10	25.00	30	25.00	41	19.52	81	21.89

fn:penonrep

Table 62. Distribution of CI-respondents that relend and do not relend to delinquent borrowers, 1992.

Credit Institution	Relend		Do not relend		All	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	2	50.00	2	50.00	4	100.00
Rural Bank	7	58.33	5	41.67	12	100.00
Cooperative	2	10.53	19	90.48	21	100.00
All	11	29.73	26	70.27	37	100.00

fn:distrel

failure as the cause of non-repayment, asked to present proof of crop failure (Appendix Table 33).

An average of 64 percent of the loan must be repaid for the credit sources to allow borrowers with outstanding balance to borrow again (Table 63). In general, RBs require their defaulting borrowers to pay at least 82% of their obligations while the CRBs and coops require a lower percentage (53% and 52%, respectively) before they can borrow again. The 80% requirement of RBs is almost the same in all provinces studied, indicating that the figure may have been set for all RBs. There is great variation, however, in the requirements of CRBs and coops. The CRBs' loan repayment requirements range from 40 percent to 80 percent while that of the coops range from 25 percent in Iloilo to 65 percent in Negros Occidental. These measures are taken to minimize the risk of further defaults by delinquent borrowers.

The policies and procedures discussed influence the sustainability of a credit institution. If policies implemented are not workable and many problems arise, the number of borrowers will drop and repayment rates will decrease and the financial position of the institution may be jeopardized thus limiting its reach and compromising its long-term operations. In general, coops impose more stringent measures than the CRBs and RBs to ensure repayment of loans. This could be because coop loans do not require collaterals that can be foreclosed in case of defaults and through which the coops' expenses can be recovered.

### Savings Mobilization Scheme

Savings is one of the major sources of loanable funds. To be able to raise funds from people's savings, all CRBs, about 50 percent of the RBs and only 38 percent of the coops implement a savings mobilization scheme (Table 64). Notably, most of the coop (62%) do not have a savings mobilization scheme. This is attested by the fact that savings comprise only two percent of the coops' capital build-up.

Among the 18 credit conduits conducting savings mobilization schemes, 61 percent hold raffle draws to attract additional depositors or larger deposits from present depositors (Table 65). Some (22%) campaigned for deposits by offering higher interests.

LBP should motivate its conduits to develop fund generating programs and learn to rely on its own resources since there is no assurance that LBP will always have funds to supply the credit market. And even if it does, one cannot assume that the funds will always be sufficient to meet the

Table 63. Average percentage of loan repaid to allow reloan by source of credit and by province, 1992.

Province	Source of Credit			
	CRB	RB	COOP	All
Negros Occidental	80	80	65	68
Bohol	-	-	*	-
Cebu	-	80	-	80
Negros Oriental	-	88	58	70
Iloilo	40	73	25	50
Aklan	-	88	-	88
All Provinces	53	82	52	64

\*Respondent does not know.

fn:pereprel

Table 64. Distribution of CI-r espondents with or without savings mobilization scheme, 1992.

Credit Institution	With savings mobilization scheme		Without savings mobilization scheme		All	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	4	100.00	-	-	4	100.00
Rural Bank	6	50.00	6	50.00	12	100.00
Cooperative	8	38.10	13	61.90	21	100.00
Total	18	48.65	19	51.35	37	100.00

fn:distsavm

Table 65. Description of savings mobilization scheme by credit institution, 1992

Savings Mobilization Scheme	Credit Institution							
	CRB		RB		COOP		All	
	No.	% (N=4)	No.	% (N=6)	No.	% (N=8)	No.	% (N=18) *
Collects 3% for every borrower for capital build-up	-	-	-	-	1	12.50	1	5.56
Campaign for savings deposit by offering higher interest	1	25.00	2	33.33	1	12.50	4	22.22
Raffle draw every year	2	50.00	6	100.00	3	37.50	11	61.11
Pledges from members (P50.00)	-	-	-	-	1	12.50	1	5.56
Initial capital build-up for new members (P100) and membership fee (P10)	-	-	-	-	1	12.50	1	5.56
Savings incentive program for commercial borrower	1	25.00	-	-	-	-	1	5.56
Birthday plan	-	-	-	-	1	12.50	1	5.56

\* Total more than 100% due to multiple response.

fn:savmobsc

ever growing credit demands of farmers especially for production loans since input prices continue to rise. The fact that some CI-respondents claim that loans granted by LBP are not adequate imply that the CIs would have to find other means of generating funds. Moreover, the credit institution's capacity to produce its own funds have an impact on timeliness of loan. If a financial intermediary is not dependent on external funds for its lending activities, it will be able to release loans immediately upon loan approval. This could be one explanation why coops have longer loan processing time. Since their own funds are limited, they have to rely on external funds to be able to provide the loans.

Credit institutions consider their savings mobilization programs as a form of investment wherein they are able to attract more depositors. The return on investment is reflected on the increase in the number of savers/depositors. This indicates an increase in capital build-up, particularly the savings component. These are mechanisms that can help credit institutions attain financial soundness and stability. Moreover, if lending institutions are already self-sufficient, inavailability/lack of funds and allocation of capital will not be a vital problem in the rural credit market. Likewise, self-sufficiency means credit institutions can maintain the continuous flow of financial resources in the whole economy without relying on external sources.

### Management/Staff Capability

Profile of incumbent chairman. All the incumbent chairmen have not handled any other position in their respective financial institutions before becoming chairmen of the Board of Directors (Table 66). Both the RB and CRB chairmen have finished college, having completed at least 15 years of education while the coop's chairmen of the Board attended school for only an average of 12 years. This implies that there are coop chairmen of the Board who did not finish college.

Two of the CRB incumbent chairmen participated in the Management Training Seminar while the rest participated on the following trainings: (1) CB Seminar for Board of Directors; (2) Basic Rural Banking Courses; and (3) Leadership Training conducted by the CDA. Meanwhile, most of the RB chairmen/president attended seminars such as (1) Basic Rural Banking Courses; (2) Management Training; and (3) CB Seminar for Board of Directors. On the other hand, COOP chairmen have the most extensive trainings attended which include: (1) Pre-membership Education Seminar; (2) Management Training Seminar; (3) Value Enhancement; and (4) Rapid Appraisal Management.



Table 66. Profile of incumbent chairman of the Board of Directors by type credit institution, 1992.

Profile	Credit Institution			
	CRB	RB	COOP	All
Average no. of years in position held	1	2	1	2
Average no. of years in school	14	15	12	14
Trainings attended				
Management Training/Seminar	2	2	8	12
Technology Transfer for Plant and Animals /Farmers Class	-	-	3	3
CB Seminar for Board of Director	1	2	-	3
Rural Banking Course	1	7	2	10
PMES (Pre-membership Education Seminar)	-	-	16	16
Leadership Training (COA)	1	-	3	4
Executive Banking Course	-	1	-	1
Value Enhancement	-	-	5	5
Rapid Appraisal	-	-	1	1

fn:chair

Profile of incumbent manager. On the average, the number of years that the incumbent managers have been in position is five (Table 67). Cooperative incumbent managers have served the shortest number of years (2 years) and RBs, the longest (8 years). Cooperative rural bank managers have held their positions for an average of four years. This indicates that RBs rarely change their managers probably because most RB managers have run their own banks efficiently as evidenced by their strong financial position. Nevertheless, this could be a disadvantage if the incumbent manager is inactive.

All managers have spent an average number of 13 years in school. The CRB and RB incumbent manager had an average of 14 years of schooling while coop managers have 12 years. This also implies that incumbent managers from CRB and RB are all college graduate, while those from coop were not able to finish college. Also, it shows that coops are not very strict in terms of the educational attainment of their managers.

Other than being a manager, other positions were held by the incumbent manager. In CRB, as a Division head, while in RB as a Cashier. Meanwhile, record shows that Coop managers have the most varied positions held. Among these are Account officer, Coop officer, Auditor and Treasurer.

Comparing credit institutions, coops comprise the highest proportion of incumbent managers with various trainings attended, the most common of which are: (1) Pre-membership Training Seminar (PMES); (2) Cooperative Management/Basic Management; (3) Basic and Advance Bookkeeping. The CRB, on the other hand, participated mostly in the Basic Rural Banking Courses, and RB manager, the Basic Rural Banking Course, Credit Management and Planning and Budgeting.

It appears that the lack of formal training by coop managers is somehow compensated by the provision of informal training. The RB and CRB managers, on the other hand, who are better educated may already be prepared to handle the job and therefore requires little informal training.

For bank personnel, particularly those holding key positions, college education in the field related to banking and finance is a necessary requirement. They have to be professional who have leadership and management capabilities to make the bank earn profit.

On the other hand, educational qualification does not seem to be a critical requirement for coop personnel. Coop managers are oftentimes not professional managers. Some chairmen/presidents act as the manager at the same time. Thus some key officials to the coops do not have the experience and skills to handle effectively the affairs of

Table 67. Profile of incumbent manager by type of credit institution, 1992.

Position	Credit Institution			
	CRB	RB	COOP	All
Average no. of years in position held	4	8	2	5
Average no. of years in school	14	14	12	13
Other positions held				
a) Cashier	-	1	-	1
b) Chairman/Chairperson/President	1	-	-	1
c) Auditor	-	-	1	1
d) Treasurer	-	-	1	1
e) Account Officer	-	-	4	4
f) Division Head	1	-	1	2
g) Cooperative Officer	-	-	3	3
h) No response	-	1	-	1
i) none	2	9	8	19
Trainings attended				
Pre-membership Education Seminar	-	-	15	15
Strategy and Management	-	-	1	1
Basic/Advance Bookkeeping	-	-	4	4
Mgmt. of Small & Medium Scale Industries	-	1	1	2
Credit Management	1	2	-	3
Human Relation	-	-	3	3
Basic Rural Banking	3	10	-	13
Coop. Mgmt./Basic Mgmt.	1	-	5	6
Rediscounting Processing	1	-	-	1
Livestock Dispersal	1	-	-	1
Feasibility Study Preparation & Appraisal	-	2	3	5
Planning & Budgetary	1	-	3	4
Supervisory Development	-	1	-	1
Credit and Collection	-	-	1	1

\* 13 Cooperatives reporting

fn:manage

the coop. This can be one of the causes of failure of some farmers' cooperatives.

This is corroborated by the findings that among the three credit sources, only the coops suffered average net income losses. As a result they are not able to provide sustained and long-term services to farmers. A strong managerial foundation is necessary to be able to efficiently run an organization, much less handle its financial affairs. A credit institution handled by educated and well-trained officers is more likely to survive and succeed as shown by the CRBs and the RBs.

Moreover, the soundness of policies and procedures created hinge on a strong managerial foundation since management, particularly the Board of Directors is the one who formulates the policies. The coop may be at a disadvantage since most coop managers and Board of Directors do not have the essential educational training.

#### **Training Activities and Other Assistance Provided**

Training activities. Majority (76%) of the financial sources conduct trainings for its members/borrowers (Table 68). The coops being generally young conduct more trainings than either the CRBs or RBs. They conducted various types of trainings from management training to value enhancement (Table 69). It is notable, however, that not one among the coops conduct trainings on credit collection while both RBs and coops hold training on technology transfer.

In almost all the trainings, the involvement of the trainers from government line agencies like the DA, CDA/BACOD, LBP and DAR is noticeable (Appendix Table 34). Some NGOs also provided help in the training, particularly PBSP, SIFI, SWCP, LRB and NEDF among others.

Other assistance provided. Besides the financial assistance they are providing, 27 percent of the CI-respondents provide other types of service/assistance (Appendix Table 35). Surprisingly, there are more CRBs than either coops or RBs that give other forms of assistance to their borrowers.

The types of assistance provided is mostly related to technical services, i.e., seminars/training on crop and livestock production. Only one coop takes charge of the marketing/transporting of the produce of its members (Table 70).

Table 68. Distribution of CI-respondents who conduct training activities 1992.

Credit Institution	Conduct Training		Do Not Conduct Training		All	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	3	75.00	1	25.00	4	100.00
Rural Bank	7	58.33	5	41.67	12	100.00
Cooperative	18	85.71	3	14.29	21	100.00
All	28	75.68	9	24.32	37	100.00

fn:train

Table 69. Type of training conducted by CI-respondents for borrowers/members/officers, 1992.

Type of training	Credit Institution							
	CRB		RB		COOP		All	
	No.	% (N=3)	No.	% (N=7)	No.	% (N=18)	No.	% ± (N=28)
Management Training/Seminar	1	33.33	2	28.57	4	22.22	7	25.00
Technology Transfer	-	-	4	57.14	7	38.89	11	39.29
Account Officers Training	1	33.33	-	-	3	16.67	4	14.29
Credit Collection	1	33.33	1	14.29	-	-	2	7.14
Pre-membership Education Seminar(PMKS)	2	66.67	-	-	15	83.33	17	60.71
Leadership Training (CDA)	1	33.33	-	-	2	11.11	3	10.71
Value Enhancement	1	33.33	1	14.29	1	5.56	3	10.71
Rapid Appraisal Management	1	33.33	-	-	-	-	1	3.57

Table 70. Other assistance provided by credit institution, 1992.

Type of Assistance	C r e d i t      I n s t i t u t i o n							
	CRB		RB		Coop		All	
	No.	% (N=3)	No.	% (N=1)	No.	% (N=6)	No.	% (N=10)
Marketing/transporting of produce	-	-	-	-	1	16.67	1	10.00
Technical	3	100.00	1	100.00	5	83.33	9	90.00

fn:othass

Generally, provision of training activities and other assistance is a vital role that is supposed to be played by the credit conduits of LBP.

#### Linkages With Other Financial Institutions

The capital that the 37 institutions generate are not sufficient to sustain their lending activities. Hence, they resort to borrowings to augment their loanable funds.

Sources of financial assistance. The credit conduits surveyed were able to avail of loans from LBP, Central Bank of the Philippines (CBP), and other sources such as the Cooperative Development Authority (CDA), Bangkoop, Office of the Provincial Government of Negros Occidental, DTI and USAID (Table 71). Because all the CIs interviewed are LBP conduits, all have borrowed from LBP. In addition to sourcing funds from LBP, others also got financial assistance from the CBP.

The CRBs appear to have more access to the different sources of credit. One advantage of the CRB over the coops is that it has rediscounting/credit lines from CBP as long as it passes the past due ratio criteria. Note that because CRBs are banks as well as coops, its operations are regulated by both the CBP and the CDA.

Loan amount. The size of loan received by the credit institutions varied according to type of loan and source of loan. Among crop production loans, CBP gave the highest loan amount (P3,146,000) and the other sources the lowest (P50,000) (Table 72). The LBP supported projects are crop and livestock production and facility loans while CBP focussed on crop production, commercial and industrial loans. The other sources provided for multi-purpose loans, crop production, palay trading, industrial loans and facility loans.

The average amount of loans received across types of conduits differed. Cooperative rural banks got the highest loans from LBP for crop production (P2,056,557), while the coops received the lowest loan amount from LBP (P1,268,162). Notably not one among the coops have borrowed from the CBP. The CBP, on the other hand, is the RBs' biggest source of crop production loan funds. Regardless of loan type, CBP appears to provide bigger loans than LBP or other sources of credit while RBs derive higher loan amounts, ranging from P1,505,399 to P3,146,000.

These indicate that the rural CIs are quite dependent not only on LBP for loanable funds, but also on CBP and other sources to augment such funds. Rural banks, in particular, appear to rely heavily on CBP. Moreover, these show that CIs



Table 71. Sources of credit of CI-respondents, 1992.

Sources of credit	Credit Institution							
	CRB		RB		COOP		ALL	
	No	% (N=4)	No	% (N=12)	No	% (N=21)	N	% (N=37)
LBP	4	100.00	12	100.00	21	100.00	37	100.00
CBP	2	50.00	2	16.67	-	-	4	10.81
Other Sources	2	50.00	-	-	4	19.05	6	16.22

\* Includes CDA, BANGKOP, Office of the Provincial Government of Negros Occ DTI and USAID.

fn:soccirep

Table 72. Average amount of loans availed by credit institutions, by sources of loan and by loan type, 1992 (in pesos).

Sources/ Type of Loan	Credit Institution			
	CRB	RB	COOP	ALL
<b>LBP</b>				
Crop Production	2,056,557	1,505,399	1,268,162	1,438,765
Livestock Production	-	-	529,825	529,825
Facility loan	-	-	166,250	166,250
<b>CBP</b>				
Crop Production	2,000,000	3,146,000	-	2,382,000
Commercial	1,000,000	2,473,000	-	1,982,000
Industrial	1,000,000	1,800,000	-	1,400,000
<b>Other sources</b>				
Multi-purpose	400,000	-	-	400,000
Crop production	1,200,000	-	-	1,200,000
Operating capital loan	-	-	50,000	50,000
Industrial	-	-	500,000	500,000
Facility loan	-	-	464,000	464,000

fn:amtavail

are dependent on borrowed funds and that funds borrowed from LBP are not sufficient to meet credit demands so CIs have to borrow from other formal and informal sources.

Interest rates of loans availed. The LBP charged interest rates of six to 14 percent per annum and those provided by other sources ranged from five to seven percent per year (Table 73). The CBP charged an average interest rate of 15 percent annually for crop production, commercial and industrial loans although it can be noted that CRBs reportedly pay a higher interest rate (16%) compared to the RBs (14%) for the same type of loan. Also, CBP charged a higher interest rate compared to LBP.

Relending rates. The relending rates of funds sourced from LBP, CBP and other sources ranged from 16 to 26 percent per annum (Table 74). Facility and operating capital loans were not used for relending because they were utilized by the coops. The former was used to buy facilities such as rice mill and office equipment while the latter was utilized for additional operating capital. Relending rates of RBs (24 to 27% per year) appear to be higher than those of CRBs (19 to 26% annually) and coops (16 to 25% per annum).

Comparing Tables 73 and 74, the margins between the borrowing and the relending rates differed across lending institution and loan type. The highest margin, ranging from 10-13% was charged by LBP. For crop production loans, the loan commonly obtained by farmers, RBs charged the highest interest rate margin of 13%. The margins set by CRBs (5% to 10%) is comparable to that of the coops (4% to 10%). Margins charged by RBs are highest (13%) for crop production loans which were funded by LBP. In contrast, loans provided by LBP to CRBs and coops are charged very minimal margins (6% and 4%, respectively), just enough to cover lending costs. The margins of the RBs could be the highest because among the credit conduits the lending cost of the RBs is highest. Nevertheless, these margins are translated into incomes of the CIs, that is, the higher the margins set, the bigger are the incomes per loan transaction.

These findings indicate that interest rate charged by LBP should be at a reasonable level so that the mark-up imposed by the credit conduits on the relending rates will just be enough to recover their costs from lending activities. This proposition will avoid farmer-borrowers to be penalized by the high interest rates charged by the credit conduits. Anyway, the goal of the wholesale lending scheme of LBP is to make credit services available and accessible to the rural sector and not to take advantage of the high demand for financial assistance.

Banks have to be encouraged and provided incentives to lend to small farmers but the interest rate margin charged by the RBs seem to be quite high making credit less

Table 73. Average interest rate of loans availed by credit institution, by source of loan and by type of loan, 1992 (in percent).

Sources/ Type of Loan	C r e d i t   I n s t i t u t i o n			
	CRB	RB	COOP	All
<b>LBP</b>				
Crop Production	13	14	12	12
Livestock Production	-	-	12	12
Facility loan	-	-	6	6
<b>CBP</b>				
Crop Production	16	14	-	15
Livestock Production	-	-	-	-
Post-harvest facilities	-	-	-	-
Commercial	16	14	-	15
Industrial	16	14	-	15
<b>Other Sources</b>				
Multi-purpose loan	*			*
Crop production	5	-		5
Operating capital loan	-	-	7	7
Industrial	-	-	6	6
Facility loan	-	-	*	*

\* No response

fn:iravail

Table 74. Relending rate by credit institution and by source of loan  
1992 (% per year).

Source/Type of Loan	Credit Institution			
	CRB	RB	COOP	ALL
<b>LBP</b>				
Crop Production	19	27	16	17
Salary	-	-	-	-
Facility loan	-	-	*	*
<b>CBP</b>				
Crop Production	3	24	-	24
Livestock Production	-	-	-	-
Post-harvest facilities	-	-	-	-
Commercial	21	25	-	23
Industrial	21	25	-	23
<b>Other sources</b>				
Multi-purpose loan	26	-	-	26
Crop production	15	-	-	15
Operating capital loan	-	-	*	*
Industrial	-	-	16	16
Facility loan	-	-	*	*

\* Not applicable

fn:relrate

accessible to small farmers. This could also explain why the percentage of ARB borrowers is lowest for RBs.

Loan maturity. The average maturity of loans availed by the credit institutions differed according to type and source of loan. Facility loans from LBP had the longest term (18 months) while facility loans from other sources, the shortest (five months) (Table 75). Loans for crop production from CBP have longer paying periods (10 months) than those from LBP (nine months).

Across credit institutions, the maturity period of loans availed by coops is longer (ranging from five to 60 months) than that of CRBs and RBs (ranging from eight to 12 months) although one source which provided facility loan to the coops had a five-month terms of payment. Cooperatives may be given longer terms of payment because among credit conduits, they have the weakest financial position and therefore they have to be given more time to pay.

Collateral. The LBP usually required collaterals such as land/real estate mortgage (35%) from the respondents although it also accepted a variety of other collaterals like leasehold contract, standing crop and coop status (Table 76). Real estate mortgage were also the collateral required by CBP from three CI-respondents while three coops submitted their status to other credit sources as collateral.

Requiring borrower-coops to present collaterals to back up their loans is contrary to the major thrust of LBP's wholesale lending scheme (i.e., that financial assistance will be given on a non-collateral basis). This is because the target beneficiaries of this lending program are small farmers who are considered by other credit institutions as non-bankable because they do not have collaterals. However, LBP and its credit conduits cannot be censured for requiring collateral in their lending activities since inclusion of collateral lowers the risk due to non-repayment of loans.

Mode of payment. Most of the loans from LBP (84%) were paid in cash while the rest, in kind and cash (Table 77). All CBP loans as well as 83 percent of loans provided by other sources were paid in cash. Except for one who had no response, all loans secured by the CRBs, regardless of source were paid in cash. Meanwhile six coops (29%) paid in cash and in kind to LBP.

Length of loan processing. Length of loan processing of other sources appear to have extreme trends. While one-half of those who borrowed from other sources waited for less than one week to get their loans, the other half received theirs within one to three months (Table 78). Similarly, half of those who borrowed from CBP claimed that their loans were processed within a week but only 25 percent

Table 75. Average maturity of loan availed by CI-respondents by type of type of loan and by sources of loan, 1992 (in months).

Sources/ Type of Loan	Credit Institution			
	CRB	RB	COOP	ALL
LBP				
Crop Production	9	9	9	9
Livestock Production	-	-	17	17
Facility loan	-	-	18	18
CBP				
Crop Production	10	12	-	10
Commercial	8	10	-	9
Industrial	8	8	-	8
Others sources				
Multi-purpose loan	*	-	-	*
Crop production	12	-	-	12
Operating capital loan	-	-	12	12
Industrial	-	-	36	36
Facility loan	-	-	5	5

\* No response

fn:maturava

Table 76. Collateral required from CI-respondents by sources of loan and by type of loan, 1992.

Sources/Type of Loan	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	%	No.	%	No.	%	No.	%
<b>LBP</b>		(n=4)		(n=12)		(n=21)		(n=37)
Land/REM(Real Estate Mortgage)	3	75.00	7	58.33	3	14.29	13	35.14
Chattel Mortgage	1	25.00	-	-	1	4.76	2	5.41
Leasehold contract	-	-	-	-	1	4.76	1	2.70
Promissory note	-	-	-	-	3	14.29	3	8.11
Crop standing	-	-	-	-	1	4.76	1	2.70
Coop status	-	-	-	-	3	14.29	3	8.11
Emancipation patent	-	-	-	-	1	4.76	1	2.70
No response	-	-	5	41.67	8	38.10	13	35.14
<b>CRP</b>		(n=2)		(n=2)				(n=4)
Real Estate Mortgage	1	50.00	1	50.00	-	-	2	50.00
No response	1	50.00	1	50.00	-	-	2	50.00
<b>Other sources</b>		(n=2)				(n=4)		(n=6)
Coop status	-	-	-	-	2	50.00	2	33.33
No response	2	100.00	-	-	2	50.00	4	66.67

fn:collicire



Table 77. Mode of payment of CI-respondents and by source of loan, 1992.

Sources of Loan/ Mode of Payment	Credit Institution							
	CRB		RB		COOP		ALL	
	No	%	No	%	No	%	No.	%
LBP	(n=4)		(n=12)		(n=21)		(n=37)	
Cash	4	100.00	12	100.00	15	71.43	31	83.78
Kind	-	-	-	-	-	-	-	-
Cash/kind	-	-	-	-	6	28.57	6	16.22
CBP	(n=2)		(n=2)				(n=4)	
Cash	2	100.00	2	100.00	-	-	4	100.00
Kind	-	-	-	-	-	-	-	-
Cash/kind	-	-	-	-	-	-	-	-
Other sources	(n=2)				(n=4)		(n=6)	
Cash	1	50.00	-	-	4	100.00	5	83.33
Kind	-	-	-	-	-	-	-	-
Cash/kind	-	-	-	-	-	-	-	-
No response	1	50.00	-	-	-	-	1	16.67

fn:modpayci

Table 78. Length of processing of CI-respondents, by sources of loan, 1992.

Sources of loan/ Length of loan processing	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	%	No.	%	No.	%	No.	%
LBP	(N=4)		(N=12)		(N=21)		(N=37)	
less than 1 week	3	75.00	2	16.67	6	28.57	11	29.73
1-2 wks	-	-	7	58.33	6	28.57	13	35.14
3-4 wks	-	-	-	-	5	23.81	5	13.51
1-3 mos	1	25.00	1	8.33	3	14.29	5	13.51
more than 3 mos	-	-	-	-	1	4.76	1	2.70
No response	-	-	2	16.67	-	-	2	5.41
CBP	(N=2)		(N=2)				(N=4)	
less than 1 week	1	50.00	1	50.00	-	-	2	50.00
1-2 wks	-	-	1	50.00	-	-	1	25.00
3-4 wks	-	-	-	-	-	-	-	-
1-3 mos	1	50.00	-	-	-	-	1	25.00
more than 3 mos	-	-	-	-	-	-	-	-
Other sources *	(N=2)				(N=4)		(N=6)	
less than 1 week	2	100.00	-	-	1	25.00	3	50.00
1-2 wks	-	-	-	-	-	-	-	-
3-4 wks	-	-	-	-	-	-	-	-
1-3 mos	-	-	-	-	3	75.00	3	50.00
more than 3 mos	-	-	-	-	-	-	-	-

\* includes CDA, BANGKOOP, Office of the Provincial Gov't. of Neg. Occidental, DTI and USAID.

fn:loanproc

took one to three months. In contrast, only 30 percent of the LBP debtors were able to get their loans in one week to one month's time. Fourteen percent reported that loan processing of LBP took one to three months while one respondent claimed that he waited for more than three months.

The bulk (76%) of the CI-respondents said that they received their loans from LBP on time while 14 percent reported otherwise (Table 79). Likewise, all respondents from CBP said their loans came on time but in contrast, only half of those who availed of loans from other sources got their loans on time.

LBP documentation requirements. The list/bio-data of officers/board members/stockholders is the major requirement by LBP from most (65%) borrower institutions (Table 80). Some (35%), particularly many of the coops were required to present judge clearances. Other documents that were required include the following: (1) tax declaration; (2) articles of corporation/by-laws of coop; and (3) loan voucher. Seventy five percent of the CRBs were made to submit the list/bio-data of their officers/board members/stockholders and another 75 percent, resolution/by-laws.

The documentation requirements appear to vary depending may be on the particular use of the borrower institution. This implies that there are no specific/standard requirements for all types of borrowers. Around 81% of the CI-respondents averred that they had no problems in complying with LBP's documentary requirement (Appendix Table 35a). Appendix Table 36 also show the problems encountered by six CIs.

Adequacy of LBP loan. Close to 68 percent of the credit sources surveyed claimed that the loans provided by LBP are adequate to meet their loan fund requirements (Appendix Table 37). The proportion of institutions whose needs are adequate met is highest among the cooperatives. This could be because the loan fund requirements of the coops is not as much as the demand and needs of the CRBs and RBs.

Transaction cost with LBP. The average transaction cost with LBP of all credit institutions surveyed is ₱4,741 with coops spending the most (₱5,505) and RBs, the least (₱3,869) (Table 81). A large proportion (59%) of the expenses incurred by CRBs were on documentation while transportation cost constituted the greater percentage of the transaction costs of RBs and coops (51% and 42%, respectively). The expenses incurred for transportation by coops are greater than that of CRBs and RBs probably because coops are usually located in the barangays/remote

Table 79. Distribution of CI-respondents which received and did not receive their loan on time by source of loan, 1992.

Source of loan	C r e d i t   I n s t i t u t i o n							
	CRB		RB		COOP		ALL	
	No.	%	No.	%	No.	%	No.	%
LBP	(n=4)		(n=12)		(n=21)		(n=37)	
on time	3	75.00	8	66.67	17	80.95	28	75.68
not on time	1	25.00	1	8.33	3	14.29	5	13.51
No response			3	25.00	1	4.76	4	10.81
CRP	(n=2)		(n=2)				(n=4)	
on time	2	100.00	2	100.00	-	-	4	100.00
not on time	-	-	-	-	-	-	-	-
No response	-	-	-	-	-	-	-	-
Other sources *	(n=2)				(n=4)		(n=6)	
on time	2	100.00	-	-	1	25.00	3	50.00
not on time	-	-	-	-	3	75.00	3	50.00

\* Includes CDA, BANGKOOP, Office of the Provincial Gov't. of Negros Occidental, DTI and USAID.

fn:ontime

Table 80. Documentation requirement that LBP asked from the credit institution, 1992.

Documentary Requirement	Credit Institution							
	CRB		RB		COOP		All	
	No.	% (N=4)	No.	% (N=12)	No.	% (N=21)	No.	% (N=37) *
Status of farmers	1	25.00	3	25.00	6	28.57	10	27.03
List/bio-data of officers/ board members/stockholders	-	-	-	-	-	-	-	-
General assembly resolution	3	75.00	6	50.00	15	71.43	24	64.86
Insured properties	-	-	1	8.33	1	4.76	2	5.41
Co-makers statement	2	50.00	-	-	6	28.57	8	21.62
Tax declaration	1	25.00	-	-	4	19.05	5	13.51
Deed of assignment	1	25.00	4	33.33	7	33.33	12	32.43
Rediscounting agreement	-	-	3	25.00	8	38.10	11	29.73
Articles/by-laws of institution	1	25.00	1	8.33	1	4.76	3	8.11
Judge clearance	3	75.00	1	8.33	8	38.10	12	32.43
Loan voucher	-	-	2	16.67	11	52.38	13	35.14
Trust receipt	2	50.00	1	8.33	9	42.86	12	32.43
No response	-	-	-	-	1	4.76	1	2.70
	-	-	2	16.67	-	-	2	5.41

\* Total more than 100% due to multiple response.

fn:doclbp

Table 81. Average transaction cost with LBP by credit institution, 1992 (in pesos).

Item	Credit Institution							
	CRB		RB		COOP		All	
	Amount (Pesos)	%	Amount (Pesos)	%	Amount (Pesos)	%	Amount (Pesos)	%
Transportation	1,414	30.45	1,973	51.00	2,296	41.71	2,096	44.21
Documentation	2,719	58.55	1,257	32.49	1,113	20.22	1,334	28.14
Food	500	10.77	381	9.85	1,434	26.05	991	20.90
Fees	11	0.24	30	0.78	590	10.72	201	4.24
Donations/gifts	-	-	196	5.07	37	0.67	85	1.79
Others	-	-	32	0.83	35	0.64	34	0.72
All	4,644	100.00	3,869	100.00	5,505	100.00	4,741	100.00

fn:transco

barrios while the RBs and CRBs are usually in the town proper and so transportation cost to LBP office is less.

### Affiliation With Other Organizations

Majority (62%) of the financial institutions are affiliated with other organizations (Table 82) although linking is not yet common among coops. All CRBs are members of other associations while 83 percent of the RBs are also part of other organizations. In contrast, less than half (43%) of the coops are affiliated with other organizations.

There is no common organization joined by the 23 institutions although all the RBs are affiliated with the Rural Bankers Association of the Philippines (RBAP) (Table 83). Close to one-half (48%) of the 23 credit institutions have been affiliated with other organizations from one to five years while less than two-fifths (39%), for more than five years (Appendix Table 38).

Nearly one-half (48%) of the credit institutions joined other organizations because it was required while most (52%) claimed that the organizations are sources of assistance/services (Table 84). All CRBs became affiliates of other organizations because it was required. On the other hand, most RB-respondents gave the following reasons: (1) it was required (67%) and (2) they are sources of assistance/services (67%). The latter is also the major reason cited by 56 percent of the coops although around 33 percent said it was required.

Each credit institution has its own group of association or linkage from which they source assistance/services. With the help of these financial institutions and development organizations, credit conduits were able to sustain the ever-growing credit needs of rural farmer-borrowers.

### Development Plans and Programs

Plans to put up other projects. Of the 37 CI-respondents, only 32 (86%) have plans to put up other projects while the rest plan otherwise (Table 85). The CRBs recorded the highest percentage (100%) with plans of putting up various projects followed by coops (95%). Only 67% of the RBs plan to put up other projects.

Future projects planned by the CI-respondents varied across credit institutions. Half of the CRB plan to set up projects that will provide technical and financial assistance to the members while the rest plans to campaign for more responsible members/borrowers, put up additional

Table 82. Distribution of CI-respondents affiliated with other organization, 1992.

Types of services .	Yes		No		All	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	4	100.00	-	-	4	100.00
Rural Bank	10	83.33	2	16.67	12	100.00
Cooperative	9	42.86	12	57.14	21	100.00
All	23	62.16	14	37.84	37	100.00

fn:affilia



Table 83. Name of other organizations where CI-respondents are affiliated with, 1992.

Name of Organization	Credit Institution							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
FACNORI (Federation of Agr. Coop. in Negros Oriental Inc.)			-	-	1	11.11	1	4.35
VICTO								
Iloilo Foundation of Rural Bankers	1	25.00	1	10.00			2	8.70
Rural Bankers Asso. of the Phils.			4	40.00			4	17.39
Provincial Coop. Union	1	25.00					1	4.35
Murcia Federation Coop.					1	11.11	1	4.35
Coop. Rural Bank of Occidental Negros (CARON)					1	11.11	1	4.35
Neg. Occ. Fed. of Rural Bank							1	4.35
Phil. Business for Social Progress (PBSP)					1	11.11	1	4.35
Cebu Federation of Rural Bank							1	4.35
North Cebu Coop. Leader Assoc.					1	11.11	1	4.35
PCIC			1	10.00			1	4.35
Aklan Federation of Rural Bank							1	4.35
BANGKOOP	1	25.00			1	11.11	2	8.70
Bohol Federation of Coop.					1	11.11	1	4.35
Rural Bank Asso. of Neg. Occ.			1	10.00			1	4.35
Federation of Coop/Rural Bank	1	25.00			1	11.11	2	8.70
Coop. Union of the Phils.					1	11.11	1	4.35
ALL	4	100.00	10	100.00	9	100.00	23	100.00

Table 84. Reasons of CI-respondents for joining other organizations, 1992.

Name of organization/ Reasons for joining	C r e d i t    I n s t i t u t i o n							
	CRB		RB		CCOP		ALL	
	No.	% (N=4)	No	% (N=10)	No	% (N=9)	No	% (N=23)
Required	4	100.00	4	40.00	3	33.33	11	47.83
Source of assistance/service	-	-	6	60.00	6	66.67	12	52.17

fn:joinorg

Table 85. Distribution of CI-respondents with plans to put up other projects, 1992.

Credit Institution	With plans		Without plans		All	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	4	100.00	-	-	4	100.00
Rural Bank	8	66.67	4	33.33	12	100.00
Cooperative	20	95.24	1	4.76	21	100.00
					37	100.00

fn:plans

branches, provide post harvest facilities/marketing services and operate consumer store/consumer cooperatives (Table 86). Meanwhile, 63 percent of the RB respondents plan to establish other branches while the rest intend to extend loans for irrigation, campaign for quality membership, provide loans to nearby municipalities and procure computers to upgrade their data banking system (12% each). On the other hand, coop respondents mentioned about eleven future projects. Of all the projects mentioned, putting-up of post-harvest facilities/marketing services is their main concern/interest (65%), followed by livestock/fattening breeding (20%), and putting-up of consumer stores/consumer cooperatives (15%).

Plans to provide other services. More than half of the respondents (59%) have plans to provide other services besides the one that they are currently offering (Table 87). Across credit institutions, coops posted the highest percentage which have plans for future services (81%). On the other hand, only one-fourth (25%) of the CRBs and one-third (33%) of the RBs have plans of providing other services to their members. This could be because CRBs and RBs are already providing other services to their borrowers but the coops are still planning to expand their services.

The major future plans of coop respondents include the following: (1) putting up of consumers cooperative (35%); (2) post-harvest facilities and scholarship grant (18% each), and provision of agricultural farming inputs (i.e. fertilizers, pesticides etc.) and technical assistance to the members (12%) (Table 88). Meanwhile, RB respondents intend to upgrade their checking account (50%), offer foreign exchange service (50%) and provide payroll services/grant salary/commercial loans (25%) while one CRB wishes to provide checking accounts.

Credit institutions should take into account the current needs of their borrowers in general and the rural farmers in particular. The lending institutions can devise projects, as well as, new policies that are responsive to the immediate needs of the farmers/borrowers, and at the same time will make credit more accessible and affordable to the farmers.

Provision of financial support should be complemented with technical assistance to assure better utilization of loans, greater benefits from such loans and to avoid diversion of funds among farmer-borrowers. With a package of technical and financial assistance farmers can be imbued with the value of savings and investment. With improved services to the borrowers and more responsive lending policies, more borrowers can be reached, the efficiency of operations can be improved, thus lowering the cost of lending and improving the sustainability of the lending operations of the CIs.

Table 86. Future projects of CI-respondents, 1992.

Projects	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	% (N=4)	No.	% (N=8)	No.	% (N=20)	No.	% (N=32)
Livestock/fattening/breeding	-	-	-	-	4	20.00	4	12.50
Street lights	-	-	-	-	1	5.00	1	3.13
Water system	-	-	-	-	2	10.00	2	6.25
Build-up concrete coop. bldg.	-	-	-	-	1	5.00	1	3.13
School scholarship	-	-	-	-	1	5.00	1	3.13
Health center	-	-	-	-	1	5.00	1	3.13
Campaign for responsible members/ borrowers	1	25.00	1	12.50	-	-	2	6.25
Technical and financial assistance	2	50.00	-	-	-	-	2	6.25
Set-up branches	1	25.00	5	62.50	-	-	6	18.75
Extend industrial/commercial loans	-	-	1	12.50	-	-	1	3.13
Palay trading	-	-	-	-	2	10.00	2	6.25
Post-harvest facilities/marketing service	1	25.00	-	-	13	65.00	14	43.75
Consumer store/cooperative	1	25.00	-	-	3	15.00	4	12.50
Extension of loans for irrigation	-	-	1	12.50	2	10.00	3	9.38
Stone craft	-	-	-	-	1	5.00	1	3.13
Extend loans to nearby municipality	-	-	1	12.50	-	-	1	3.13
Procurement of computer	-	-	1	12.50	-	-	1	3.13

\* Total more than 100% due to multiple response.

fn:future

Table 37. Distribution of CI-respondents with plans to provide other services by credit institutions, 1992.

Other services	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	%	No.	%	No.	%	No.	%
With plans	1	25.00	4	33.33	17	80.95	22	59.46
Without plans	3	75.00	8	66.67	4	19.05	15	40.54
Total	4	100.00	12	100.00	21	100.00	37	100.00

fn:planserv

Table 88. Future services of CI-respondents, 1992.

Services	Credit Institution								
	CRB		RB		COOP		ALL		
	No.	%	No.	%	No.	%	No.	%	
	(N=1)		(N=4)		(N=17)		(N=22)	*	
Consumers cooperative	-	-	-	-	6	35.29	6	27.27	
Post-harvest facilities/services	-	-	-	-	3	17.65	3	13.64	
Checking account	1	100.00	2	50.00	1	5.88	4	18.18	
Payroll services/grant salary/commercial loan	-	-	1	25.00	1	5.88	2	9.09	
Agricultural farming inputs	-	-	-	-	2	11.76	2	9.09	
Burial donor with death benefits	-	-	-	-	1	5.88	1	4.55	
Scholarship grant	-	-	-	-	3	17.65	3	13.64	
Foreign exchange	-	-	2	50.00	-	-	2	9.09	
Technical assistance to members	-	-	-	-	2	11.76	2	9.09	
No response	-	-	-	-	1	5.88	1	4.55	

\* Total more than 100% due to multiple response.

fn:futuser

## RESULTS OF CASE STUDY

The previous sections show that despite its goal, the wholesale lending scheme of LBP is reaching only a small percentage (30%) of small farmer borrowers and agrarian reform beneficiaries since collaterals are still essential especially among the RBs and CRBs. Moreover, problems such as low repayment rates, delay in loan processing and weak collection strategies have plagued the scheme. Other financial institutions besides LBP and its credit conduits have developed diverse strategies to reach the small rural borrowers particularly the farmers.

In this section, the mechanisms employed by eight credit institutions will be discussed to get more insights into the effectiveness of their operations and the viability and sustainability of the institutions. This section also studied the schemes employed by three private informal creditors to find out how different are their strategies from the formal lending institutions and why farmers continue to avail of this credit scheme. In the past, the instability and insufficiency of farmers' income and limited availability of credit to "non-bankable" farmer-borrowers caused them to resort to borrowing from informal lenders. This resulted in the proliferation of non-formal sources of credit despite the high interest rate that it is charging compared to formal credit institutions. However, given the new credit delivery strategy initiated by LBP through farmers' cooperatives, it may be interesting to find out which institution the small farmer-borrowers will patronize.

The eight credit institutions studied include one private development bank (Northern Mindanao Development Bank); one people's organization (People's Livelihood Foundation); two non-government organizations (Visayas Central Training Organization and Center for Agriculture and Rural Development) and four Lending Investors.

### Profile of the Different Credit Institutions

Northern Mindanao Development Bank (NMDB). NMDB is one of the country's fast-growing financial institutions that has a lending program specifically catering to the needs of the small farmers. Since its establishment in 1982 up to 1991, it has earned an average net income after tax of ₱2.0 million. Also, during the same period, the bank's initial authorized capital of ₱10.7 million surged to ₱95.2 million (Table 89). The institution's profitability led to the



Table 89. Authorized capital (P) of the different institutions, 1992.

Institutions	Authorized Capital (P)
Lending Investors	
Case 1	500,000
Case 2	500,000
Case 3	600,000
Case 4	2,000,000
Bank	
NMDB	95.2 Million
PO	
PLF (TILCO)	1 Million
NGO	
VICTO (VCF)	6.172 Million
CARD (LPF)	-
Individual Informal Lenders	
Mrs. B	-
Mr. O	-
Mr. M	-

fn:authcap

The bank initially engaged in home financing but when a new manager took over in 1985, the institution began to finance agricultural as well as industrial projects focusing on lending to small and medium scale enterprises.

People's Livelihood Foundation (PLF). PLF was established through the leadership of Mr. Bernabe Buscayno, widely known as "Kumander" Dante. The Foundation was registered with the Securities and Exchange Commission (SEC) in August 1988 but started its operation only on November 2, 1988.

PLF is an umbrella organization whose ultimate goal is to form a cooperative that will provide technology, marketing and credit assistance to the small farmers of Tarlac. These services were initially offered by PLF. However, in the early part of 1990, when the foundation's farmer-members were already prepared to organize and manage their own association as well as contribute their own shares, PLF decided to form Tarlac Integrated Livelihood Cooperative (TILCO). The cooperative was initially authorized to generate a capital-base amounting to ₱1 million (Table 89). With the birth of TILCO, the foundation gradually transferred some of its responsibilities and physical assets to the cooperative. Thereafter, PLF concentrated in the extension of services such as managing of central support services; conduct of seminars and trainings for accountants and other administrative personnel of the TILCO; consultancy services and bridge financing of the cooperative.

After the transition period of 1990, TILCO took over the financing/provision of credit to small farmers, while PLF handled non-agricultural loans ranging from ₱5,000 - ₱25,000 for small enterprises such as sari-sari store, machine shops, etc.

Visayas Central Training Organization (VICTO). VICTO is a non-government organization (NGO) established in 1972 in response to the strong demand by existing coops for training services. At first, it had 20 coop-members. As of 1992, total membership has increased to 285 cooperatives. VICTO is affiliated with the National Conference of Cooperatives (NATCCO) and provides services to cooperatives in the Visayas regions.

The center's operation started in Leyte but it rapidly developed its corporate structure and expanded its area of operations in other provinces/regions in the Visayas. The organization is offering services such as education and training; consultancy; audit; inter-coop trading; community organizing and financial assistance through the Visayas Central Fund (VCF). Although VCF is one of the major component in VICTO's organizational structure, it is managed by a separate management committee (MANCOM). It also

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Center for Agriculture and Rural Development (CARD). CARD was formed in December 1985 and was registered with the Securities and Exchange Commission (SEC) in 1987. However, it started its operation in January 1988. It was established to help uplift the standard of living of Filipinos living below the poverty level, especially those from the countryside. To attain its goals, CARD undertook three major activities: (1) capability/organization building; (2) demonstration of the actual use of appropriate farm technology; and (3) credit assistance.

In the first activity, CARD facilitated the skills and attitudinal development of farmers on the various technologies through training and direct organizing activities. In the second, CARD, demonstrates the farming systems approach to agricultural production in its one-hectare farm located in barangay San Cristobal, San Pablo City. Modules in the farm includes coconut, pineapple, vegetable, legumes and fruit production; livestock and poultry raising; and compost making. In the third activity, CARD provides direct financial assistance to its clientele partly using its revolving fund and other funds accessed through grants and financial aide from banks, donor agencies and civic organizations.

Lending investors. Lending investor number one (LI1) is located in San Pablo City and its base of operation is concentrated in the market area. Its actual date of registration with the Central Bank of the Philippines (CBP) is December 11, 1991, but it actually started its operation on January 2, 1992. Initially, it had only 26 borrowers. The number of borrowers increased significantly and as of Nov. 1992, the number has increased to 80. The authorized capital that CBP allowed (LI1) to generate is ₱500,000 (Table 89).

The second lending investor (LI2) is also located in San Pablo City and its operation is concentrated within the

city proper. It was registered with the Central Bank of the Philippines (CBP) in April 1991 but actually started operating in May 1991. It started serving only 20 borrowers but as of Nov. 1992, the number of borrowers has increased to 200. It has an initial capital-base of ₱500,000 (Table 89) which grew to ₱1.6 million in 18 months' time.

The third lending investor (LI3) is located in Lipa City and its operation is also concentrated in the city proper. It was registered with the Security and Exchange Commission (SEC) in June 1991 but started its actual operation in October 1991. In its initial month of operation, it had only 10 borrowers and this number has increased to about 100 as of Nov. 1992. It was allowed to generate an initial amount of capital worth ₱600,000 (Table 89).

The fourth lending investor (LI4) which is also located in San Pablo City provides services to the provinces of Quezon, Batangas, Tarlac and even Metro Manila. This is the oldest of the LIs that were included in the study. It was registered with the Securities and Exchange Commission (SEC) and at the same time started its operation in September 1987. It has an initial capital of ₱2 million (Table 89) which was generated from the shares of 19 persons who were given 2.5 percent monthly interest income.

Individual informal lenders. The first individual informal lender (IL1) (referred to as Mrs. B) resides in Loay, Bohol. She has been a resident of the village for 30 years when she started her moneylending activities in 1972. She started with an initial capital of ₱10,000 which she got from her husband who worked abroad (Table 89).

The second informal lender (IL2) (called Mr. O) lives in Capitan Sabi St. Talisay, Negros Occidental where he has been residing for 11 years. He is a college graduate whose main occupation is a rice miller/trader. He has been involved in the milling business for eight years and in trading for six years. Initially, Mr. O tried these businesses because these respond to the immediate needs of the farmers during those times. Starting with a capital of ₱10,000 which was derived from his own savings, Mr. O now has a total capital of ₱200,000 for both businesses. In 1991, he applied for a loan from banks because his own money was not enough to meet the increasing credit needs of the small "suki" farmers. With his lucrative lending business he was also able to provide credit to other farmers and small entrepreneurs (e.g., sari-sari store owners).

The third informal lender (IL3), Mr. M presently resides in Tabogon, Cebu although he has stayed there for only three years. He was not able to finish any degree but he earned units in commerce, criminology, and education. His primary occupation is farming. He owns 378 hectares of lands located in different towns of Cebu (Bogo, Daanbantayan, San Remigio and Tabogon). Of his lands, about 78 percent are leased to farmers while the remaining 22 percent which Mr. M supervises is farmed by hired laborers. The major crops planted in his farms are sugarcane and coconut. Annually, he is getting more than 50 bags of sugarcane for every hectare although coconut production is highly variable. In the leased lands, the sharing arrangement is 60 percent for the lessees and 40 percent for him.

### Lending Operations

Mechanisms to reach small farmers. The NMDB, PLF, VICTO and CARD have devised various strategies/schemes of extending loans to small farmers. The NMDB created the CPN Consortium along with the Cagayan Agro-Industrial Pioneer Corporation (Capicor), a trader of agricultural products and the Philippine Agro-Industrial Corporation (Phil-Agro), a manufacturer of cassava starch. Meanwhile, PLF, VICTO and CARD created other organizations namely TILCO, VCF and Landless People's Fund (LPF), respectively, which serve as their lending channels/financing arms. These lending channels have their own resources and staff but its operations are still being supervised and monitored by the "mother" institutions, i.e., PLF, VICTO and CARD, respectively.

CPN Consortium. NMDB's approach is more holistic and integrated and goes beyond mere provision of credit. The CPN Consortium provides three types of services/assistance (i.e., technology transfer, marketing and financing) to their beneficiaries. Phil-Agro provides the technical support by teaching farmers the appropriate methods of cassava cultivation and providing needed inputs like planting materials, fertilizers and pesticides. Meanwhile, Capicor handles the marketing component which involves monitoring the area at planting and more importantly at harvest time; arranging for the pick-up and delivery of produce, and ensuring prompt payment for the farmer's produce at an agreed price. Provision of credit is carried out by NMDB.

In 1989, NMDB granted a total of P1.2 million in production loans to 185 cassava farmers in Manolo Fortich, Bukidnon. The average loan size then was P6,800 per hectare. Total loans granted has increased to about P3 million in 1992 with average loan ranging from P9,000 - P9,800 per hectare while number of borrowers rose to about 310.

TILCO. TILCO began as Tarlac Integrated Livelihood Program (TIPLP) which was the first experimental project of PLF. Implemented in October 1988, it aimed to assist farmers and other members of Tarlac in bringing about for themselves through the concept of cooperativism, viable and sustainable sources of livelihood. The project was initiated in six barangays of Capas, Tarlac with 506 farmer-beneficiaries tilling an area of 1,019 has. of rice lands. Support services which include the provision of production loans, facilities for marketing and processing of the beneficiaries' palay, and technical assistance on palay farming were provided.

After two years, the TIPLP was converted to TILCO. As of 1992, the number of beneficiaries have increased to 3,134 covering a total area of 6,675.79 hectares, located in 51 barangays in the second and third districts of Tarlac.

LPF. In 1990, CARD initiated the LPF with the following objectives:

1. To provide banking services especially designed for landless rural workers (LRWs) by bringing bank services to community sites with the least financial costs;
2. To provide loans to "non-bankable" projects with no collateral; and
3. To institutionalize and establish a non-stock, non-profit Landless People's Bank with a minimum capitalization of P100,000 from pooled LRW members' Group Fund.

The LRWs are required to form into groups of five members after which they have to undergo series of trainings before LPF recognizes them as legitimate members and qualified to borrow from the LPF. The training consists of the following modules:

1. community organizing concepts and principles including value formation;

2. technical inputs in managing their organization, i.e., assisting the groups in writing their constitution and by-laws;
3. micro-enterprise development and management; and
4. orientation on LPF systems and procedures such as group formation, house to house visit, group recognition test, proposal preparation, loan approval, loan disbursement, loan utilization survey, monitoring of weekly meetings and weekly savings/loan amortization collection.

CARD's strategy is patterned after the Grameen Bank model. This strategy is founded on the belief that innovations that are combined social institutions building would have more long-term and sustainable effects in terms of changing people's attitude towards credit.

Implemented initially in San Pablo, Laguna, the LPF has as of September 30, 1992 covered 55 barangays in 13 municipalities (Table 90). It has organized and trained 192 groups which have been formed into 61 centers. The groups have 827 recognized members as of Nov. 1992. Through LPF, a total of ₱4.1 million had been loaned out to the members in the four provinces. The groups, on the other hand, have been able to generate ₱415,919.90 in savings. Loan recovery rate is high at 99.24 percent.

Note that the numbers of barangays reached (22), recognized members (420), number of groups organized (99) and centers formed (28) are highest in Laguna since the operation of the LPF was initiated in the said province. The largest financial assistance (₱1.6 million) also went to beneficiaries in Laguna who in turn generated the biggest group fund (₱294,677).

VCF. VCF was created in 1978 to address two main goals which are:

1. to generate capital which involves the mobilization of surplus funds from the coops to be placed in VCF in the form of investments and/or deposits; and
2. to deliver credit to coops to help them raise their financial viability and stimulate activities at the coop level.

Table 90. Status of LPP as of September 30, 1992.

	Province				Total
	Laguna	Quezon	Narindaque	Nasbate	
Number of municipalities	2	2	3	6	12
Number of barangays	22	10	12	11	55
Number of members	420	115	134	158	827
Number of centers	28	13	11	9	61
Number of groups	99	34	27	32	192
Total Financial Assistance (PM)	1.6	1.2	0.5	0.3	4.1
total group fund (Pesos)	294,677	54,377.90	34,215	32,650	415,919.90



From ₦1.9 million in 1986, VCF's total loans released grew to ₦10.2 million in 1992, at an average rate of 73 percent per annum (Table 91). However, the highest amount of loans granted (₦11.7 million) was realized by VCF in 1990. During that year, 75 coops were able to avail of loans from VCF.

Lending Investors and Individual Lenders. Although the four lending investors grant loans to small rural borrowers, they have not ventured into small farm lending. In contrast, lending transactions of the three individual lenders are with small farmers.

### Terms and Conditions of Loans Granted

Because of the heterogeneity of borrowers' needs, and the multiplicity of loan purpose, credit terms and conditions imposed, and different types of loans extended by either the formal or informal lenders vary considerably. Interest rate, maturity period and collateral requirement normally vary depending on the type of loan and the type of lending institution. Loans may either be secured (with collateral) or unsecured (without collateral). Since loans are extended in various forms different lending institutions also set different requirements regarding frequency of payment and penalties for non-repayment.

Type of loans granted. Type of loans granted differed across types of lenders. Lending investors cater to the credit needs of the small urban entrepreneurs, most particularly market vendors because the risks are much less and, because the borrowers have daily incomes collection of repayments can also be made daily. There is therefore, a faster rate of turnover of loanable funds which are then used to lend to other clientele. NMDB (CPN), TILCO and PLF on the other hand, provide agricultural loans to small farmers in addition to providing non-agricultural loans (Table 92). Similarly, the private informal lenders give financial assistance to small farmers, mostly for agricultural production.

VCF has four kinds of lending windows: (1) the liquidity window - for immediate and short-term financial need; (2) loans used for purposes like relending to individual coop-members, purchase of merchandise, production and marketing activities; (3) special loans approved based on the guidelines used for a particular project; and (4) special financing window wherein loan will be used for acquisition and improvement of existing assets.

Table 91. Loans granted and number of coops served,  
VCF, 1986-1992.

Year	Loans Granted (Pesos)	No. of Coops Served
1986	1,889,188	21
1987	3,768,257	20
1988	7,415,782	23
1989	8,982,374	51
1990	11,665,953	75
1991	10,418,225	57
1992	10,208,737	37

fn:lgravcf

table 92. Terms and conditions of loans granted by source of credit, 1992.

Sources of Credit/Type of Loan	Interest rate (%/annum)	Maturity	Frequency of Payment	Collateral
<b>A. Lending Investors</b>				
Case 1				
* Market vendor's loan	45	100 days	daily	none
Case 2				
* Commercial (includes market vendor's loan)	36	100 days	daily	none
* Salary	(average for all loan types)	6 months	15th & 30th of the mo.	none
* Chattel		one year	monthly	moveable assets
* Real Estate		one year	monthly	land
Case 3				
* Market vendor's loan	Info. not given	100 days	daily	none
* Salary		6 months	15th & 30th of the mo.	none
* Chattel		one year	monthly	moveable assets
* Real Estate		one year	monthly	land
Case 4				
* Market vendor's loan	46	100 days	daily	none
* Salary	38.9	one year	15th & 30th of the mo.	none
* Chattel	40	one year	monthly	moveable assets
* Real Estate	40	one year	monthly	lands
* Additional capital loan	40	one year	monthly	none
<b>B. Private Development Bank</b>				
NKDB (CPN Consortium)	Prevailing mkt. rates (20-25%)	8 months	every harvest	REM, Chattel mortgage anything that is of value
<b>C) People's Organization</b>				
PLY (TILCO)				
* Production loan	24	one year	every harvest	trust receipts.
<b>D. Non-government Organizations</b>				
VICTO (VCF)				

* Liquidity window	14	3 mo.- 1 year	every harvest	none
* Relending window	14	one year	every harvest	none
* Special financing	14	one year	every harvest	none
* Special credit	12	one year	every harvest	none

CARD (LPF)

\* Agricultural

\* Small-scale enterprise

Size of loan (P)

500-1000	18	3-5 months	weekly	none
1500-2000		6-10 months		
2500		10-12 months		
3000		12 months		
5000		12 months		
10000		12 months		

E. Individual Informal Lenders

* Mrs. B Provident Production	36-120 (depending on the type of loan)	1-2 months 4-6 months	daily every harvest	none none
* Mr. O Production	60	3-4 months (crop basis)	every harvest	land
* Mr. N Production	0	one year	every harvest	land

fn:tc1g

Interest rate. Among the credit institutions, informal lenders imposed the highest interest rate of 60 percent per annum (Table 92). It is followed by lending investors, TILCO, CPN consortium, LPF, and VCF. One informal lender charged zero interest for his borrowers but strictly requires collateral (i.e., land) because once the borrower is not able to pay his due he automatically forecloses the farmers' land.

Maturity. Maturity period differs by type of loan offered and the type of credit institution but on the average, the most common maturity period is on an annual basis (Table 92). Lending investors usually offer the shortest maturity period; i.e. 100-day maturity period; while the POs/NGOs offer the longest - one year. Maturity of loans from the CPN Consortium (8 months) is tied up to cassava production, the crop that CPN is supporting. The informal lenders, on the other hand, usually tie-up their loans to gestation period of the crops for which the loan was used, and this is usually four months.

Frequency of payment. The frequency by which lending institutions collect loan amortizations is apparently determined by the type of loan and borrower's type of economic activity. For instance, farmer-borrowers are required to pay their amortizations every after harvest while in the case of a government worker who applied for a salary loan, the payment is automatically deducted from his salary every 15th and 30th of the month and market vendors are asked to make daily payments.

Collateral. POs and NGOs appear to be more lenient with collateral requirements than banks, lending investors and individual lenders. Lending investors who offer chattel and real estate mortgage loan requires moveable assets and land as collateral, respectively (Table 92). The consortium also requires collateral such as land or other real estate mortgage, moveable assets and anything that is of value to the borrower. The value is not measured in monetary terms alone. CPN accepts collaterals that have "sentimental/emotional" value to the borrower even if the monetary value is low. For example, CPN accepts wedding gowns as collateral. In addition to the collateral, the farmer has to sign a loan marketing agreement with the consortium.

On the other hand, two individual informal lenders require land as collateral. Other lending agents including TILCO, VCF, LPF, and one individual lender do not require collaterals.

Documentary requirements. Formal credit sources usually require the borrowers to fill up certain forms and present papers attesting to the legitimacy of their business operations, feasibility and viability of the business enterprise that will be put up and promisory note. On the other hand, informal lenders like traders and landowners, usually do not require any written document from the borrower. However, it was found in this study that some individual lenders also require the borrowers to sign a marketing agreement with the lender although the PO respondent and one informal lender do not require any documents. Nevertheless, the documentation requirements of the informal lenders is still much less than that of the formal lenders (Table 93). The documents required by the formal institutions included in the case study are, however, much less and relatively simpler than those required by the banks covered in the survey.

Collection scheme. The lending institutions employ different collection schemes as indicated in Table 94 . The CPN Consortium collects payment through market tie-ups while LPF conducts weekly meetings to collect amortization from borrowers.

Before, VCF just waits for its clientele to come to their office to pay. This method proved to be inadequate since the number of delinquent coop-borrowers increased tremendously from eight (in 1988) to 65 (in 1991). The delinquency rate in fact grew from 7% to 62% for the said period while the amount of delinquent accounts rose from ₱223,324 to ₱3,629,724. Due to high delinquency rate, VCF hired a loan monitoring officer in February 1992, to ensure that there are no loan deviations and improve the collection rate. However, because of the high incidence of bad debt on past due accounts, the attention of the loan monitoring officer is currently focused on collecting bad debts.

Table 93. Documentary requirements of loans granted by source of credit, 1992.

Sources of Credit/Type of Loan	Documentary Requirements
<b>A. Lending Investors</b>	
Case I	
* Market vendor's loan	Loan application; Mayor's permit to operate business
Case 2	
* Commercial (includes market vendor's loan)	Mayor's permit; Loan application
* Salary	Loan application
* Chattel	Loan application; Cert. of registration, Official receipt
* Real Estate	Land Title
Case 3	
* Market vendor's loan	Mayor's permit, Loan application
* Salary	Loan application
* Chattel	Cert. of registration, Loan application Official receipt
* Real Estate	Land Title; Loan application
Case 4	
* Market vendor's loan	Mayor's permit; Loan application
* Salary	Loan application
* Chattel	Cert. of registration, Loan application Official receipt
* Real Estate	Land title; Loan application
* Additional capital loan	Income statement and Balance sheet of business; Loan application
<b>B. Private Development Bank</b>	
NMDB (CPN Consortium)	Loan application promissory note, loan/marketing agreement with consortium
<b>C. People's Organization</b>	

PLF (FILCO)	Loan application, promisory
* Production loan	note, trust receipt, farm plan and budget

D. Non-government Organizations

VICTO (VCF)	Project proposal,
* Liquidity window	loan application; promisory note and trust receipt

- \* Relending window
- \* Special financing
- \* Special credit

CARD (LPF)	Loan application, promisory note,
* Agricultural	project proposal
* Small-scale enterprise	-do-

E. Individual Informal Lenders

* Mrs. B	
Provident	none
Production	none

* Mr. O	
Production	Marketing agreement

* Mr. M	
Production	Contract agreement

fn:doclg



Table 94. Collection scheme of the different credit institutions.

Source of Credit	Collection Scheme
Lending Investors	
Case 1	Collector goes personally to the market area/send notice for delayed payments
Case 2	Collector goes personally to the borrower while some voluntarily go to the lending investor's office
Case 3	Waits for the borrower to pay in person/send notice of delayed payments
Case 4	Collector goes personally to the borrower/send notice of delayed payments
NMDB (CPN Consortium)	Through market tie-up
PLF (TILCO)	Coop provides trucking
VICTO (VCF)	Waits for clientele to pay
CARD (LFP)	Weekly meetings are conducted to collect payments
Individual Informal Lenders	
Mrs. B	Lender visits the borrower's house
Mr. O	Lender visits the borrower's house/borrower sometimes go personally to the lending agent
Mr. M	Borrower goes personally to the lender

fn:collsc'

Other lending agents such as lending investors also assigned collectors to go personally to the borrowers' house to collect payment or just send notice to those who default from their payment. LI3 only waits for the borrowers to come to their office and personally pay their loans/amortizations. Borrowers who get delayed in paying their accounts are sent letters reminding them of their obligations.

TILCO employs a more innovative collection scheme. It accepts payment in kind using its marketing and trucking system. Produce are collected and sold to TILCO. TILCO, on the other hand, buys the produce at prevailing market price. All expenses incurred by the borrowers (from land preparation to hauling) are properly accounted for and then the loan which includes the principal and interest, is deducted from the total cash value of the borrowers' harvest.

Informal lenders usually visit the borrowers' house to collect the payment but sometimes, the borrowers are the ones who personally go to the lender's house to pay their amortization.

Repayment rate. Table 95 shows that repayment rates vary from one institution to another, although the repayment rates reported by the different institutions are much higher than other rural credit programs particularly those operated by government institutions. No information on repayment was obtained from the three informal lenders interviewed.

Among the credit institutions, NMDB appear to have the highest repayment rate of 100 percent. This reflects the advantage of an integrated approach to delivery of service to the small farmers. The strength of this strategy is the well-organized structure of its consortium and the strong and effective linkage mechanism between the credit, production and marketing services provided by the consortium.

CARD ranked second in terms of repayment with a rate of 99.24 percent, followed by the lending investors of San Pablo both at 98 percent. The lowest repayment rate was reported by VICTO and LI3, and they are now trying to improve this by stepping up their loan collection efforts.

Apparently, there is a correlation between loan collection schemes and repayment rate. The consortium through its marketing tie-up was able to achieve 100 percent repayment rate. The lending investors which employ collectors have high repayment rate too. TILCO's trucking system and CARD's weekly meeting/collection facilitated the remittance of payments thus increasing their repayment rates. In contrast, LI3 and VCF which usually wait for

Table 95. Repayment rates of the different credit institutions.

Source of Credit	Repayment Rates (%)
Lending Investors	
Case 1	98
Case 2	98
Case 3	80
Case 4	97.5
NMDB (CPN Consortium)	100
PLF (TILCO)	90-95
VICTO (VCF)	81.59
CARD (LPF)	99.24
Individual Informal Lenders	
Mrs. B	-
Mr. O	-
Mr. M	-

fn:repcase

their clients to come have relatively low repayment rates compared to the other lenders.

Moreover, repayment rates of the different credit institutions are also influenced by the frequency of payment. Specifically, based on the result of the case study, if the lender requires daily or weekly remittance of payments, repayment rate is higher compared to those who applied monthly, quarterly and annual basis. Also, the rate of turnover of money is faster, thus improving the liquidity of the lender and its capability to lend to other borrowers.

### Income from and Cost of Lending

Only three of the respondents provided information on their net income (the CPN Consortium/NMDB, TILCO and VCF). The others said this information is highly confidential and therefore, cannot be provided to the research team. Thus, the analysis of the financial soundness and viability of the institutions is constrained. Based on the reports, TILCO registered a higher net income (P1.167 million per annum) compared to the income of the NMDB from the consortium (P38,920) and VCF (P868,054.04) (Table 96).

In terms of cost of lending, it was found out that the lending investors incur the lowest lending cost. LIs 1, 2, and 3 exhibited equal cost of lending of P0.03 for every one peso lent or (.03%). LI4 on the other hand, reported that it incurred a total cost of P700,000 per month.

The CPN consortium reported the highest cost of lending amounting to P1.05 million. This is about 22 percent of their total income. According to TILCO, VCF and LPF their lending cost amounts to 12 percent, 29.17 percent, and 24 percent of their total income, respectively. This implies that TILCO, the institution that registered the highest income and serviced the most number of small farmers has a very efficient and effective mechanism.

Quite expectedly, not one among the informal lenders gave information on the cost they incurred from lending. This could be due to a number of reasons: (1) they probably do not really take account of all the costs associated with their lending operations since lending is just one of the activities that they undertake with the borrowers; or (2) their cost of lending is very small compared to the interest rate that they are charging and the income that they are getting from their lending operations.

Table 96. Net income and cost of lending by source of cre

Source of Credit	Cost of Lending
<b>Lending Investors</b>	
Case 1	For every one peso lent the cost is around P0.03
Case 2	-do-
Case 3	-do-
Case 4	P700,000/month
NMDB (CPN Consortium)	P1.05 M (22% of total income)
PLF (TILCO)	12% of total income
VICTO (VCF)	29.17% of total income
CARD (LPF)	24 % of total income
<b>Individual Informal Lenders</b>	
Mrs. B	-
Mr. O	-
Mr. M	-

## Duration of Loan Processing

The length of loan processing time vary depending on the lender and this can be due to a number of factors: (1) availability of funds; (2) security of loan; (3) number of supporting papers required and the extent of completion of these documentary requirements; (4) size of loan; (5) amount applied for; (6) track record of the borrower; and (7) availability of the signatories.

According to the key respondent in Case 1, it takes them only one day to process loan applications and release the loan if they have available funds but if fund is limited, processing takes 2-3 days (Table 97). Case number 2 on the other hand, can process the loan in one day provided that the borrower has submitted all documentary requirement and funds are available. If funds are not enough to serve all the borrowers, they strictly employ the "first come, first serve" policy. Case number 3 allows itself more flexibility in terms of loan processing time. They guarantee, however, that loans can be released one week (7 days) after filing. Lending investor number 4 sets a separate timetable for different sizes of loans. Big loans (which usually require collateral) takes one week before approval and release, while small loans (which do not require collateral) takes only 1-2 days.

The CPN Consortium can process re-loans in 2-3 days while new loans (new borrowers) are processed in about 1 week's time.

In VCF, processing and approval of loan takes so much time especially if the amount applied for is large since it will have to go from one committee to the next higher committee for approval. The loan application goes through various committees, namely, the in-house credit committee, loan committee and management committee (MANCOM). The composition of each committee varies in each region. The in-house committee can approve loans amounting to ₱1,000 to ₱20,000 in Regions 6 and 8. The in-house committee in Region 7/Cebu can approve loans ranging from ₱1,000 to ₱50,000. The loan committee in Regions 6 and 8 approves loans ranging from ₱20,001 to ₱500,000 while the loan committee in Cebu approves loans from ₱50,001 to ₱1 million. For loans amounting to ₱500,001 to ₱1 million filed in Regions 6 and 8 Hence, this will be approved by the Cebu Loan Committee. For loans greater than ₱1 million, only the MANCOM has the authority to approve. Hence, for this amount of loan, processing time takes more than one month since the MANCOM only meets once a month. Long processing period is not a critical concern for VCF borrowers since these are coops that have more flexibility in fund allocation and whose application for loans is based on the projected (not immediate) needs of its members. Oftentimes, coops file

Table 97. Loan processing time by source of credit, 1992.

Source of Credit	Processing Time
Lending Investors	
Case 1	1 day, with available funds/ 2-3 days, with limited funds
Case 2	1 day, with complete papers and funds/ 1st come, 1st serve if fund is limited
Case 3	1 week
Case 4	1-2 days for unsecured loan/ 1 week for secured loans
NMDB (CPN Consortium)	1 week for new loan/2-3 days for reloan
PLF (TILCO)	almost no processing farmer must only sign papers such as promisory note
VICTO (VCF)	depends on the amount of loan
CARD (LPF)	less than P5,000.00 - 1 week or less P5,000.00 or more - 2 weeks
Individual Informal Lenders	
Mrs. B	Almost no processing farmer must only approach the lender right away
Mr. O	Almost no processing farmer must only approach the lender right away
Mr. M	Almost no processing farmer must only sign a contract

fn:loaproc

their loans in advance in anticipation of the needs of their members. Hence, even if the loan processing time in the VCF is longer than other CIs, funds still become available when needed. In contrast, the other CIs generally serve farmer-borrowers who would need the loans for immediate need, and to them, efficiency in loan processing is very critical.

In LPF, loan processing time also varies depending on the size of the loan because of the level of management action that is necessary for loan approval. Processing time for loans amounting to less than ₱5,000 is faster (1 week or less) because the branch manager, who is the approving authority, is always available to evaluate the loan application. For loans amounting to ₱5,000, only the Executive Director has the authority to act on the application, and processing usually takes two weeks since the documents have to be brought to CARD's office in San Pablo City where the Executive Director is based.

One reason why TILCO and the 3 informal lenders are able to process loan applications in a very short period of time is because they do not require much paper works. The borrowers are only required to sign a promissory note or they could just approach the lender and request for a loan, then they will be asked to sign a contract of agreement and the loan can be released right away. The contract normally states that the payment will be deducted upon the sale of their produce.

### Savings Mobilization Program

One of the sources of loanable funds of credit institutions is savings hence, to generate additional capital these institutions particularly private banks, NGOs and POs engage in savings mobilization program. They implement this kind of program primarily to attract depositors to save and invest in their institution. One common means of attracting investors/savers is offering higher interest on savings and time deposits.

In the case studies, only NMDB, PLF, VICTO and CARD implement savings mobilization schemes/strategies to attract additional depositors/investors (Table 98). The four lending investors do not employ such scheme because they are not allowed to generate savings in the first place. Instead, they rely on capital contributed by individual investors. To attract other individual investments to the LI, the lending investors offer interest rates of two to three percent per month on the individual investor's capital depending on their earnings and volume of business. On the other hand, individual informal lenders usually have enough funds for their own relending activities, although in one case, the



Table 98. Savings mobilization program by source of credit, 1992.

Source of Credit	Savings Mobilization Program
Lending Investors	
Case 1	-
Case 2	-
Case 3	-
Case 4	-
NMDB (CPN Consortium)	More branches; find transfer services; give incentives to employees who can attract additional depositors
PLF	Every harvest farmers used to give 2 cavans = P500 as savings, which they leave at the warehouse so that in 5 years farmers do not have to loan from LBP because they have enough funds to loan from themselves
VICTO (VCF)	Investment of member-coops in VCF earn a competitive interest in the form of dividends
CARD (LPF)	Group/pledge savings of P5.00 per week; automatic deposit of 5% of approved loan; additional 5% of loans from group fund; paid interest of 3% on loans from project
Individual Informal Lenders	
Mrs. B	-
Mr. O	-
Mr. M	-

fn:savmob

lender borrowed from the bank to augment his lending capital. This implies that the earnings the lender derives from his lending business is enough to cover at least the interest rate charged by the bank.

NMDB, the only private development bank considered in the study, employs a different strategy for its fund generating project. The bank gives incentives to employees who can recruit depositors. Through these incentives bank employees will be motivated to exert extra effort to attract additional depositors and savers to the institution. Moreover, the establishment of other branches attracted more depositors. Another strategy to encourage and attract more depositors is by providing a fund transfer service. However, the CPN consortium has no savings mobilization component.

PLF encourages farmers to save 2 cavans of rice which is equivalent to ₱500, every harvest. The rice is deposited in PLF's warehouse and monetized, and it is estimated that after five years, farmers will not have to rely on loans from the LBP because they have enough funds of their own to finance their farming operations.

VICTO's savings strategy is implemented through the investment of member-coops in the central fund. This investment earns a competitive interest in the form of dividends. CARD, on the other hand, which also believes that a savings program is an important factor for members to attain self-reliance, conducts the following schemes:

1. Pledged savings of ₱5.00 per week. Every group member deposits five pesos every week as a personal saving. This is accumulated in an account called Group Fund account which is held and managed by the group.
2. Automatic deposit of 5% of approved loan for project. When a group member receives a loan, an obligatory deduction is made at the rate of five percent of the loan amount. This is known as the group tax. A member pays this tax for enjoying the financial services coming to him through the group and also to build up a reserve for the group itself. Group tax collection is also deposited in the Group Fund account.
3. Additional 5% of loans from Group Fund. Loans from this fund, at terms set by the group, may be used for additional capital for livelihood projects. However, five percent charge on loans from this fund is obligatory so that the Group Fund will always have reserve funds. The existence of this common fund provides the group with experience in funds administration. It also

encourages the members to take up larger projects collectively.

4. Paid interest of 3% on loans from project. Members are obliged to pay an interest of three percent on loans from projects after full payment based on annual refund declaration.

Lending institutions including NMDB, TILCO, VCF, and PLF employ savings mobilization schemes to generate more funds to cope with the increasing demand of farmers for credit services and to generate funds internally so that borrowing and cost of money can be reduced. Consequently, with larger capital and lower relending rates these lending institutions will be financially sound and more competitive.

### Assistance Received

Formal and informal rural credit institutions received loans as well as grants, from other organizations, both government agencies and private institutions. These financial support are released either in the form of cash or in kind (e.g., computer, farm animals, fertilizers, etc.) with a corresponding interest except for grants which carry no interest. Grants are usually received in the form of commodities just like that of PLF's complete set of computer with printer and second hand bulldozer which they received from the Netherlands Embassy and Japanese Embassy, respectively (Table 99). The computer is primarily used for documentation while the bulldozer is used for clearing an area that may be used as a relocation site for the victims of Mt. Pinatubo eruption, particularly for the indigenous tribe of Aetas.

To augment their capital base, lending investors borrow from private banks or private individuals. While the two NGOs were able to access funds, mostly grants, from foreign NGOs. Moreover, VCF, which has a credit line with LBP, is able to borrow from BPI Foundation at eight percent per annum. The PLF and CARD were also able to get loans from DRDAP. Meanwhile, one moneylender borrowed from a bank, too.

The NMDB was able to source funds from CBP, DBP, LBP, PBSP, KASAPI, Union Bank of the Philippines and Maatschappij Von Ontruikbeuigalanden N. V. (FMO), a Dutch investment company. However, the loans from these credit institutions are used for their regular lending activities (i.e., agricultural loan, commercial and other loans) and not for the CPN Consortium. Funds for the consortium come from the savings generated by the bank and their earnings.

Table 99. Sources of financial assistance by source of credit, 1992.

Source of Credit	Source of Financial Assistance
Lending Investors	
Case 1	Private banks
Case 2	Private banks
Case 3	Private individuals
Case 4	None
NMDB	CBP, DEP, LEP, PBSP, KASAPI, Union Bank of the Philippines, a Dutch investment company
PLF (TILCO)	DA, DRDAP, TLRC, Netherlands and Japanese Embassies
VICTO (VCF)	LEP, BPI Foundation, NEDA, Foreign NGOs, i.e., Netherlands
CARD (LPF)	DRDAP, Foreign NGOs in Taiwan, Japan and Thailand
Individual Informal Lenders	
Mrs. B	None
Mr. O	Bank
Mr. M	None

fn:sfinass

## Affiliation with Other Organization

The different groups of lending institutions seek for additional funds and assistance to augment their financial resources and link with other institutions to assist their borrowers particularly in the social institutions building aspect. So, they have established linkages or tie-ups with other organizations, government and private institutions.

The two NGOs are members of the Cooperative Union of the Philippines (CUP), People's Council on Rural Savings and Finance (PCRSF), Philippine Partnership for the Development of Human Resources in Rural Areas (PHILDHRA) and (NATCCO) (Table 100). Furthermore, VICTO, is registered with CDA.

On the other hand, private firms such as NMDB and the lending investors are affiliated with private groups. NMDB is a member of the Development Bank Association of the Philippines, Cagayan de Oro Chamber of Commerce; PBSP and Personnel Management Association of the Philippines while the four lending investors are members of their town's lending investor's association.

## Development Plans and Programs

All institutions are expected to have their future plans for development. NMDB, through its CPN Consortium is planning to reorganize its ARN Consortium, a baby corn project (Table 101) which operates in the same way as the CPN consortium except that the project is baby corn and not cassava. The first activity of the project was very successful. However, because of the big profit that the consortium realized, a member of the consortium demanded for a bigger share which the other members felt was unreasonable. As of the time of the study, the project has stopped although NMDB plans to pursue the project with another partner. They were in the process of reorganization.

On the other hand, PLF is hoping to build irrigation canals since this is the immediate need of farmers. PLF observed that many farmers were not able to plant because there is no irrigation facilities in their area. It is expected that, once the irrigation facilities are built, farmers will have the capacity to pay their loans in the coop (TILCO). At the same time more farmers will be encouraged to join the cooperative.

VICTO, on the other hand, wants to develop and improve its loan monitoring activities, particularly with the central fund's borrowers. CARD, meanwhile, plans to convert PLF into a bank that will be owned and managed by the landless beneficiaries themselves.

Table 100. Affiliation with other organizations.

Credit Institutions	Organizations
Lending Investors	
Case Number 1	San Pablo Lending Investor's Associatio
Case Number 2	San Pablo Lending Investor's Associatio
Case Number 3	Lipa Lending Investor's Association
Case Number 4	San Pablo Lending Investor's Associatio
Private Dev't Bank NMDB (CPN Consortium)	Cagayan de Oro Chamber of Commerce, DBAP, PBSP, PMAP
People's Organization PLF (TILCO)	
Non-Gov't Organization VICTO (VCF)	CUP, PCRSF, PHILDHRRRA, NATCCO
CARD (LPF)	PCRSF, PHILDHRRRA
Individual Informal Lenders	
Mrs. B.	-
Mr. O.	-
Mr. M.	-

fn:affili

Table 101. Development plans and programs by source of credit, 1992.

Credit Institutions	Development Plans/Programs
Lending Investors	-
Case Number 1	-
Case Number 2	-
Case Number 3	-
Case Number 4	-
Private Dev't Bank NMDB (CPN Consortium)	ARN Consortium; more branches.
People's Organization PLF (TILCO)	Irrigation canals & consumer store
Non-Gov't Organization VICTO (VCF)	Developed and improved loan monitoring activities
CARD (LPF)	Conversion of PLF into a bank which will be owned and managed by the LPWs
Individual Informal Lenders	
Mrs. B.	-
Mr. O.	-
Mr. M.	-

fn:devplan

Note that the plans and programs for future development of the aforementioned institutions are centered on the improvement of the welfare of the farmer-borrowers and strengthening of the financial and managerial status of their respective institutions. In contrast, the four lending investors expressed anxiety to go into small lending transactions. The four lending investors were asked whether they intend to lend to small farmers. Lending Investor 3 mentioned that they provide loans for agriculture through post-harvest facility loans but they have no plans of going further to small farmer lending. The reasons cited why the lending investors are hesitant to go into such venture are the following: (1) lending cost will increase considerably; (2) they do not have the capability; and (3) loan monitoring/collection will be difficult and costly. It can be surmised that there is no "pressure" for the lending investors to go into small farm lending because government has not provided them any form of assistance, whether financial or technical.

### Problems/Constraints

Some of the lending organizations are plagued with problems. Among the financial institutions, LPF appears to have the most problems inspite of its high repayment rate. The problems cited include:

1. Existence of other NGOs in their area of operations whose policies and rules are contrary to that of LPF (e.g., rules on repayment for financial assistance provided are not strictly implemented); thus affecting the social institutions building program and value reorientation activities of LPF;
2. Beneficiaries do not as yet have full appreciation of the concepts of group lending. Some groups do not carefully screen the qualifications and readiness of their group mates since their primary concern is just to comply with the required grouping of five potential loaners, so they can borrow soonest;
3. LRW's reluctance to undergo basic training requirements;
4. Many LRWs exhibit "public fright" in the presence of perceived people of authority, (e.g., LPF management staff) during the group recognition test. Consequently, they find difficulty in replying to simple questions about their understanding of the program. As a result, they



fail the test so they have to be retrained, thereby slowing down the process of membership recruitment/expansion; and

6. Although many community members are interested in the program, they adopt a "wait and see" attitude. They would like to observe first how the program fares before actively participating in it.

The PLF, on the other hand, has manpower problems since it cannot offer competitive salary rates due to limited funds. Meanwhile, NMDB is constrained to expand the CPN Consortium because their small farmer lending program competes with its other priorities. In addition, its area of operation and choice of partners are also limited.

## Conclusions and Recommendations

### Conclusions

1. The above discussions show that the conduits of rural credit can be generally classified into two: (a) those that lend using privately generated funds (e.g., rural banks, cooperative rural banks, development banks, informal money lenders and lending investors), and (b) those who finance their lending operations using mostly grants and/or soft loans (coops, NGOs, and POs).
2. The lenders that belong to the first group also have different lending policies depending on their assessment of the risk involved and the scarcity of their resources. The banks can charge a relatively low interest rate compared to the informal lenders because their loans are collateralized. They can recover their exposures by foreclosing the collateral, in case of defaults in loan repayment or imposing fines on past due accounts. So, while they can offer low interest rate, their terms are not flexible, the entire operation is very formal and impersonal and does not generally appeal to the common rural borrower.
3. The informal lenders, on the other hand, are more accessible, they do not require collateral, the terms and conditions of the loan are more flexible, and their approach and relationship with the borrowers are more personal and conform with the social norm among the rural borrowers. However, because of the high risk of defaults they charge a high interest rate. Despite these, informal money lending continue to be a thriving business in rural areas and their importance and acceptability cannot be discounted even with the proliferation of credit coops.
4. The lending investors do not require collateral and do not charge very high interest rate, but limit their lending operations to those who have sure incomes. They do not lend to small farmers and other rural borrowers because they do not want to take the risk and they want to minimize cost. Like the informal lenders, their approach is more personal since collectors visit them daily/weekly to collect their payments.
5. NMDB is one innovative bank that implements a special credit program for the benefit of the small farmers. This program is more costly and less profitable than their commercial lending operations but they sacrifice big returns just to be able to help the small borrowers. This is a good program for the other banking institutions to adopt.

3. Encourage capital build-up among coops for them to attain financial security.

All CIs cater to different clientele who have various credit needs. The results indicate that coops are the most effective rural credit conduit that reach small farmers and ARBs because they are accessible and offer more affordable credit terms. However, they are constrained by their limited capability to finance bigger ventures and manage/administer big loan operations. Moreover, they are heavily dependent on subsidized loans from the government and grants from external sources, (usually foreign) and there is no assurance that these funds will always be available. Hence, the question of sustainability of operations come to fore. Coops should be able to generate their own funds to be able to sustain their operations.

At this stage when funds are still available for cooperative development, they should be provided assistance to help them encourage their members to build-up their savings and improve farther their capability to handle big credit operations.

So far, there are indications of the viability of coops. They are able to manage their lending operations; their borrowers report higher repayment rates than CRBs and RBs as a result of their collection mechanism (i.e., receiving payments in kind); and they are able to maintain their operations at low cost despite limited manpower capability. They should be able to maintain this even with minimal or without government support.

4. Provide greater opportunity and encourage development banks to extend rural credit assistance

The development banks will continue to be critical in providing credit assistance to rural borrowers who are not coop members and whose credit needs can not be met by the coops. They can be partners of government in the implementation of rural development programs so they can be exposed to and deal with small borrowers.

5. Appeal to the CIs especially private commercial banks, and encourage them to undertake lending programs like that of the NMDB. In addition to financing, marketing and technical assistance are also very critical to the success of any business undertaking. The package of services provided by the consortium makes the financial assistance more effective and meaningful. Therefore, if the government decides to embark on new credit programs, such services should also be included.

6. The coops/NGOs/POs on the other hand, obtain their loanable funds at a reasonable interest rate and therefore, can afford to lend also at a low interest rate. Furthermore, since most of their funds came from grants, there is not much pressure for them to recover their exposures. Their terms and conditions are more liberal and flexible, and the incentive to increase their efficiency to improve their profit is not as great as those that use their own funds or bear the full cost of their operations.
7. Based on these it can be surmised that the elements and features of an effective, viable and sustainable rural credit delivery mechanism are: accessibility; capability to provide necessary credit assistance to as many borrowers on time; reasonable rate of interest; short period of loan processing; efficient collection mechanism; ability to offer flexible terms and conditions to respond to the needs of the small borrowers; and capability to generate resources with minimal or without government subsidy.

### Recommendations

To improve the effectiveness, viability and sustainability of the RCDMs studied, the following recommendations are forwarded:

1. Policy support
  - a. GFIs and big development banks (DBP, PNB, etc.) should channel their loanable funds to the rural based CIs like the RBs, CRBs and coops to improve their funding capability.
  - b. Provide incentive (e.g., rediscounting/loan restructuring) to the private lenders to encourage them to lend to small farmers and other rural borrowers.
2. Should LIs go into small farm lending, there is a need for them to lessen documentary requirements and relax some term and conditions, i.e., extend loan maturity so it will coincide with the crop production cycle.

Appendix Table 1. Average interest rates paid by borrower-respondents by source of credit and by type of loan, Negros Occidental, 1992, (percent per annum).

Type of Loan	Source of Credit				
	CRB	RB	COOP	Non-LBP Conduits	All
Crop production	20	23	18	38	21
Livestock production	-	-	-	0	0
Commercial/business	-	-	-	20	20
Emergency/medical	-	-	-	0	0
House repair/maintenance	-	-	-	-	-
Educational needs	-	-	-	0	0
Others	-	-	-	-	-
All	19	23	18	31	20

fn:averatel

Appendix Table 2. Average interest rates paid by borrower-respondents by source of credit and by type of loan, Bohol, 1992 (percent per annum)

Type of Loan	Source of Credit				All
	CRB	RB	COOP	Non-LBP Conduits	
Crop production	20	23	20	-	21
Livestock production	20	21	36	-	28
Commercial/business	-	-	16	0	12
Emergency/medical	-	-	-	-	-
House repair/maintenance	-	-	-	-	-
Educational needs	-	-	-	-	-
Others	-	-	-	-	-
All	20	22	22	0	22

fn:average2

Appendix Table 3. Average interest rates paid by borrower-respondents by source of credit and by type of loan, Cebu, 1992 (percent per annum).

Type of Loan	Source of Credit				All
	CRB	RB	COOP	Non-LBP Conduits	
Crop production	-	22	21	-	22
Livestock production	-	25	17	-	18
Commercial/business	-	-	-	-	-
Emergency/medical	-	-	-	-	-
House repair/maintenance	-	-	-	-	-
Educational needs	-	-	-	-	-
Others	-	25	-	-	25
All	-	22	18	-	20

fn:average3

Appendix Table 4. Average interest rates paid by respondents by source of credit and by type of loan, Negros Oriental, 1992 (percent per annum).

Type of Loan	Source of Credit				All
	CRB	RB	COOP	Non-LBP Conduits	
Crop production	-	24	18	-	21
Livestock production	-	-	18	-	18
Commercial/business	-	-	-	-	-
Emergency/medical	-	-	-	-	-
House repair/maintenance	-	-	-	-	-
Educational needs	-	-	-	-	-
Others	-	-	-	-	-
All	-	24	18	-	21

fn:avrate4



Appendix Table 5. Average interest rates paid by respondents by source of credit and by type of loan, Iloilo, 1992 (percent per annum).

Type of Loan	Source of Credit				
	CRB	RB	COOP	Non-LBP Conduits	All
Crop production	21	20	20	34	21
Livestock production	-	-	29	24	28
Commercial/business	-	-	-	-	-
Emergency/medical	-	-	-	-	-
House repair/maintenance	-	-	-	9	9
Educational needs	-	-	-	120	120
Other	-	-	-	10	10
All	21	20	21	36	22

fn:average5

Annex Table 6. Average interest rate paid by borrower-respondents by source of credit and by type of loan, Aklan, 1992 (percent per annum).

Type of Loan	Source of Credit				
	CRB	RB	COOP	Non-LBP Conduits	All
Crop production	24	24	18	-	21
Livestock production	24	26	18	-	23
Commercial/business	-	27	-	-	27
Emergency/medical	-	-	-	-	-
House repair/maintenance	-	-	-	17	17
Educational needs	-	-	-	-	-
Other	25	-	-	-	25
All	24	25	18	17	21

fn:avrate6

Appendix Table 7. Reasons why respondents' productivity increased, by source of credit and by province, 1992

Province/Frequency	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
Negros Occidental	(N=9)		(N=17)		(N=64)		(N=90)	
Increased ability to procure inputs	4	44.44	10	58.82	36	56.25	50	55.56
Increased ability to hire additional labor	-	-	-	-	3	4.69	3	3.33
Increased ability to procure inputs/ increased ability to hire additional labor	5	55.56	5	29.41	24	37.50	34	37.78
No response	-	-	2	11.76	1	1.56	3	3.33
Bohol	(N=7)		(N=10)		(N=28)		(N=45)	
Increased ability to procure inputs	3	42.86	6	60.00	24	85.71	33	73.33
Increased ability to hire additional labor	-	-	1	10.00	-	-	1	2.22
Increased ability to procure inputs/ increased ability to hire additional labor	3	42.86	3	30.00	4	14.29	10	22.22
Purchase equipment for family business	1	14.29	-	-	-	-	1	2.22
Cebu			(N=15)		(N=18)		(N=33)	
Increased ability to procure inputs	-	-	14	93.33	14	77.78	28	84.85
Increased ability to procure inputs/ increased ability to hire additional labor	-	-	1	6.67	4	22.22	5	15.15
Negros Oriental			(N=19)		(N=14)		(N=33)	
Increased ability to procure inputs	-	-	7	36.84	4	28.57	11	33.33
Increased ability to hire additional labor	-	-	-	-	1	7.14	1	3.03
Increased ability to procure inputs/ increased ability to hire additional labor	-	-	12	63.16	9	64.29	21	63.64
Iloilo	(N=9)		(N=18)		(N=35)		(N=62)	
Increased ability to procure inputs	6	66.67	12	66.67	28	80.00	46	74.19
Increased ability to hire additional labor	-	-	2	11.11	-	-	2	3.23
Increased ability to procure inputs/ increased ability to hire additional labor	3	33.33	4	22.22	7	20.00	14	22.58
Aklan	(N=6)		(N=9)		(N=19)		(N=34)	
Increased ability to procure inputs	2	33.33	4	44.44	9	47.37	15	44.12
Increased ability to hire additional labor	-	-	2	22.22	1	5.26	3	8.82
Increased ability to procure inputs/ increased ability to hire additional labor	4	66.67	3	33.33	9	47.37	16	47.06

Appendix Table 8. Number of respondents whose welfare/income increased due to the loan, by province and by source of credit, 1992.

Province/ Source of Credit	Increased		Did Not Increase		All	
	No.	%	No.	%	No.	%
Negros Occidental						
CRB	6	60.00	4	40.00	10	100.00
RB	17	85.00	3	15.00	20	100.00
COOP	66	82.50	14	17.50	80	100.00
All	89	80.91	21	19.09	110	100.00
Bohol						
CRB	7	70.00	3	30.00	10	100.00
RB	10	50.00	10	50.00	20	100.00
COOP	23	76.67	7	23.33	30	100.00
All	40	66.67	20	33.33	60	100.00
Cebu						
CRB	-	-	-	-	-	-
RB	15	75.00	5	25.00	20	100.00
COOP	18	90.00	2	10.00	20	100.00
All	33	82.50	7	17.50	40	100.00
Negros Oriental						
CRB	-	-	-	-	-	-
RB	19	95.00	1	5.00	20	100.00
COOP	14	70.00	6	30.00	20	100.00
All	33	82.50	7	17.50	40	100.00
Iloilo						
CRB	9	90.00	1	10.00	10	100.00
RB	18	90.00	2	10.00	20	100.00
COOP	34	85.00	6	15.00	40	100.00
All	61	87.14	9	12.86	70	100.00
Aklan						
CRB	9	90.00	1	10.00	10	100.00
RB	19	95.00	1	5.00	20	100.00
COOP	19	95.00	1	5.00	20	100.00
All	47	94.00	3	6.00	50	100.00

fn:welfinco

Appendix Table 9. Reasons why loan helped increase respondent's welfare, by source of credit, all provinces, 1992.

Reasons	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
	(N=31)		(N=98)		(N=174)		(N=303)	
With additional income to buy other household needs (i.e., food, medicine, etc.)	23	74.19	65	66.33	139	35.14	218	71.95
Increased production output & farm income	5	16.13	5	5.10	21	5.68	31	10.23
Become financially stable	2	6.45	9	9.18	17	4.59	28	9.24
Able to buy additional inputs and farm animals	1	3.23	14	14.29	6	1.62	21	6.93
Able to use money for business activities	4	12.90	4	4.08	12	3.24	20	6.60
It was used for house repair/maintenance	1	3.23	6	6.12	7	1.89	14	4.62
Used as payment for educational expenses	1	3.23	7	7.14	6	1.62	14	4.62
Able to help in their hospitalization expenses	-	-	6	6.12	-	-	6	1.98
Able to pay other existing loans	1	3.23	1	1.02	4	1.08	6	1.98
Able to purchase farm equipments & machineries	-	-	2	2.04	3	0.81	5	1.65
Repair of passenger's jeepney	-	-	2	2.04	-	-	2	0.66
It was used for farm maintenance/expenses	-	-	-	-	1	0.27	1	0.33

fn:reaswelf

Appendix Table 10. Reasons why loan did not help increase respondent's income/welfare, by source of credit all provinces, 1992.

Reasons	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=9)	No.	% (N=22)	No.	% (N=36)	No.	% (N=67)
Experienced long dry season	2	22.22	9	40.91	10	27.78	21	31.34
Loan was used for other purpose (e.g. house repair)	2	22.22	6	27.27	3	8.33	11	16.42
Insufficient amount of loan	2	22.22	1	4.55	5	13.89	8	11.94
Low production/low income	2	22.22	1	4.55	4	11.11	7	10.45
100% for agricultural use	-	-	2	9.09	4	11.11	6	8.96
Decline in the market price of sugar	-	-	1	4.55	3	8.33	4	5.97
Delayed application of fertilizers	-	-	2	9.09	2	5.56	4	5.97
Crops are still young/newly planted	-	-	-	-	2	5.56	2	2.99
Animals died due to disease	-	-	-	-	2	5.56	2	2.99
Non-irrigated farms	-	-	1	4.55	1	2.78	2	2.99
Bulk of the loan was paid for old account	1	11.11	-	-	-	-	1	1.49
Farm income is just equal to expenses	-	-	-	-	1	2.78	1	1.49
Because of natural calamities	1	11.11	-	-	-	-	1	1.49
Total sale of animals declined	-	-	-	-	1	2.78	1	1.49

fn:didwelf



Aklan	(N=10)	(N=20)	(N=20)	(N=50)
Every 6 months	-	3	5	8
Every after harvest	-	-	15	15
Every year	5 50.00	13 65.00	-	18 36.00
Every month	5 50.00	2 10.00	-	7 14.00
Every quarter	-	-	-	-
Others	-	2	4	2

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fn:freqcoll



Appendix Table 12. Average repayment rate of borrower-respondents by source of credit and by type of loan, Negros Occidental, 1992, (percent).

Type of Loan	Source of Credit				All
	CRB	RB	COOP	Non-LBP Conduits	
Crop production	23	29	38	57	37
Livestock production	-	-	-	0	0
Commercial/business	-	-	-	20	20
Emergency/medical	-	-	-	8	8
Educational needs	-	-	-	0	0
All	23	29	38	49	37

fn:reprate1

Appendix Table 13. Average repayment rate of borrower-respondents by source of credit and by type of loan, Aklan, 1992, (percent).

Type of Loan	Source of Credit				All
	CRB	RB	COOP	Non-LBP Conduits	
Crop production	19	34	7	-	24
Livestock production	16	27	0	-	21
Commercial/business	-	42	-	-	42
House repair/maintenance	-	-	-	60	60
Others	20	-	-	-	20
All	20	37	7	60	30

fn:reprate3

Appendix Table 14. Average repayment rate of borrower-respondents by source of credit and by type of loan, Bohol, 1992, (percent).

Type of Loan	Source of Credit				
	CRB	RB	COOP	Non-LBP Conduits	All
Crop production	41	33	54	-	38
Livestock production	19	32	99	-	38
Commercial/business	-	-	79	100	82
All	30	33	63	100	38

fn:reprate2

Appendix Table 15. Average repayment rate of borrower-respondents by source of credit and by type of loan, Iloilo, 1992, (percent).

Type of Loan	Source of Credit				
	CRB	RB	COOP	Non-LBP Conduits	All
Crop production	83	39	49	73	48
Livestock production	-	-	56	100	59
Educational needs	-	-	-	0	0
House repair/maintenance	-	-	-	31	31
Others	-	-	-	20	20
All	83	29	49	57	48

fn:reprate4

Appendix Table 16. Average repayment rate of borrower-respondents by source of credit and by type of loan, Cebu, 1992, (percent).

Type of Loan	Source of Credit				
	CRB	RB	COOP	Non-LBP Conduits	All
Crop production	-	48	74	-	49
Livestock production	-	21	57	-	55
Others	-	21	-	-	21
All	-	46	59	-	51

fn:reprate5

Annex Table 17. Average repayment rate of borrower-respondents by source of credit and by type of loan, Negros Oriental, 1992 (percent).

Type of Loan	Source of Credit				All
	CRB	RB	COOP	Non-LBP Conduits	
Crop production	-	27	23	-	26
Livestock production	-	-	27	-	27
All	-	27	24	-	26

fn:reprate6

Appendix Table 18. Number of borrower-respondents who are always able to pay their loan, by province and by source of credit, 1992.

Province/ Source of Credit	Always		Not Always		All	
	No.	%	No.	%	No.	%
<b>Negros Occidental</b>						
CRB	4	40.00	6	60.00	10	100.00
RB	14	70.00	6	30.00	20	100.00
COOP	56	70.00	24	30.00	80	100.00
All	74	67.27	36	32.73	110	100.00
<b>Bohol</b>						
CRB	5	50.00	5	50.00	10	100.00
RB	11	55.00	9	45.00	20	100.00
COOP	24	80.00	6	20.00	30	100.00
All	40	66.67	20	33.33	60	100.00
<b>Cebu</b>						
CRB	-	-	-	-	-	-
RB	20	100.00	-	-	20	100.00
COOP	20	100.00	-	-	20	100.00
All	40	100.00	-	-	40	100.00
<b>Negros Oriental</b>						
CRB	-	-	-	-	-	-
RB	20	100.00	-	-	20	100.00
COOP	10	50.00	10	50.00	20	100.00
All	30	75.00	10	25.00	40	100.00
<b>Iloilo</b>						
CRB	6	60.00	4	40.00	10	100.00
RB	18	90.00	2	10.00	20	100.00
COOP	28	70.00	12	30.00	40	100.00
All	52	74.29	18	25.71	70	100.00
<b>Aklan</b>						
CRB	10	100.00	-	-	10	100.00
RB	17	85.00	3	15.00	20	100.00
COOP	18	90.00	2	10.00	20	100.00
All	45	90.00	5	10.00	50	100.00
<b>All Provinces</b>						
CRB	25	62.50	15	37.50	40	100.00
RB	100	83.33	20	16.67	120	100.00
COOP	156	74.29	54	25.71	210	100.00
All	281	75.95	89	24.05	370	100.00

fn:ablepay

Appendix Table 19. Sources of primary income of borrower-respondents by source of credit and by province, 1992.

Province/ Source of Income	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
<b>Negros Occidental</b>								
Farm	9	90.00	18	90.00	71	88.75	98	89.09
Off-farm	-	-	-	-	1	1.25	1	0.91
Non-farm	1	10.00	2	10.00	8	10.00	11	10.00
All	10	100.00	20	100.00	80	100.00	110	100.00
<b>Bohol</b>								
Farm	5	50.00	13	65.00	24	80.00	42	70.00
Off-farm	-	-	-	-	-	-	-	-
Non-farm	5	50.00	7	35.00	6	20.00	18	30.00
All	10	100.00	20	100.00	30	100.00	60	100.00
<b>Cebu</b>								
Farm	-	-	6	30.00	7	35.00	13	32.50
Off-farm	-	-	-	-	2	10.00	2	5.00
Non-farm	-	-	14	70.00	11	55.00	25	62.50
All	-	-	20	100.00	20	100.00	40	100.00
<b>Negros Oriental</b>								
Farm	-	-	16	80.00	18	90.00	34	85.00
Off-farm	-	-	-	-	-	-	-	-
Non-farm	-	-	4	20.00	2	10.00	6	15.00
All	-	-	20	100.00	20	100.00	40	100.00
<b>Iloilo</b>								
Farm	10	100.00	16	80.00	38	95.00	64	91.43
Off-farm	-	-	-	-	-	-	-	-
Non-farm	-	-	4	20.00	2	5.00	6	8.57
All	10	100.00	20	100.00	40	100.00	70	100.00
<b>Aklan</b>								
Farm	5	50.00	10	50.00	17	85.00	32	64.00
Off-farm	-	-	1	5.00	-	-	1	2.00
Non-farm	5	50.00	9	45.00	3	15.00	17	34.00
All	10	100.00	20	100.00	20	100.00	50	100.00

fn:priminc2



Appendix Table 20. Primary occupation of borrower-respondents by source of credit, 1992.

Primary Occupation	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=40)	No.	% (N=120)	No.	% (N=210)	No.	% (N=370)
Farmer	28	70.00	79	65.83	175	83.33	282	76.22
Businessman	5	12.50	7	5.83	4	1.90	16	4.32
Gov't employee	1	2.50	10	8.33	5	2.38	16	4.32
Dressmaker/tailor	1	2.50	1	0.83	1	0.48	3	0.81
Storeowner	-	-	3	2.50	2	0.95	5	1.35
Pensioner/retired gov't employee	1	2.50	5	4.17	3	1.43	9	2.43
Teacher	1	2.50	6	5.00	3	1.43	10	2.70
Hired farm laborer/helper	-	-	1	0.83	3	1.43	4	1.08
Others*	3	7.50	8	6.67	14	6.67	25	6.76
Total	40	100.00	120	100.00	210	100.00	370	100.00

\* Includes Day care worker, Laborer, Carpenter, Fishermen, Pastor, Security guards, Welder, Rice mill operator, Orchids culture, Private employee, Engineer, Church pianist, Electrician, Jeepney operator, Janitor, Postmaster, Bookkeeper, Coop employee, Sales representative.

fn:prioccup

Appendix Table 21. Sources of secondary income of borrower-respondents by source of credit and by province, 1992.

Province/ Source of Income	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	%	No.	%	No.	%
<b>Negros Occidental</b>								
Farm	3	60.00	2	18.18	10	19.23	15	22.06
Off-farm	-	-	5	45.45	13	25.00	18	26.47
Non-farm	2	40.00	4	36.36	29	55.77	35	51.47
All	5	100.00	11	100.00	52	100.00	68	100.00
<b>Bohol</b>								
Farm	3	37.50	7	46.67	3	15.00	13	29.55
Off-farm	-	-	4	26.67	2	10.00	6	13.64
Non-farm	5	62.50	4	26.67	15	75.00	24	54.55
All	8	100.00	15	100.00	20	100.00	43	97.73
<b>Cebu</b>								
Farm	-	-	12	80.00	13	65.00	25	71.43
Off-farm	-	-	1	6.67	1	5.00	2	5.71
Non-farm	-	-	2	13.33	6	30.00	8	22.86
All	-	-	15	100.00	20	100.00	35	100.00
<b>Negros Oriental</b>								
Farm	-	-	4	26.67	7	46.67	11	36.67
Off-farm	-	-	3	20.00	-	-	3	10.00
Non-farm	-	-	8	53.33	8	53.33	16	53.33
All	-	-	15	100.00	15	100.00	30	100.00
<b>Iloilo</b>								
Farm	2	28.57	4	30.77	9	47.37	15	38.46
Off-farm	-	-	-	-	2	10.53	2	5.13
Non-farm	5	71.43	9	69.23	8	42.11	22	56.41
All	7	100.00	13	100.00	19	100.00	39	100.00
<b>Aklan</b>								
Farm	5	83.33	10	76.92	5	38.46	20	62.50
Off-farm	-	-	-	-	1	7.69	1	3.13
Non-farm	1	16.67	3	23.08	7	53.85	11	34.38
All	6	100.00	13	100.00	13	100.00	32	100.00
<b>All Province</b>								
Farm	13	50.00	39	47.56	47	33.81	99	40.08
Off-farm	-	-	13	15.85	19	13.67	32	12.96
Non-farm	13	50.00	39	36.59	73	52.52	116	46.96
All	26	100.00	82	100.00	139	100.00	247	100.00

Appendix Table 22. Qualifications of borrowers by source of credit, Negros Occidental, 1992.

Qualifications	Source of Credit							
	CRB		BB		COOP		All	
	No.	% (N=10)	No.	% (N=20)	No.	% (N=80)	No.	% (N=110)
Samahang Nayon/coop member	10	100.00	9	45.00	75	93.75	94	85.45
W/ collateral (i.e., land)	10	100.00	12	60.00	37	46.25	59	53.64
W/ relatives/friends working in the bank	-	-	6	30.00	-	-	6	5.45
Must be a farmer	-	-	3	15.00	12	15.00	15	13.64
W/ good track record	3	30.00	10	50.00	24	30.00	37	33.64
W/ share of stocks	-	-	1	5.00	1	1.25	2	1.82
Attended pre-membership seminar	-	-	1	5.00	3	3.75	4	3.64
ARB beneficiary	-	-	-	-	27	33.75	27	24.55
Resident of the barangay	4	40.00	2	10.00	17	21.25	23	20.91
Good citizen/with good moral character	-	-	2	10.00	2	2.50	4	3.64
W/ position in the coop/bank	-	-	-	0.00	2	2.50	2	1.82
Must be a depositor	-	-	1	5.00	-	-	1	0.91

fn:quabor1

Appendix Table 23. Qualifications of borrowers by source of credit, Cebu, 1992.

Qualifications	Source of Credit								
	CRB		BB		COOP		All		
	No.	%	No.	%	No.	%	No.	%	
		(N=20)	(N=20)	(N=20)	(N=20)	(N=40)	(N=40)		
Samahang Nayon/coop member	-	-	4	20.00	11	55.00	15	37.50	
W/ collateral (i.e., land)	-	-	20	100.00	7	35.00	27	67.50	
W/ relatives/friends working in the bank	-	-	5	25.00	-	-	5	12.50	
Must be a farmer	-	-	-	-	3	15.00	3	7.50	
W/ good track of record	-	-	13	65.00	12	60.00	25	62.50	
W/ regular source of income	-	-	5	25.00	1	5.00	6	15.00	
Attended pre-membership seminar	-	-	-	-	1	5.00	1	2.50	
Resident of the barangay	-	-	4	20.00	-	0.00	4	10.00	
Good citizen/with good moral character	-	-	6	30.00	10	50.00	16	40.00	
Has a position in the coop/bank	-	-	-	-	3	15.00	3	7.50	
Known in the community	-	-	1	2.50	-	-	1	2.50	

fn:quabor3

Appendix Table 24. Qualifications of borrowers by source of credit, Negros Oriental, 1992.

Qualifications	Source of Credit							
	CRB		RB		COOP		All	
	No.	%	No.	% (N=20)	No.	% (N=20)	No.	% (N=40)
Samahang Nayon/coop member	-	-	6	30.00	16	80.00	22	55.00
W/ collateral (i.e., land)	-	-	12	60.00	-	-	12	30.00
W/ good track record	-	-	11	55.00	3	15.00	14	35.00
W/ share of stocks	-	-	-	-	13	65.00	13	32.50
Attended pre-membership seminar	-	-	-	-	12	60.00	12	30.00
Parents are Rural Bank borrowers	-	-	1	5.00	-	-	1	2.50
Co-maker is an employee of the coop	-	-	-	-	4	20.00	4	10.00
Resident of the barangay	-	-	-	-	12	30.00	12	30.00

fn:quabor4

Appendix Table 25. Qualifications of borrowers by source of credit, Iloilo, 1992.

Qualifications	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=10)	No.	% (N=20)	No.	% (N=40)	No.	% (N=70)
Samabang Nayon/coop member	9	90.00	5	25.00	35	87.50	49	70.00
W/ collateral (i.e., land)	-	-	19	95.00	3	7.50	22	31.43
W/ relatives/friends working in the bank	-	-	8	40.00	-	-	8	11.43
Must be a farmer	1	10.00	-	-	3	7.50	4	5.71
W/ good track record	3	30.00	9	45.00	14	35.00	26	37.14
W/ share of stocks	1	10.00	-	-	13	32.50	14	20.00
W/ regular source of income	-	-	3	15.00	-	-	3	4.29
Attended pre-membership seminar	1	10.00	-	-	3	7.50	4	5.71
Member w/o outstanding loan	1	10.00	-	-	4	10.00	5	7.14
Resident of the barangay	-	-	-	-	2	5.00	2	2.86
Good citizen/with good moral character	-	-	1	5.00	1	2.50	2	2.86
Has a position in the coop/bank	-	-	-	-	4	10.00	4	5.71

fn:quabor5

Appendix Table 26. Qualifications of borrowers by source of credit, Aklan, 1992.

Qualifications	Source of Credit							
	CRB		PB		COOP		All	
	No.	% (N=10)	No.	% (N=20)	No.	% (N=20)	No.	% (N=50)
Samahang Nayon/coop member	5	50.00	11	55.00	11	55.00	27	54.00
W/ collateral (i.e., land)	9	90.00	14	70.00	-	-	23	46.00
W/ relatives/friends working in the bank	-	-	3	15.00	-	-	3	6.00
W/ good track record	6	60.00	6	30.00	18	90.00	30	60.00
W/ regular source of income	1	10.00	-	-	-	-	1	2.00
Good citizen/with good moral character	-	-	-	-	1	5.00	1	2.00
Farmland is ready for planting	-	-	-	-	8	40.00	8	16.00

fn:quabor6

Appendix Table 27. Qualifications of borrowers by source of credit, Bohol, 1992.

Qualifications	Source of Credit							
	CRB		RB		COOP		All	
	No.	% (N=10)	No.	% (N=20)	No.	% (N=30)	No.	% (N=60)
Samaahang Nayon/coop member	8	80.00	11	55.00	27	90.00	46	76.67
W/ collateral (i.e., land)	6	60.00	9	45.00	1	1.67	16	26.67
W/ good track record	-	-	3	15.00	3	5.00	6	10.00
W/ share of stocks	1	10.00	-	-	1	1.67	2	3.33
W/ regular source of income	3	30.00	-	-	-	-	3	5.00
Member w/o outstanding loan	-	-	-	-	1	1.67	1	1.67
Has a position in the coop/bank	-	-	-	-	2	3.33	2	3.33
Must be a depositor	-	-	3	15.00	-	-	3	5.00

fn:quabor2



Appendix Table 28. Reasons why CI-respondents have no full-time credit investigator by credit institution, 1992.

Reasons	Credit Institution							
	CRB		BB		COOP		ALL	
	No.	% (N=2)	No.	% (N=1)	No.	% (N=11)	No.	% (N=14)
Loan officer does the credit investigation	1	50.00	1	100.00	-	-	2	14.29
Credit committee function is to conduct credit investigation	1	50.00	-	-	9	81.82	10	71.43
No budget for the salary of credit investigator	-	-	-	-	2	18.18	2	14.29
<b>Total</b>	<b>2</b>	<b>100.00</b>	<b>1</b>	<b>100.00</b>	<b>11</b>	<b>100.00</b>	<b>14</b>	<b>100.00</b>

fn:reaswhy

Appendix Table 29. Number of borrower-respondents who underwent credit investigation by province and by source of credit, 1992.

Province/ Source of Credit	With Credit Investigation		Without Credit Investigation		All	
	No.	%	No.	%	No.	%
<b>Negros Occidental</b>						
CRB	9	90.00	1	10.00	10	100.00
RB	17	85.00	3	15.00	20	100.00
COOP	69	86.25	11	13.75	80	100.00
All	95	86.36	15	13.64	110	100.00
<b>Bohol</b>						
CRB	9	90.00	1	10.00	10	100.00
RB	16	80.00	4	20.00	20	100.00
COOP	26	86.67	4	13.33	30	100.00
All	51	85.00	9	15.00	60	100.00
<b>Cebu</b>						
CRB	-	-	-	-	-	-
RB	19	95.00	1	5.00	20	100.00
COOP	20	100.00	-	-	20	100.00
All	39	97.50	1	2.50	40	100.00
<b>Negros Oriental</b>						
CRB	-	-	-	-	-	-
RB	14	70.00	6	30.00	20	100.00
COOP	15	75.00	5	25.00	20	100.00
All	29	72.50	11	27.50	40	100.00
<b>Iloilo</b>						
CRB	8	80.00	2	20.00	10	100.00
RB	18	90.00	2	10.00	20	100.00
COOP	25	62.50	15	37.50	40	100.00
All	51	72.86	19	27.14	70	100.00
<b>Aklan</b>						
CRB	9	90.00	1	10.00	10	100.00
RB	15	75.00	5	25.00	20	100.00
COOP	18	90.00	2	10.00	20	100.00
All	42	84.00	8	16.00	50	100.00
<b>All Provinces</b>						
CRB	35	87.50	5	12.50	40	100.00
RB	99	82.50	21	17.50	120	100.00
COOP	173	82.38	37	17.62	210	100.00
All	307	82.97	63	17.03	370	100.00

fn:unwent

Appendix Table 30. Reasons why 63 borrower-respondents did not undergo credit investigation by source of credit, all provinces, 1992.

Reasons	Source of Credit							
	CRB		BB		COOP		All	
	No.	% (N=5)	No.	% (N=21)	No.	% (N=37)	No.	% (N=63)
With good track record	1	20.00	6	28.57	16	43.24	23	36.51
Knows borrower personally	3	60.00	6	28.57	13	35.14	22	34.92
Loan was certified by DA technician since area is critical/NPA infested	-	-	3	14.29	1	2.70	4	6.35
Borrower has collateral	-	-	3	14.29	-	-	3	4.76
Has attended seminar	-	-	-	-	3	8.11	3	4.76
Have relative working in coop/bank	-	-	2	9.52	-	-	2	3.17
Coop member	-	-	-	-	1	2.70	1	1.59
Loan was guaranteed by coop/SN chairman	1	20.00	-	-	-	-	1	1.59
Loan amount is small	-	-	-	-	1	2.70	1	1.59
No response	-	-	1	4.76	2	5.41	3	4.76

fn:reas63

Appendix Table 31. Definition of delinquent borrowers by credit institution, 1992.

Definition	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	% (N=4)	No.	% (N=12)	No.	% (N=21)	No.	% (N=37) *
Non-payment for 2 consecutive harvest w/out valid reason	-	-	-	-	4	19.05	4	10.81
Failure to pay on maturity date w/out valid reason	3	75.00	8	66.67	15	71.43	26	70.27
One month delayed in payment	-	-	2	16.67	-	-	2	5.41
Fifteen days delayed in payment	-	-	1	8.33	1	4.76	2	5.41
Non-payment within two months after maturity	-	-	-	-	1	4.76	1	2.70
No attempt to notify institution re: failure to pay	-	-	1	8.33	1	4.76	2	5.41
Failure to pay one year after maturity date	-	-	-	-	1	4.76	1	2.70
Failure to pay within 3 months after maturity	1	25.00	-	-	-	-	1	2.70

\* Total more than 100% due to multiple response.

fn:deliqbor

Appendix Table 32. Number of institution that impose and do not impose stringent terms to delinquent borrowers by credit institution, 1992.

Credit Institution	Impose		Do Not Impose		All	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	2	100.00	*	-	2	100.00
Rural Bank	5	71.43	2	28.57	7	100.00
Cooperative	2	100.00	-	-	2	100.00
All	9	81.82	2	18.18	11	100.00

fn:impstrin

Appendix Table 33. Terms/conditions imposed on delinquent borrowers by credit institution, 1992.

Terms/Conditions	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	%	No.	%	No.	%	No.	%
	(N=2)		(N=5)		(N=2)		(N=9)	
More collateral	-	-	1	20.00	-	-	1	11.11
Monitor borrower's project	-	-	1	20.00	-	-	1	11.11
Impose fines/penalty	-	-	2	40.00	-	-	2	22.22
Proof of crop failure	-	-	2	40.00	-	-	2	22.22
Additional interest on capital	-	-	1	20.00	1	50.00	2	22.22
Pay loan balance	1	50.00	1	20.00	1	50.00	3	33.33
Reduced loan amount	-	-	1	20.00	-	-	1	11.11
No response	1	50.00	2	40.00	-	-	3	33.33

fa:terimpdb

Appendix Table 34. Trainors of training conducted by CI-respondents, by type of training, 1992.

Type of training / Trainors	Credit Institution							
	CRB		RB		COOP		ALL	
	No.	%	No.	%	No.	%	No.	%
Management Training/Seminar	(n=1)		(n=2)		(n=4)		(n=7)	
Coop/RB officials	-	-	1	50.00	-	-	1	14.29
DA	-	-	-	-	1	25.00	1	14.29
COA/BCOD	-	-	-	-	1	25.00	1	14.29
CPU-Katin-aran Center	-	-	-	-	1	25.00	1	14.29
LBP	1	100.00	1	50.00	1	25.00	3	42.86
Technological Transfer			(n=4)		(n=7)		(n=11)	
PCIC Coordinator	-	-	1	25.00	-	-	1	9.09
Coop/RB officials	-	-	-	-	1	14.29	1	9.09
DA	-	-	-	-	2	28.57	2	18.18
DOST	-	-	-	-	1	14.29	1	9.09
Jardine Acore	-	-	-	-	1	14.29	1	9.09
NFA	-	-	-	-	1	14.29	1	9.09
DAR	-	-	-	-	1	14.29	1	9.09
LBP	-	-	3	75.00	-	-	3	27.27
CBP	-	-	2	50.00	-	-	2	18.18
No response	-	-	1	25.00	-	-	1	9.09
Account Officers Training	(n=1)				(n=4)		(n=5)	
Coop/RB officials	1	100.00	-	-	1	25.00	2	40.00
DAR	-	-	-	-	1	25.00	1	20.00
LBP	-	-	-	-	2	50.00	2	40.00
PBSP	-	-	-	-	1	25.00	1	20.00
Credit and collection	(n=1)		(n=1)				(n=2)	
Coop/RB officials	1	100.00	1	100.00	-	-	2	100.00
Pre-membership Education Seminar(PMES)	(n=2)				(n=15)		(n=17)	
PCIC officials	-	-	-	-	1	6.67	1	6.67
Coop/RB officials	1	50.00	-	-	5	33.33	6	40.00
DA	-	-	-	-	5	33.33	5	33.33
CDA/BCOP	-	-	-	-	3	20.00	3	20.00
CPU Katin-aran Center	-	-	-	-	1	6.67	1	6.67
LBP	-	-	-	-	1	6.67	1	6.67
SIFI	-	-	-	-	1	6.67	1	6.67
PBSP	-	-	-	-	1	6.67	1	6.67
SWCP	-	-	-	-	1	6.67	1	6.67
No response	1	50.00	-	-	-	-	1	6.67

Leadership Training (CDA)	(n=1)		(n=2)	(n=3)
CDA/BCOP	1 100.00	- -	1 50.00	2 66.67
NEDP	- -	- -	1 50.00	1 33.33
CPU Katin-aran Center	- -	- -	1 50.00	1 33.33
LBB	1 100.00	- -	- -	1 33.33
Value enhancement	(n=1)	(n=1)	(n=1)	(n=3)
DA	- -	- -	1 100.00	1 33.33
CPU Katin-aran Center	- -	- -	1 100.00	1 33.33
LBB	1 100.00	- -	- -	1 33.33
DAR	- -	1 100.00	- -	1 33.33
Rapid Appraisal Management	(n=1)			(n=1)
Coop/RB official	1 100.00	- -	- -	1 100.00
ALL	(n=3)	(n=7)	(n=18)	(n=28)
PCIC coordinators	- -	1 14.29	1 5.56	2 7.14
Coop/RB officials	3 100.00	3 42.86	6 33.33	12 42.86
DA	- -	- -	9 50.00	9 32.14
CDA/BCOP	1 33.33	- -	5 27.78	6 21.43
CPU Katin-aran Center	- -	- -	4 22.22	4 14.29
LBP	1 33.33	4 57.14	4 22.22	9 32.14
DOST	- -	- -	1 5.56	1 3.57
DAR	- -	1 14.29	2 11.11	3 10.71
NPA	- -	- -	1 5.56	1 3.57
CBP	- -	2 28.57	- -	2 7.14
Jardine Acore	- -	- -	1 5.56	1 3.57
LBB	2 66.67	- -	- -	2 7.14
PRSP	- -	- -	2 11.11	2 7.14
SIPI	- -	- -	1 5.56	1 3.57
SWCF	- -	- -	1 5.56	1 3.57
NEDP	- -	- -	1 5.56	1 3.57
No response	1 33.33	1 14.29	- -	2 7.14

fn:trainor



Appendix Table 35. Distribution of credit institution that provide other assistance, 1992.

Credit Institution	Provides Other Assistance		Do Not Provide Other Assistance		All	
	No.	%	No.	%	No.	%
Cooperative Rural Bank	3	75.00	1	25.00	4	100.00
Rural Bank	1	8.33	11	91.67	12	100.00
Cooperative	6	28.57	15	71.43	21	100.00
All	10	27.03	27	72.97	37	100.00

fn:provass

Appendix Table 35a. Number of CI-respondents with and without problems in complying with LBP's requirements, 1992.

Credit Institution	With problems		Without problems		All	
	No.	%	No.	%	No.	%
Cooperative						
Rural Bank	2	50.00	2	50.00	4	100.00
Rural Bank	1	8.33	10	83.33	12	100.00
Cooperative	3	14.29	18	85.71	21	100.00
All	6	16.22	30	81.08	37	100.00

fn:woprob

Appendix Table 36. Problems encountered by CI-respondents in complying with LBP's requirement, 1992.

Problems	Credit Institution								
	CRB		RB		COOP		All		
	No.	%	No.	%	No.	%	No.	%	
	(N=2)		(N=1)		(N=3)		(N=6)		
Inconsistency w/ previous resolution	-	-	-	-	1	33.33	1	16.67	
Took one month to complete requirement	1	50.00	-	-	1	33.33	2	33.33	
Properties not insured	1	50.00	-	-	1	33.33	2	33.33	
No response	-	-	1	100.00	-	-	1	16.67	
All	2	33.33	1	16.67	3	50.00	6	100.00	

fn:problbp

Appendix Table 37. Number of CI-respondents with and without adequate LBP loans, 1992.

Credit Institution	With adequate loans		Without adequate loans		No response		All	
	No.	%	No	%	No	%	No	%
Cooperative Rural Bank	2	50.00	2	50.00	-	-	4	100.00
Rural Bank	6	50.00	4	33.33	2	16.67	12	100.00
Cooperative	17	80.95	4	19.05	-	-	21	100.00
All	25	67.57	10	27.03	2	5.41	37	100.00

fn: numlbp



CARON (Coop. Rural Bank of Occidental Negros)				1	11.11	1	4.35	
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	-	1	100.00	1	100.00	
6 - 10 years	-	-	-	-	-	-	-	
more than 10 years	-	-	-	-	-	-	-	
. Occ. Fed. of Rural Bank						1	4.35	
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	-	-	-	-	-	
6 - 10 years	-	-	-	-	-	-	-	
more than 10 years	-	-	-	-	-	1	100.00	
PBSP (Phil. Business for Social Progress)				1	11.11	1	4.35	
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	-	1	100.00	1	100.00	
6 - 10 years	-	-	-	-	-	-	-	
more than 10 years	-	-	1	10.00	-	-	-	
Cebu Federation of Rural Bank						1	4.35	
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	-	-	-	-	-	
6 - 10 years	-	-	-	-	-	-	-	
more than 10 years	-	-	1	10.00	-	1	100.00	
North Cebu Coop. Leader Assoc.				1	11.11	1	4.35	
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	-	1	100.00	1	100.00	
6 - 10 years	-	-	-	-	-	-	-	
more than 10 years	-	-	-	-	-	-	-	
PCIC			1	10.00		1	4.35	
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	1	100.00	-	1	100.00	
6 - 10 years	-	-	-	-	-	-	-	
more than 10 years	-	-	-	-	-	-	-	
Aklan Federation of Rural Bank						1	4.35	
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	-	-	-	-	-	
6 - 10 years	-	-	-	-	-	-	-	
more than 10 years	-	-	1	100.00	-	1	100.00	
BANGKOOP	1	25.00			1	11.11	2	8.70
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	-	-	-	-	-	
6 - 10 years	1	100.00	-	-	1	100.00	2	100.00
more than 10 years	-	-	-	-	-	-	-	
Bohol Federation of Coop.				1	11.11	1	4.35	
less than a year	-	-	-	-	-	-	-	
1 - 5 years	-	-	-	1	100.00	1	100.00	
6 - 10 years	-	-	-	-	-	-	-	
more than 10 years	-	-	-	-	-	1	-	

Rural Bank Asso. of Reg. Occ.		1	10.00		1	4.35
less than a year	-	-	-	-	-	-
1 - 5 years	-	-	-	-	-	-
6 - 10 years	-	-	-	-	-	-
more than 10 years	-	-	1 100.00	-	-	1 100.00
Federation of Coop/Rural Bank	1	25.00		1	11.11	2 8.70
less than a year	-	-	-	-	-	-
1 - 5 years	-	-	-	1	100.00	1 50.00
6 - 10 years	1	100.00	-	-	-	1 50.00
more than 10 years	-	-	-	-	-	-
Coop. Union of the Phils.				1	11.11	1 4.35
less than a year	-	-	-	-	-	-
1 - 5 years	-	-	-	1	100.00	1 100.00
6 - 10 years	-	-	-	-	-	-
more than 10 years	-	-	-	-	-	-
ALL ORGANIZATIONS						
less than a year						
1 - 5 years	1	25.00	1 10.00	9 100.00	11	47.83
6 - 10 years	2	50.00	-	-	2	8.70
more than 10 years	1	25.00	8 80.00	-	9	39.13
No response	-	-	1 10.00	-	1	4.35
ALL	4	100.00	10 100.00	9 100.00	23	100.00

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fn:yrsaffi