

Impact of Agricultural Loan to Local Farmers in Surigao Del Sur

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Abstract

This paper aimed to find out the impact of agricultural loan with the local farmers in the Province of Surigao del Sur. Descriptive research design was used in the study. It was conducted in the top two rice producer in Surigao del Sur. Data from the pre-assessment survey and interview were treated by using the weighted mean to determine the impact of agricultural loan to local farmers in Surigao del Sur. The strongly agree adjectival rating of the extent impact of agricultural loan with the local farmers in Surigao del Sur. Thus, agricultural loan helps the farmers who engage in production.

Keywords: agricultural loan, impact, farm production, local farmers, smallholder farmers

1.0 Introduction

Determining the problems and the credits needs of small farmers are important consideration in designing appropriate credit systems (Glover, Kusterer, 2016). Agricultural lending institutions are faced with perpetual task of periodically evaluating and financial attributes of their borrowers (Johnson, Hagan, 2015). In fact, failure was already determines like weather disturbances, insect pests and diseases resulting in crop losses or reduced yields (Corpuz, 2013). This leads to increase the credit risk of loans granted to small-scale farmers (Pelka, Musshoff, Weber, 2015). The use of economic approach that address simultaneity, selection, and censoring problems (Mutuc, Rejesus, Pan, Yosobe, 2015). The study aims to assess the impact of agricultural loan with the determinants

that leads to crop losses or reduced yield of rice farmers.

Poor loan repayment in developing country has become a major problem in agricultural credit administration (Okerie, 2004). According to Nnadi, Chikaire, Echetama, Ihenacho, Umunnakwe & Utazi, (2013), Agriculture is a major economic sector and it is particularly exposed to adverse natural events. Therefore, weather disturbances, insect pests and diseases are the determinants that may affect the crop production (Sharma, 2014). Although, the climate factor is playing an important role for yield and production level of the crops (Rahman, Huq, Sumi, Mostafa, Azad, 2005). However, PAGASA reported the climate change as manifested by the destructive El Niño and La Niña phenomena is threatening the country's food security (March 2016). Where in fact, increasingly prevalent natural calamities, pest and other that are taking care to lessen farmers' financial burden when losses related to such disaster are incurred (Reyes, Mina, Gloria, 2016).

The government should consider short-term strategies that offset environmental adversities such as drought and submergence (Mariano, Villano, Fleming, 2012). Global warming and its implications are considered to be among the largest and most important threats to farming in the 21st century (Konrad, Thum, 2013). According to Wongnaa & Vitor (2013), not only global warming, but also gender and marriage have negative effects on farming loan repayment. Study show that education, experience, profit, age,

supervision and off-farm income have positive effects on loan repayment performance. However, the damage caused by insect pests is one of the primary factors leading to reduced production of major crops (Oliveria, Auad, Mendes, Frizzas, 2014). The reduced yield production state as a basic reason of poor payment in loan but sometime agricultural loans is utilized not only in agriculture needs.

The insurance of smallholder farmers that evidence and insights from case studies that have made significant progress in addressing challenges (Greatrex, Hansen, Garvin, Diro, Blakeley, Le Guen, Rao, Osgood, 2015). Thereby, smallholder farmers will no longer be afraid of borrowing amount from the creditors. Thus, assessment on the impact of agricultural loan of smallholder farmers will be accurate and reliable. Alleviating not only the educated, experience, profitable, age, supervise and off-farm income but also the unprivileged farmers. And it is an evident even determinants cited by the researcher that may cause crop losses will no longer be a big problem. In fact, the reduced yield will no longer be a state of basic reason of poor payment of agricultural loan.

2.0 Theoretical/Conceptual Framework

The concept credit in agriculture has been known since the seventh century when peasants in China used rural credit in farm production to increase their cash income and to improve their standard of living (Ming-te, 2014). According to Heidhues and Schreider (2013), the origin of the credit concept stems from the necessity to break the vicious circle of low capital formation.

The theoretical arguments regarding the role of finance in poverty alleviation are broadly classified into two main views, the Development School Theory by Michael Lipton (1984). The Development School views that lack of credit is a major

constraint in taking up productive activities. This indicates that there is a need to steer rural credit into productive projects and into the hands of the rural poor. Hence, Arthur Lewis in his "Theory of Economic Growth" argues that the poor in rural areas need much more capital than they save to invest in productive activities also. The excess in demand of capital can be met with the help of loans. Providing credit (loans) to the rural poor to meet the legitimate needs and expand their opportunities for the acquisition of these needs.

3.0 Methods

The study is a descriptive type of research in which survey questionnaire and interview was applied to the local farmers of Surigao del Sur. The survey instrument used in the study is an adapted and modified questionnaire from Poliquit (2006).

The data collected were tabulated and analysed. Appropriated statistical tools were employed in the data analysis. Mean was used to determine the impact of agricultural loan to local farmers in Surigao del Sur.

4.0 Results and Discussions

Table 1 Impact of Agricultural Loan to Local Farmers

Indicators	Mean	Adjectival Rating
1. Provide financial support for agriculture.	3.95	Strongly Agree
2. Sufficient loan for the need of farmers.	3.71	Strongly Agree
3. Higher input costs increased the size of individual farm loans.	3.86	Strongly Agree
4. Lower interest rate in response to crisis.	3.76	Strongly Agree
5. Creditor assist farmers who have encountered financial problems.	3.80	Strongly Agree
6. Funds will be available when needed.	3.40	Strongly Agree
7. Minimize requirements and collaterals.	3.48	Strongly Agree
8. The creditor provides insurance if there is failure in crop production.	3.83	Strongly Agree
9. Weather disturbances, insect pests and diseases may affect crop production that leads to poor repayment of loan.	3.96	Strongly Agree
10. The amount borrowed from the creditor is utilized for agricultural purposes.	3.39	Strongly Agree
Over-all Mean	3.71	Strongly Agree

Table 1 shows impact of agricultural loan to local farmers in Surigao del Sur. It reveals that all indicators are in the “*Strongly Agree*”. Thus, respondents strongly agreed that all these indicators have an effect towards their rice farmer. It implies that credit may provide them with the opportunity to make more money and improve their living standards (Rehman et al, 2017). This result provides basis to strengthening of Rice Farmers Organization.

5.0 Conclusion

This study gets the impact of agricultural loan to local farmer of Surigao del Sur, attempting to go beyond increase of profits in rice farming. In developing intervening program to strengthening the Rice farmers, it needs to carefully analyze what are the specific needs in Rice farming especially in Surigao del Sur. As claim by Arthur Lewis in his Theory of Economic Growth, that argues that the poor in rural areas need much more capital than they save to invest in productive activities.

6.0 Recommendation

The following recommendations are highly offered based on the findings and conclusion of the study.

While agricultural loan has an impact on the respondents, it is better for them to practice saving money in the bank during harvest season for the future use of farm.

The Department of Agriculture should organize a seminar for lending institutions together with the farmers to resolves the issues that will lead to poverty alleviation among farmers.

The government should provide a credit support for the farmers. Government banks should give an easy access to farmers providing higher amount of loan to support the needed development of the farmland in low interest rates.

The farmers should organize an association that is connected to the Department of Agriculture so that the extensionist of the municipality can easily go to the area for further information and demonstration on how to grow crops more productive. Good variety of rice should be provided to have a better yield so that the farmers can pay to the bank.

It is also recommended that the Department of Agriculture should encourage and promote organic farming to attain balance ecological production management system that encourages and improves soil biological activity and biodiversity.

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