

## **BIBLIOGRAPHY**

LOKINES, RASHID B. APRIL 2011. An Assessment on the Source of Capital by Strawberry Farmers in La Trinidad, Benguet. Benguet State University, La Trinidad, Benguet.

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## **ABSTRACT**

The study was conducted in the different strawberry producing areas of La Trinidad, Benguet. Forty farmers and ten financiers were interviewed to identify the source of capital of strawberry farmers, reasons for choosing that source of capital, conditions set by the financiers or financial institution, the problems encountered by farmers in using that source of capital and to recommend the best source of finance to be used by strawberry farmers.

Strawberry farmers sourced out their capital from various sources. The major reasons of farmers for choosing financiers are: provide sure market, buys the product at a fix price, farmer can sell product to others, and finances all the operational expenses.

Traders do not charge interest but deduct an amount from the buying price. Good Shepherd does not charge interest. Some of the farmers financed by Ecumenical Church Foundation, Inc. (ECLOF) are not sure about the interest rate they are paying since their answer varies. Card bank charged 2% interest rate per month. Input suppliers do not charge interest but share equally with the net income of the farmers.

Traders, Good Shepherd and input suppliers do not charge service fee while formal lenders such as ECLOF and Card bank charge a service fee of 3-4%.

Trust is an important requirement in financing for traders and input suppliers, Good Shepherd loans only to strawberry farmers who are an active member of “Duting Farmer’s Association”. ECLOF and Card bank require papers or document, credit investigation, and the farmer should be a member of their cluster grouping, ECLOF also require collateral.

The problems encountered by farmers with the different sources of capital are the following: cannot sell their product to others who even offer a higher price, delayed released of loan, the loan released is limited, and equal sharing of net profit with the financier.

It is therefore recommended that farmers should look for a better alternative source of credit where the conditions set by the lender is fair. Banks should be flexible in giving loans to the farmers. It is also recommended that farmers should join or organize cooperative so that it could meet their credit needs or look for market similar with Good Shepherd where the buyer finance and at the same time purchase output at a fair price.

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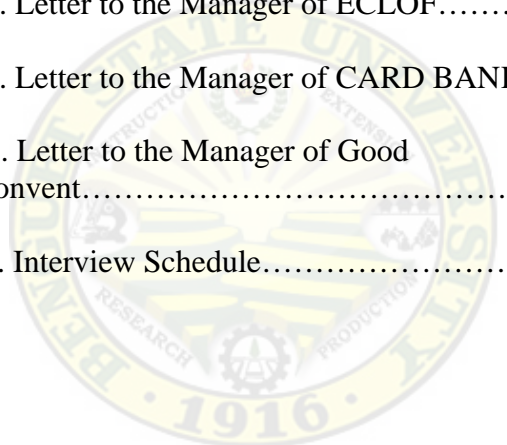
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## INTRODUCTION

### Rationale

Being one of the leading producers of strawberry in the Philippines, the municipality of La Trinidad, Benguet declared strawberry as their one-town-one product. Balaki (1992), stated that strawberry has been in Benguet for the last 50 more years with production yields that average 12 tons per hectare. Thus, it is a profitable source of income for farmers, food processors, other entrepreneurs in the area and additional revenue for the province.

In traditional agriculture, the concern of the farmer was only to produce food for himself and his family. However, as our population increases, the farmer must produce not just for himself but also for others. This extension of concern means that the farmer will now operate his farm like a business enterprise (Presidential Committee on Agricultural Credit, 1979).

Strawberry farming, like any other business requires capital for various production activities. Presidential Committee on Agricultural Credit (1979), defined “capital” as the designation applied to all goods used in the production of other goods, including plants and machinery.

Capital come from various sources such as personal saving, loans from banks, cooperatives, input suppliers and other financiers. Yubos (2006), observed that unavailability of cash and poor access to financial institutions or support is one of their constraints in production. Sayap (2006), also found that the average volume of strawberry produced per farm was very low due to the small area cultivated. One limiting factor why the farmers cannot expand their area cultivated was the lack of capital.



Therefore this study was conducted to find out the best source of finance for strawberry farmers in La Trinidad, Benguet and at the same time to document it.

### Statement of the Problem

This study intended to answer the following questions:

1. What are the sources of capital of strawberry farmers?
2. What are the reasons for choosing that source of capital?
3. What are the conditions set by the financiers or financial institutions?
4. What are the problems encountered by farmers in choosing that source of capital?
5. What is the best source of finance to be used by strawberry farmers?

### Objectives of the Study

The objectives of the study were the following:

1. To identify the source of capital of strawberry farmers.
2. To identify the reasons for choosing that source of capital.
3. To determine the conditions set by the financiers or financial institutions.
4. To identify the problems encountered by farmers in using that source of capital.
5. To recommend the best source of finance for strawberry farmers.





### Importance of the Study

The study was conducted to document the source of capital by strawberry farmers in La Trinidad, Benguet. Result of the study could be used as a guide for strawberry farmers in choosing source of capital for farm operations. Result may also serve as a guide for others who will be conducting similar studies.

### Scope and Delimitation

The study focused on the documentation and assessment on the source of capital by strawberry farmers in La Trinidad, Benguet.



## **REVIEW OF RELATED LITERATURE**

### Agricultural Financing

Finance is one of the most important aspects of business management. Without proper financial planning a new enterprise is unlikely to be successful. Managing money is essential to ensure a secure future, both for an individual and for an organization (Wikipedia, 2010).

According to Snoodgrass and Wallace (1975), capital used in agriculture is composed of both equity and debt capital. Debt capital comes into being when borrowed money (credit) is used to purchase inputs for production process and generates money income over time. On the other hand, equity capital is the capital that is fully owned and free of debt.

Many ventures find that debt financing is necessary. Short term borrowing (one year or less) is often required for working capital and is repaid out of the proceeds from sales. Long- term debt (term loans of one to five years or long term loans maturing in more than five years) is used to finance the purchase of property or equipment, with the purchased asset serving as collateral for the loans (Kuratko and Hodgetts, 2007).

PCAC (1979) defined “credit” it is this transaction between two parties in which one (the creditor or lender) supplies money, goods, services, and securities on the basis of future payment by the other (the debtor or borrower). Such a transaction normally includes the payment of interest to the lender. Credit in the farm business is becoming an ever increasingly important resource on nearly all commercial farms. According to Mortenson and Luening (1972), most commercial farms use both their own capital and borrowed capital.



According to PCAC (1979) farm supplies are not always available to small farmers and if they are, they are usually very expensive. Farmers cannot afford these because they do not even have enough money to support basic family needs. They may have little or no savings to add to their working capital.

### Importance of Credit

According to Mortenson and Luening (1972) borrowed capital if properly used, can contribute to the farm's net income in several ways. Credit can (1) help establish maintain a farm business of adequate size; (2) assist in making the needed changes in the farm business to meet changing conditions; (3) improve the efficiency of the farm business, such as substituting machinery for labor; (4) keep the business moving through times of income fluctuations due to variations in income and expenses and the uncertainties of price, weather, disease, etc.; and (5) provide for a transfer of a profitable farm business to another operator.

### Credit Involves Risk

Bangsoyao (2009) found out that among the type of loan given by cooperatives the agricultural loan/ regular loan had the highest percentage of delinquencies. The reason is because of the risk in agricultural production, price fluctuation of vegetable and the weather condition.

Taganas (1979) as cited by Taag (2009) found out that the failure of farmers to pay loans on time at maturity was caused by diversion of loan to non-farm activities. This was due to late release of the loan which motivated them to divert it to several uses other than the intended purpose. As a result, nothing was used on the intended purpose. This



further resulted to the extent of selling their house, lands just to augment the amount needed for land preparation and other expenditures. Others sold their houses to pay their debts when the collateral used was forfeited.

PCAC (1979) stated that risk in farming falls into three broad classes: (a) Those resulting from natural factors such as weather, fire, flood, earthquake, and plant or animal pests and diseases; (b) Those arising from the human factor or carelessness and incompetence in handling capital goods, dishonesty, strikes, violence and political disturbance; and (c) those which arise out of the uncertainty of market conditions, some of which are related to the first two classes.

#### Channels Agricultural Credit

The present system of credit delivery in the Philippines uses two channels, namely, the informal or non-institutional channels of credit and the formal or institutional channels of credit and the formal institutional sources (PCAC, 1979).

#### Formal Channels of Agricultural Credit

It is consist of banks and non-bank institutions, which are either controlled by private or by the government.

#### Banks

Langadan (1997) found that most of the farmers who have been borrowing loan from banks have made some improvement on their farm as well as their homes; and that the farmers are able to increase their investment and other farm tools and equipment because of the increase in their income through the modern practice of farming which were introduced to them by the agricultural extension worker.



## Cooperatives

Farmers and businessmen too, need to seek some lending institution like cooperative, to borrow enough funds for capitalization purposes to maintain its production operation and to work for it to gain income (Dequit, 2003).

Cooperative stipulates credits to members who engage in business and other income projects to sustain and expand its operation. At the same time, this lending institution also needs to require its member to pay their loans at a proper time to avoid dissolution of operation (Dequit, 2003).

Supa (2005) found out that cooperatives and the banks have similar types of loan granted but the banks lend to the general public while the cooperative lend mainly to their members. The interest loan charged by the banks was lower than the interest rate charged by the cooperatives. However, the service fees on loans charged by the cooperatives were lower than what the banks charge.

Baliwen (2007) stated that almost all of the cooperatives had written policies which they implemented strictly to their members. The requirements of the cooperatives for borrowing loans are share capital, co-makers, collaterals, savings deposit and business plan. The share capital was required by all the cooperatives.

The requirement submitted by the respondent when they applied loan are; real estate mortgage and fixed deposit certificate and checking account. There are some reasons why the borrowers will submit requirement. This will serve as the security measure for the cooperative and also it was a tradition practices of the cooperative (Kiwaen, 2007).



Taag (2009), said that the cooperative consider character, capacity, collateral, condition and capacity of the borrower before lending out money to avoid risk in the cooperative. The cooperative foreclose the collateral if the borrower failed to pay his/her debt.

Baliwen (2007), found that most of the cooperatives forced the borrowers to pay or return immediately their loans or they will not be allowed anymore to avail of loans once the loan was not used for the intended project

Agustin (2007) found out that the perceptions of member-borrowers towards loan borrowing and repayment, the respondents mentioned that borrowing from the cooperative is a way of patronizing its services being offered. The problems mostly encountered by the respondents affecting their loan repayment are low prices of their produce and they live far from the cooperative that they have a hard time going to the cooperative.

#### Informal Channel of Agricultural credit

According to (PCAC 1979), on the other hand, the informal channel is composed of private money lenders, relatives, friends, landlords and the rural businessmen. Usually they constitute the bigger source of credit among farm families. The rate of interest usually charges is 50-95 per cent. This is very much higher than the interest charged by the formal channels which is usually fixed at 12 per cent a year for production loans.

#### Individuals

According to Snoodgrass and Wallace (1975) these loans are usually made directly. Loans are made for real estate, capital investments, and operating funds. As a



result of the person-person responsibilities, there is no established method of loan supervision (except by legal suit) or loan limit.

### Trade Credit

Involves short-term, seasonal loans generally between agricultural producers and either input suppliers or produce buyers (processors, traders, etc.). Financial institutions are rarely involved. When provided as a loan, it tends to be limited to working capital (for inputs) and is usually provided in-kind. Relationships between the buyers and sellers are often more temporary and price-driven than in the case of contract farming and out grower schemes (USAID, 2005).

According to Snoodgrass and Wallace (1975), the majority of merchants and dealers lend capital resources for current production purposes. This is especially true of business that manufactures and or sells agricultural inputs. The time over which credit is extended by merchants and dealers depends upon many things. In some instances, personal friendship is the key to the length of loan time. In other cases, harvest time determines loan repayment.

According to Yubos (2006), unavailability of cash and poor access to financial institutions/support is one of their constraints in production; thus, this is where agricultural farm input suppliers are of great help to the farmers. The input suppliers included the farm supplies establishments in Baguio City and La Trinidad providing farm inputs to the farmers on credit basis, traders providing inputs to the farmers and in turn buy the vegetables produce by the farmers, and the farmers who own the land leased by the respondents and acts as the input suppliers and at the same time buyers of the vegetables produce by the farmers.



Yubos (2006), also found that farmers who entered into the supply system agreement are tied up to the traders because they pay high interest on the loan. The high cost of the farm inputs plus the high interest of the loan leaves a very small cash income to the farmers. This situation forces the farmer to go back to the supplier and ask for another or even more credit. The same is true for those who enter into the sharing arrangement. Yubos also found that the traders deducts the value of the inputs and still share with the net income. What would be left to the farmer may not even be enough to pay for the cost of his labor used in the production activity.

#### Reasons why Borrowers Prefer Informal Channels in their Financing Methods

PCAC (1979) stated some reasons why borrowers still prefer informal channels because: (a) It is easy to get a loan without much paper work or red tape; (b) These sources finance all the needs of the farmer for subsistence, educational, and medical purposes; (c) Even if the interest is high, the lender gives more time for the farmer to repay; and (d) Lenders also buy the crop at harvest time unlike the banks.





## **METHODOLOGY**

### Locale and Time of the Study

This study was conducted in the different strawberry producing areas of La Trinidad, Benguet specifically Betag, Puguis, Pico, Poblacion and Wangal. The research was conducted from August to September 2010.

### Respondents of the Study

There were 40 respondents from the strawberry farmers. There were 16 respondents from Betag, 6 from Puguis, 6 from Pico, 6 from Poblacion, and 6 from Wangal. Ten financiers identified by the farmer respondents served as financier respondents.

### Research Instruments

The respondents were interviewed using an interview schedule.

### Data Gathered

The data gathered were the sources of capital of strawberry farmers, the reasons for choosing that source of capital, the conditions set by the financiers or financial institutions, and the problems encountered by farmers choosing that source of capital.

### Data Analysis

The data collected were analyzed using frequency and descriptive analysis.



## RESULTS AND DISCUSSION

### Profile of the Farmer Respondents

Table 1 presents the general profile of the respondents in terms of age, gender, civil status, educational attainment and household size of strawberry farmer respondents.

Age. Three or 7.5% of the respondents belonged to the 20 – 30 years old bracket, 16 or 40% belonged to the 31 – 40 years old bracket, 14 or 35% to the 41 – 50 years old, 6 or 15% to the 51 – 60 years old and only 1 or % to the 61 – 70 years old bracket. This finding implies that majority of the farmers are still young.

Gender. Majority (80%) of the respondents were male and only 20% were female. The result shows that more male were engaged in strawberry farming than female.

Civil status. Majority (97.5%) of the respondents were married and only 2.5% were single. This finding indicates that majority of the strawberry farmers are married and with family to support.

Educational attainment. Majority (42.5%) reached high school level or high school graduates. Twelve or 30% reached elementary level or are elementary graduates. Eight or 20% reached college level or are college graduates. Two or 5 % were vocational graduates and one or 2.5% of the respondents has no formal education. This implies that majority of the farmers in the different areas of La Trinidad, Benguet reached high school level or are high school graduates.

Household size. Majority (65%) of the respondents had 2 – 5 number of household members, 35% had 6 – 10 members. The result shows that majority of the farmers had few household members.



Table 1. Profile of farmer respondents

PARTICULAR	FREQUENCY	PERCENTAGE
Age		
20-30	3	7.50
31-40	16	40.00
41-50	14	35.00
51-60	6	15.00
61-70	1	2.50
TOTAL	40	100.00
Gender		
Male	32	80.00
Female	8	20.00
TOTAL	40	100.00
Civil Status		
Married	39	97.50
Single	1	2.50
TOTAL	40	100.00
Educational Attainment		
No Formal Education	1	2.50
Elementary level	12	30.00
High School Level	17	42.50
Vocational	2	5.00
College Level	8	20.00
TOTAL	40	100.00
Household Size		
2 to 5	26	65.00
6 to 10	14	35.00
TOTAL	40	100.00



### Main Source of Income

All of the respondents' main source of income is farming. This implies that all or almost all of the strawberry farmers depend on farming as their main source of income.

### Other Sources of Income

Aside from farming some farmers were engaged in other economic activities in which nine or 22.5% of the respondents earn income from their own business such as mini-store, retailing strawberry and some have boarding house, while seven or 17.5% earn income by working as a laborer in other farms and four or 10% were supported by other family members.

Table 2. Sources of income

SOURCE	FREQUENCY	PERCENTAGE
Main Source		
Farming	40	100.00
Other source		
Business	9	22.50
Labor	7	17.50
Employment	4	10.00



### Years in Strawberry Farming

Table 3 presents the number of years in strawberry farming. Less than half (42.5%) of the respondents were into strawberry production for six to ten years, and fifteen (37.5%) for less than five years. Three (7.5%) for sixteen to twenty years and another three (7.5%) had been producing strawberry for more than twenty one years. Two (5%) of the respondents had been producing strawberry for eleven to fifteen years. Results show that less than half of the farmers were into strawberry production for six to ten years. The average number of years the respondents produced strawberry was 8.6 years.

### Annual Income

Table 4 shows the annual income of farmers. Most (42.5%) of the respondents had an average annual income of fifty thousand pesos and below, 14 (35%) had fifty to one hundred thousand pesos and nine (22.5%) had one hundred thousand pesos and above. This implies that most of the strawberry farmers had an average annual income of fifty thousand pesos and below.

Table 3. Number of years in strawberry farming

NO. OF YEARS	FREQUENCY	PERCENTAGE
1 to 5	15	37.50
6 to 10	17	42.50
11 to 15	2	5.00
16 to 20	3	7.50
21 and above	3	7.50
TOTAL	40	100.00
Mean	8.6 yrs.	



Table 4. Annual Income of farmer respondents

INCOME (PESOS)	FREQUENCY	PERCENTAGE
below PhP.50,000	17	42.50
PhP.50,000-100,000	14	35.00
above PhP.100,000	9	22.50
TOTAL	40	100.00

### Land Ownership

Majority (75%) of the respondents do not own the land they are cultivating, while 25% owned the land they are cultivating. Twenty or 66.67% are renting from Benguet State University, eight or 26.67% are renting from private individuals and two or 6.67% are cultivating the land owned by their family members or relatives. This implies that majority of the respondents do not own the land the land they are cultivating. Results also show that most of the farmers are renting from Benguet State University (Table 5).

Table 5. Land ownership

PARTICULARS	FREQUENCY	PERCENTAGE
Owned	10	25.00
Not owned	30	75.00
TOTAL	40	100.00
Owner of area utilized in the production		
BSU	20	66.67
Private	8	26.67
Relative	2	6.67
TOTAL	30	100.00



### Average Area Cultivated by Strawberry Farmers

Table 6 shows the average area cultivated by strawberry farmers. Majority (67.5%) of the respondents planted an area of 500 – 1,000 square meters. The area planted by 12.5% ranged from 1,001 – 1,500 square meters, 10% planted an area of 1,501 – 2,000 square meters, 7.5% planted an area of 499 square meters and below while 2.5% planted an area that ranged from 2,001 – 2,500 square meters. Result shows that majority of the farmers cultivate strawberry in an area of 500 – 1,000 square meters. The average area planted to strawberry by all the respondents was 807.18 square meters.

### Distribution of Financier Respondents

Table 7 shows the financiers of the strawberry farmers. There were six or 60% traders who finance strawberry farmers, one or 10% from Good Shepherd, 1 or 10% from ECLOF (Ecumenical Church Foundation, Inc.), 1 or 10% from Card Bank and another one or 10% Input Suppliers.

Table 6. Average area cultivated by strawberry farmers

AREA (sq. m)	FREQUENCY	PERCENTAGE
499 and below	3	7.50
500-1000	27	67.50
1001-1500	5	12.50
1501-2000	4	10.00
2001-2500	1	2.50
TOTAL	40	100.00

Mean= 807.18 sq.m



Table 7. Distribution of financier respondents

PARTICULAR	FREQUENCY	PERCENTAGE
Traders	6	60.00
Good Shepherd	1	10.00
Ecumenical church foundation, Inc.	1	10.00
Card Bank	1	10.00
Input Suppliers	1	10.00
<b>TOTAL</b>	<b>10</b>	<b>100.00</b>

### Profile of Financier Respondents

Table 8 presents the profile of the financier respondents as to gender and age.

Gender. Majority (70%) of the respondents were females and only 30% were males. The result shows that more female were engaged in financing strawberry farmer.

Age. Half (50%) of the respondents belonged to the 41 – 50 year old bracket, 20% are 51 – 60 year old and only 10% are 20-30 years old bracket. Result shows that majority of the financiers were of middle to senior age.

Table 8. Profile of the financier respondents

PARTICULARS	FREQUENCY	PERCENTAGE
Gender		
Male	3	30.00
Female	7	70.00
<b>TOTAL</b>	<b>100</b>	<b>100.00</b>
Age		
20-30	1	10.00
31-40	0	0
41-50	5	50.00
51-60	2	20.00





### Source of Capital for Strawberry Production

Table 9 shows the source of capital for strawberry production. Strawberry farmers sourced out their capital from various sources. Majority (60%) of the respondents borrowed from traders, while 15% borrowed from Good Shepherd, 12.5% borrowed from ECLOF (Ecumenical Church Foundation, Inc.), 7.5% borrowed from input suppliers and 2 or 5% borrowed from Card Bank. The findings implied that strawberry farmers vary from the sources of capital. Moreover it can be recognized that traders play an important role as informal financing source for many farmers.

### Requirements of the Different Financiers in Lending Loan

Table 10 presents the requirements of the different financiers in lending.

Traders. All of the respondents who borrowed from traders pointed out that the lenders based the amount of loaned on the area of farm they inspected and character of the borrower is also considered because trust is an important requirement in financing. The amount of loan lent by the traders is in proportion to the area. One requirement imposed by the traders was that farmers should not sell their produce to other buyers otherwise they will not be given financial assistance during the next cropping season.

Good Shepherd. Good Shepherd's requirement in lending loan is that the farmer should be a strawberry farmer who is an active member of "Duting Farmer's Association" and farm area inspection.

ECLOF. The requirements of ECLOF in lending loans are credit investigation, papers or documents, collateral and should be a member of informal grouping of farmers. Collaterals can be in the form of mortgage of real estate, physical properties



Table 9. Sources of capital of strawberry farmers

SOURCES	FREQUENCY	PERCENTAGE
Traders	24	60.00
Good Shepherd	6	15.00
ECLOF	5	12.50
Card Bank	2	5.00
Input Suppliers	3	7.50
TOTAL	40	100.00

Table 10. Requirements by the different financiers

REQUIREMENTS	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
Area	6	100	0	0	0	0	0	0	0	0
Character	6	100	0	0	0	0	0	0	1	100
C.I. papers/ documents			0	0	1	100	1	100		
Member			1	100	1	100	1	100		
Collateral					1	100				
TOTAL			1	100					1	100

such as house, car, appliances, gadgets and other farm equipments.

Card bank. The requirements of Card bank in lending loans are credit investigation and the borrower should be a member of their informal grouping or cluster grouping of farmers.

Input suppliers. The respondent requirement in lending loan is the character of the borrower because trust is an important requirement in financing.



### Reasons for Choosing the Sources of Capital

Table 11 shows the reasons of farmers for choosing the sources of capital for their strawberry production.

Traders. Majority (71.17%) of the respondents chose traders as financier because it provides sure market of their product, (29.17%) mentioned that they have no other options or alternative financing source, (20.83%) mentioned that their product is use for repayment not money, (16.67%) mentioned that it finance all the operational expenses, (8.33%) mentioned that traders do not require collateral unlike other lenders and another (8.33%) of the respondents reason is that the traders can provide high capital, while (4.17%) mentioned that it is easy to get a loan without much paper works. This implies that majority of the farmers chose traders as financier because it provides sure market of their product because market for their product is one of their problems.

Good Shepherd. All respondents financed by Good Shepherd said they chose this financier because it buys the produce in a fix price basis which is 65-75 pesos and 33.33% mentioned that it finances all the operational expenses. The major reason of all the respondents for choosing Good Shepherd as their financier is that it buys the produce in a fix price basis which is 65-75 pesos.

ECLOF. All of the respondents chose ECLOF as their financier because they can sell product to other buyers, 80% of the respondents' reason is it offers low interest on loan, 40 % of the respondents reason is the lender gives more time for repayment, 20% of the respondents' reason is the lender finance all the operational expenses and another 20 % of the respondents reason is it is easy to get a loan. The major reason of all the



respondents for choosing ECLOF as their financier is that it they can sell their product to other buyers.

Card bank. All of the respondents chose Card bank as financier because they can sell product to others buyers, while 50 % mentioned that is it offers low interest rate on loan. The major reason of all the respondents for choosing Card bank as their financier is that they can sell product to other buyers.

Input suppliers. All of the respondents chose input suppliers as financier because if finances all the operational expenses, the other 33.33% mentioned that the farmer can sell product to others buyers, another 33.33% mentioned that lender gives more time for repayment, and another 33.33% mentioned that it is easy to get a loan. The major reason of all the respondents for choosing input suppliers as their financier is that it finances all the operational expenses.

#### Amount of Capital Borrowed by Farmers

Table 12 presents the amount of capital borrowed by farmers. More than half (54.2 %) of the respondents financed by traders borrowed 30,000 pesos and below, 25% borrowed 30,001-60,000 pesos, 12.25% borrowed 90,001 pesos and above, while 8.33% borrowed 60001-90,000 pesos.

Majority (60%) of the respondents financed by Good Shepherd borrowed 30,001-60,000 pesos, while 40% borrowed 30,000 pesos and below.

Majority (60%) of the respondents financed by ECLOF borrowed 30,000 pesos and below, while 20% borrowed 30,001-60,000, and another 20% borrowed 90,001 pesos and above.



Table 11. Reasons for choosing of source of capital

REASONS	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
No other options	14	29.17	0	0	0	0	0	0	0	0
Provides Sure market of their product	19	71.17	0	0	0	0	0	0	0	0
Fix price	0	0	6	100	0	0	0	0	0	0
It finance all the operational expenses	4	16.67	2	33.33	1	20	0	0	3	100
Easy to get a loan	1	4.17			1	20	0	0	1	33.33
Financiers give more time for repayment	0	0			2	40	0	0	1	33.33
Low interest	0	0			4	80	1	50	0	0
No collateral	2	8.33			0	0	0	0	0	0
Product is use for repayment not money.	5	20.83			0	0	0	0	0	0
The financier can provide high capital.	2	8.33			0	0	0	0	0	0
Farmer can set the repayment period.					0	0	0	0	0	0
The farmer can sell product to others buyers					5	100	2	100	1	33.33

\*Multiple response

All of the respondents financed by Card bank and input suppliers borrowed 30,000 pesos and below. For input suppliers it is in the form of farm inputs such as fertilizer, insecticides, fungicides and others.

The result implies that farmers borrow 30,000 pesos and below, however, some farmers borrow more than 30,000 pesos. However, the amount borrowed depends on the area planted or cultivated.



Table 12. Amount of capital borrowed by farmers

AMOUNT	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
30000 & below	13	54.2	2	40	3	60	2	100	3	100
30001-60000	6	25	3	60	1	20				
60001-90000	2	8.33			0	0				
90001 & above	3	12.5			1	20				
<b>TOTAL</b>	<b>24</b>	<b>100</b>	<b>5</b>	<b>100</b>	<b>5</b>	<b>100</b>	<b>2</b>	<b>100</b>	<b>3</b>	<b>100</b>

#### Interest Rate According to Farmers and Financier Respondents

Table 13 shows the interest rate according to farmer and financier respondents.

Traders. All of the respondents financed by traders said that there is no interest rate fee they just deduct 20 pesos per kilograms from the buying price of the product. However, all of the traders' respondents said that they just deduct 5 pesos per kilogram from the buying price of the product.

Results show that there is inconsistency or the answers are contradicting because farmer respondents said that traders deduct 20 pesos per kilograms from the buying price of the product while traders mentioned that only 5 pesos is deducted per kilogram.

Good Shepherd. All of the respondents financed by Good Shepherd said that there is no interest rate fee, while 33.33% said that after paying all their debt, 3% from the deliveries will be deducted and deposited in the savings account of farmers.



Good Shepherd also mentioned that there is no interest rate fee because they just want to have assurance of quality supply of strawberry. They just deduct 3% from the deliveries after the borrower pay all their debt; it will be deposited in the savings account of farmers.

ECLOF. Most (40%) of the respondents financed by ECLOF said that the financier charge 2% interest rate fee and another 40% said that the financier charge 4% interest rate fee while 20% said that 1% is the interest rate fee. However, ECLOF said that they charge 4% interest rate fee which 2.6% is the interest, 0.4% is for the rebate and 1% for the collateral build up. This implies that some farmers financed by ECLOF are not sure about the interest rate they are paying since their answer varies.

Card Bank. All of the respondents financed by Card bank said that the financier charge 2% interest rate fee. Card bank also mentioned that they charged 2% interest rate per month. The result implies that all of the farmers financed by Card bank know the interest fee they are paying.

Input Suppliers. All of the respondents financed by suppliers said that there is no interest but they have an agreement to share equally their net income with the input supplier. Input suppliers also said that there is no interest fee but they have an agreement to share equally with the net income of the farmers.



Table 13. Interest rate according to farmers and financier respondents

INTEREST RATE	FARMERS										FINANCIER									
	TRADERS		GOOD SHEPHERD*		ECLOF*		CARD BANK		INPUT SUPPLIERS		TRADERS		GOOD SHEPHERD*		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%
0	24	100	6	100	0	0	0	0	0	0	6	100	1	100	0	0	0	0	0	0
1%			0	0	1	20	0	0	0	0			0	0	0	0	1	100	0	0
2%			0	0	0	0	2	100	0	0			1	100	0	0			0	0
3%			2	33.33	2	40			0	0				1	100				0	0
4%					2	40			0	0									0	0
50-50 Sharing									3	100									1	100
TOTAL	24	100			5	100	2	100	3	100	6	100	1	100	1	100	1	100	1	100

\*Multiple Response





### Service Fee According to Farmers and Financier Respondents

Table 14 shows the service fee according to farmers and financier respondents. All of the respondents financed by traders, Good Shepherd and input suppliers said that there is no service fee charge. In addition, majority (60%) of the respondents financed by ECLOF said that the lender charges 3% for the service fee while 40% of the respondents are not sure if the lender charges service fee. All of the respondents financed by Card bank said that the lender charged 4% for the service fee.

All of the traders' respondents, Good shepherd and input suppliers said that there is no service fee charge while ECLOF charge 3% for the service fee and Card bank charge 4% for the service fee.

This implies that informal lenders such as traders, Good Shepherd and input suppliers do not charge service fee while formal lenders such as ECLOF and Card bank charge service fee at 3-4%.

### Benefits Derived by Farmers

Table 15 shows the benefits derived by farmers from their financiers.

Traders. All of the farmer respondents mentioned that trader as financier, finance all the farm operation expenses, more than half (58.33%) said that during off-season they can divert loan to non-farm activities, (25%) of the respondents can avail additional capital, (12.5%) of the respondents said that the trader finances some of the non-farm needs of farmer.

Good Shepherd. All of the farmer respondents mentioned that Good Shepherd as financier, provide them a sure market and a fix price of produce which is 65-75 pesos,



50% of the respondents said that they derived rebates in the form of saving account, 33.33% of the respondents benefit is it financed all the needs of the farmers such as they can borrow money during their times of need, 16.67% of the respondents benefits is that it provides a way for spiritual growth because Good Shepherd conducts bible reflection. This implies that all of the respondents benefit for choosing Good Shepherd as financier is that the financier buys the produce in a fix price basis which is 65-75 pesos.

ECLOF. All of the farmer respondents mentioned that having ECLOF as financier gives them freedom to sell product to others buyers, 60% of the respondents mentioned that this financier finances their farm operational expenses, 40% derived rebates or savings. This implies that all of the respondents' benefit for choosing ECLOF as financier is that aside from the financial assistance in farm operation they have the freedom to sell product to others buyers.

Card bank. All of the farmer respondents mentioned that having Card bank as financier gives them freedom to sell product to others buyers, 50% of the respondents mentioned that they derived rebates or savings. This implies that all of the respondents benefit for choosing Card bank as financier gives them freedom to sell product to others buyers aside from the financial assistance in farm operation.

Input suppliers. All of the farmer respondents mentioned that input suppliers as financier finances all the farm operational expenses, 66.67% mentioned that input suppliers finance all the needs of the farmers such as they can borrow money during their times of need, 33.33% can avail additional capital and another 33.33% have the freedom to sell product to others buyers. This implies that all of the respondents derived benefit from suppliers as it finances all the farm operational expenses.



Table 14. Service fee according to farmers and financier respondents

SERVICE FEE	FARMERS										FINANCIER									
	TRADERS		GOOD SHEPHERD		ECLOF*		CARD BANK		INPUT SUPPLIERS		TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%
None/not sure	24	100	6	100	2	40	0	0	3	100	6	100	1	100	0	0	0	0	1	100
3%					3	60	0	0						1	100	0	0			
4%							2	100								1	100			
TOTAL	24	100	6	100	5	100	2	100	3	100	6	100	1	100	1	100	1	100	1	100

\*Multiple Response



Table 15. Benefits derived by farmers' respondents

BENEFITS	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
Fix price	0	0	6	100	0	0	0	0	0	0
Finance farm operation	24	100	0	0	3	60	0	0	3	100
Income during off season	14	58.33	0	0	0	0	0	0	0	0
rebates	0	0	3	50	2	40	1	50	0	0
Finance all the needs	3	12.5	2	33.33	0	0	0	0	2	66.67
additional capital	6	25	0	0	0	0	0	0	1	33.33
Freedom			0	0	5	100	2	100	1	33.33
Spiritual			1	16.67						

#### Financiers Actions to Prevent Delinquent Accounts

Table 16 shows the financiers actions to prevent delinquent accounts. All of the financier respondents said that in order to prevent delinquent accounts they have to do follow-up or monitoring. In addition, Good Shepherd mentioned that imposing penalty or suspension for acquiring financial assistance are actions to be undertaken to prevent delinquent accounts. On the other hand Card bank said that legal action should be done.



Table 16. Financiers actions to prevent delinquent accounts

ACTIONS	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
Follow up/ monitoring	6	100	1	100	1	100	1	100	1	100
Legal			0	0			1	100		
Penalty/ suspension			1	100						
TOTAL	6	100			1	100			1	100

Penalties Imposed by Financiers on Late Payments According to Farmer and Financier Respondents

Table 17 shows the penalties imposed by financiers according to farmer and financier respondents.

All of the farmer respondents said that traders, Good Shepherd, Card bank and input suppliers do not charge penalty on late payments of debt. All of the traders, Good Shepherd, Card bank and input suppliers also mentioned that they do not charge penalty on late payments of debt. For the farmer respondents financed by ECLOF, majority (60%) of the respondents said that ECLOF do not charge penalty on late payment, while 40% of the respondents said that the financier charge penalty on late payments. One of the two respondents said that ECLOF charge 3% charge for late payments of debts and the other one said that the financier charge 5% for late payments of debt. ECLOF mentioned that they charged 5% per month penalty for late payments of debt. This implies that those farmers financed by ECLOF are not aware of the rules and regulations of the financier (ECLOF) on late payment.



Table 17. Penalties imposed by financiers on late according to farmers and financier respondents

PARTICULARS	FARMERS										FINANCIER										
	TRADERS		GOOD SHEPHERD		ECLOF*		CARD BANK		INPUT SUPPLIERS		TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS		
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	
Impose penalty	0	0	0	0	2	20	0	0	0	0	0	0	0	0	0	1	100	0	0	0	0
Do not impose penalty	24	0	6	0	3	60	2	100	3	100	6	100	1	100			1	100	1	100	
TOTAL	24	100	6	100	5	60	2	100	3	100	6	100	1	100	1	100	1	100	1	100	
If yes, how much?																					
3 %					1	50									0	0					
5 %					1	50									1	100					
TOTAL					2	100									1	100					

\*Multiple Response



Repayment Conditions According to  
Farmer and Financier Respondents

Table 18 shows the repayment conditions according to farmer and financier respondent. All of the farmer respondents said that traders, Good Shepherd, Card bank and input suppliers do not charge penalty on late payments of debt. In addition, all of the traders, Good Shepherd, and input suppliers also mentioned that they do not force their borrowers to pay their debt on time. On the other hand, ECLOF and Card bank mentioned that they force their borrowers to pay their loan or debt on time to prevent delinquent accounts and this is the policy imposed by almost banks. For the farmer respondents financed by ECLOF, majority (60%) of the respondents said that ECLOF do not charge penalty on late payment, while 40% of the respondents said that the financier charge penalty on late payments. One of the two respondents said that ECLOF charge 3% charge for late payments of debts and the other one said that the financier charge 5% for late payments of debt.

This implies that informal lenders do not force their borrowers to pay loan on time while formal lenders force their borrowers to pay loan on time.



Table 18. Repayment conditions according to farmers and financier respondents

PARTICULARS	FARMERS										FINANCIER									
	TRADERS		GOOD SHEPHERD		ECLOF*		CARD BANK		INPUT SUPPLIERS		TRADERS		GOOD SHEPHERD*		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%
Enforce	0	0	0	0	3	60	2	100	0	0	0	0	0	0	1	100	1	100	0	0
Do not enforce	24	100	6	100	2	40			3	100	6	100	1	100					1	100
TOTAL	24	100	6	100	1	100	2	100	3	100	6	100	1	100	1	100	1	100	1	100

\*Multiple Response





### Factors that Affects Payment on Loan

Table 19 shows the factors that affect farmers on paying their loan. All of the respondents financed by traders, Good Shepherd, Card bank and input suppliers and 40% finance by ECLOF said that natural calamities affect them in paying their debt; On the other hand, 66.67% of the respondents financed by traders said that low price of their produce affect them in paying their debt. This condition is also true to the 60% financed by ECLOF and those financed by Card bank. Forty percent of those financed by ECLOF mentioned that the term of loan affects them in paying their debt. This implies that the major factors affect payment on loan is the natural calamities which may affects volume and quality of produce and maybe the price. Secondary factor is the low income due to low price of strawberry.

### Reason for Delayed Payment on Loans

Table 20 shows the reasons for delayed payment on loans. Some (29.17%) of the farmer respondent financed by traders mentioned that loss of production is the reason for delayed in paying their debt while 4.17% said that bankruptcy is the reason for delayed payment. Some (16.67%) of the farmer respondent financed by Good Shepherd and (20%) finance by ECLOF also mentioned that loss of production is the reason for delayed in paying their debt. On the other hand, 20% of the respondents financed by ECLOF mentioned that their co-maker cannot pay their debt because as a member of the cluster they should complete the payment. In addition, majority (50%) of the respondent financed by Card bank said that no income during the due date which is one week after receiving the loan is the reason for delayed in paying their debt and another 50% of the respondent said that their low income due to the low price of their produce is the reason



Table 19. Factors that affects payment on loan

FACTORS	TRADERS*		GOOD SHEPHERD		ECLOF*		CARD BANK*		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
Term of loan	0	0	0	0	2	40	2	100	0	0
Price	16	66.67	0	0	3	60	2	100	0	0
Calamities	24	100	6	100	2	40	2	100	3	100
TOTAL			6	100					3	100

\*Multiple Responses

Table 20. Reasons for delayed payment on loans

REASONS	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
Loss of production	7	29.17	4	16.67	1	20	0	0	0	0
No income	0	0			0	0	1	50	0	0
Low income	0	0			0	0	1	50	0	0
co maker cannot pay	0	0			1	20			0	0
Bankruptcy	1	4.17							1	33.33
TOTAL					5	100	2	100		

for delayed in paying their debt. Furthermore, less than half (33.33%) of the respondents financed by input suppliers mentioned that bankruptcy is the reason for delayed payment.



Repayment Period and Mode of Payment  
According to Farmer and Financier  
Respondents

Table 21 presents the repayment period and mode of payment according to farmer and financier respondents.

All of the farmers' respondents financed by traders, Good Shepherd and input suppliers mentioned that repayment period is within the harvest period, the produce serve as the payment for loans borrowed from traders and Good Shepherd. In addition, all of the respondents financed by ECLOF mentioned that the repayment period is maximums of 8 months and the mode of payment is through lump sum payment which can be pay on installment basis. Furthermore, the entire farmer respondents financed by Card bank mentioned that the repayment period is six months to one year depending on the terms of loan. The respondents also added that the mode of payment is weekly.

All of the traders' respondents, Good Shepherd and input suppliers mentioned that repayment period are within the harvest period, the product served as the payment for the loans borrowed from traders and Good Shepherd. ECLOF mentioned that the repayment period is maximums of eight months and the mode of payment is through lump sum payment. Card bank mentioned that the repayment period is six months to one year depending on the terms of loan and the mode of payment is weekly.

The finding implies that the repayment period for loans borrowed from traders, Good Shepherd and input suppliers is within the harvest period while formal lenders like ECLOF and Card bank sets their own repayment period depending on the type of loan.



Table 21. Repayment period and mode of payment according to farmers and financier respondents

PARTICULARS	FARMERS										FINANCIER											
	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS		TRADERS		GOOD SHEPHERD*		ECLOF		CARD BANK		INPUT SUPPLIERS			
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%		
Repayment Period																						
Harvest max 8 months	24	100	6	100	0	0	0	0	0	0	3	100	6	100	1	100	0	0	0	0	1	100
6mo-1yr					5	100	0	0	0	0					1	100	0	0	0	0		
TOTAL	24	100	6	100	5	100	2	100	3	100	6	100	1	100	1	100	1	100	1	100	1	100
Mode																						
Harvest	24	100	6	100	0	0	0	0	0	0	3	100	6	100	1	100	0	0	0	0	1	100
Weekly					0	0	2	100							0	0	1	100				



### Collection Technique Imposed by Financier Respondents

Table 22 shows the collection techniques imposed by financier respondents. All of the traders and Good Shepherd respondents mentioned that the collection technique is just waiting for the deliveries of strawberry by the borrowers. In addition, ECLOF and input suppliers mentioned that they just wait for the borrowers to pay their debts. On the other hand, Card bank mentioned that the collection technique is through Card bank collection centers.

### Problems Mentioned by Farmer Respondents

Table 23 shows the problems encountered by farmers. Most (91.67%) of the respondents financed by traders encountered problems such as they cannot sell their product to other buyers who even offers a higher price than the traders, while 16.67% mentioned that the loan they availed is insufficient or is not enough because the borrowed fund is not used according to purpose. This implies that most of the farmers financed by traders encountered problems such as they cannot sell their product to other buyers because they are bound to sell their produce to the traders as part of their agreement.

One half (50%) of the respondents financed by Good Shepherd encountered problems such as delayed release of loan; they will have to wait for three weeks before they will get their loan, 33.33% mentioned that the loan they avail is insufficient or not enough because the fund is not spent according to purpose, 33% said that they encounter problems during deliveries because it is an additional cost to the farmers and another 33.33% mentioned that they had lots of meeting held by Good Shepherd, thus disturbing them from farm activities, while 16.67% said that they need to meet the quota imposed



by Good Shepherd. This implies that half of the farmers financed by Good Shepherd encountered problems such as delayed release of loan.

Furthermore, majority (60%) of the respondents financed by ECLOF encountered problems such as cannot easily avail loan because of many paper works or too many requirements resulting to delayed release of loans, 20% said that the loan they avail is insufficient or not enough and the other 20% delayed payment is one of their problem because some member of their cluster group cannot pay on time. This implies that less than half of the farmers finance by ECLOF cannot avail loan because of many paper works or too many requirements resulting to delayed release of loans.

One half (50%) of the respondents financed by Card bank mentioned that they cannot easily avail loan because of so many paper works resulting to delayed release of loan, another 50% mentioned that the amount loaned is not enough, while 33.33% said that they cannot pay their debt because they have no income during due date which is one week after receiving the loan. This implies that one half of the farmers financed by Card bank cannot easily avail loan because of so many paper works and the loan released is limited.

Majority (66.67%) of the respondents financed by input-suppliers encountered problems such as equal share of net profit with the financier even if the profit is low, while 33.33% said that the loan they avail is insufficient or not enough. This implies that majority of the farmers financed by input suppliers share equally their net profit with the financier even if the profit is low.



Table 22. Collection technique imposed by financier respondents

TECHNIQUES	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
wait for deliveries	6	100	1	100	0	0	0	0	0	0
Through collection centers					0	0	1	100	0	0
lender just wait for cash payment					1	100			1	100
<b>TOTAL</b>	<b>6</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>

Table 23. Problems mentioned by farmer respondents

PROBLEMS	TRADERS*		GOOD SHEPHERD*		ECLOF		CARD BANK*		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
Delayed release of loan	0	0	3	50	3	60	1	50	0	0
Insufficient	4	16.67	2	33.33	1	20	1	50	1	33.33
Can't sell to other	22	91.67	0	0	0	0	0	0	0	0
Deliveries			2	33.33	0	0	0	0	0	0
Equal share of net profit			0	0	0	0	0	0	2	66.67
Lots of meeting			2	33.33	0	0	0	0		
Delaying in payment			0	0	1	20	0	0		
No income during due date			0	0			1	33.33		
Quota			1	16.67						
<b>TOTAL</b>					<b>5</b>	<b>100</b>			<b>3</b>	<b>100</b>

\*Multiple Responses



Problems Encountered by Financier Respondents in Granting Loan

Table 24 shows the problems encountered by financier respondents in granting loan. All of the traders mentioned that natural calamities is the major problem encountered because farmers cannot pay their debt, while 83.33% of the respondents said that some of the farmers sold their produce to other buyers or non- commitment to contract.

The problem of Good Shepherd is similar with the traders that farmers are selling their produce to other buyers or non-commitment to the contract thus cannot collect loans and some members are inactive or not even attending some meetings.

ECLOF encounter problems like delinquent accounts due to their poor production. This is also the problems of Card bank, the delinquent account maybe attributed to poor harvest, low yield due to natural calamities which is beyond their control over the farmers. In addition, the suppliers who financed farmers encountered the same problems as to delayed payment of loan by farmers because of natural calamities.

Table 24. Problems encountered by financier respondents in granting loans

PROBLEMS	TRADERS		GOOD SHEPHERD		ECLOF		CARD BANK		INPUT SUPPLIERS	
	F	%	F	%	F	%	F	%	F	%
Non commitment to contract	5	83.33	1	100	0	0	0	0	0	0
Delinquent	0	0	0	0	1	100	1	100	0	0
Calamities	6	100	0	0			1	100	1	100
Inactive members			1	100						
TOTAL					1	100			1	100





## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### Summary

The study was conducted in the different strawberry producing areas of La Trinidad, Benguet specifically Betag, Puguis, Pico, Poblacion and Wangal from August to September 2010. A total of 40 farmers and 10 financiers served as the respondents of the study. The data needed were gathered through personal interview with the respondents and it was analyzed using frequency and descriptive analysis. The study aims to identify the source of capital of strawberry farmers, identify the reasons for choosing that source of capital, the conditions set by the financiers or financial institution, to identify the problems encountered by farmers in using that source of capital and to recommend the best source of finance to be used by strawberry farmers.

Most of the farmer respondents are at their middle ages 31-40 years old, male, married, and had formal education up to college degree. Strawberry farmers sourced out their capital from various sources.

Majority of the farmers chose traders as financier because it provides sure market of their product. All of the respondents reason for choosing Good Shepherd as financier because it buys the product at fix price basis which is 65-75 pesos. All of the respondent reason for choosing Ecumenical Church Foundation, Inc. (ECLOF) and Card bank is that the farmer can sell product to others buyers. All of the respondents chose input suppliers as financier because it finances all the operational expenses.

The result also implies that farmers borrow 30,000 pesos and below, however, some farmers borrow more than 30,000 pesos. However, the amount borrowed depends on the area planted or cultivated.



All of the farmers financed by traders said that there is no interest rate fee they just deduct 20 pesos per kilograms from the buying price of the product, however, results show that there is inconsistency or the answers are contradicting because traders mentioned that only 5 pesos is deducted per kilogram from the buying price of the product. All of the farmers financed by Good Shepherd said that there is no interest rate fee they just deduct 3% from the deliveries after the borrower pays all their debt; it will be deposited in the savings account of farmers. Some of the farmers finance by ECLOF is not sure about the interest rate they are paying, since their answer varies. ECLOF mentioned that they charge 4% interest rate fee which 2.6% is the interest, 0.4% is for the rebate and 1% for the collateral build up. Card bank charged 2% interest rate per month. All of the farmers financed by Card bank said that the financier charge 2% interest rate fee, it implies that all of the farmers financed by Card bank know the interest rate they are paying. All of the farmers financed by input suppliers said that there is no interest fee but they have an agreement to share equally their net profit with the input suppliers.

Results show that informal lenders such as traders, Good shepherd and suppliers do not charge service fee while formal lenders such as ECLOF and Card bank charge service fee at 3-4% respectively. Majority of the farmers financed by ECLOF said that the lender charged 3% for the service fee and some of them are not sure are not sure if the lender charge service fee. All of the farmers finance by Card bank said that there the lender charged 4% for the service fee.

The requirements of traders and input suppliers in lending loans are area or farm inspection and character of the borrower is also considered because trust is an important requirement in financing. The amount of loan lent by the traders is in proportion to the



area. In addition, Good Shepherd's requirement in lending loan is that the farmer should be a strawberry farmer who is an active member of "Duting Farmer's Association" and farm area inspection. Furthermore, the requirements of ECLOF and Card Bank in lending loans are credit investigation, papers or document, and should be a member of their informal grouping or cluster grouping of farmers. Except for ECLOF they require collateral.

Most of the farmers financed by traders cannot sell their product to other buyers who even offer a higher price than the traders. One half of the farmers financed by Good shepherd mentioned that the release of loan is delayed. In addition, majority of the farmers finance by ECLOF cannot easily avail loan because of many paper works or too many requirements resulting to delayed release of loans. One half of the farmers financed by Card bank encountered problems such as delayed release of loan and the loan released is limited. Furthermore, majority of the respondents financed by input supplier share equally their net profit with the financier even if the profit is low.

### Conclusions

The following conclusions were drawn from the findings of the study.

1. Strawberry farmers sourced out their capital from various sources such as traders, Good Shepherd, Ecumenical Church Foundation, Inc. (ECLOF), Card bank and input suppliers.

2. The major reason of farmers for choosing traders as financier is that it provides sure market of their product. In addition, farmers for chose Good Shepherd as their financier because it buys the produce in a fix price basis. Farmers chose formal lenders such ECLOF and Card bank as their financier because they can sell product to others



buyers. Farmers chose input supplier as their financiers because it finances all the operational expenses.

3. Traders do not charge interest rate but deduct an amount from the buying price, however, the answers of the farmers are contradicting because traders mentioned that they just deduct 5 pesos per kilogram from the buying price of the produce while farmers mentioned that traders deduct 20 pesos per kilogram from the buying price of the produce.

4. Informal lenders such as traders, Good Shepherd and input suppliers do not charge service fee while formal lenders such as ECLOF and Card bank charge service fee at 3% to 4% respectively.

5. Traders and input suppliers based the amount loaned on the area inspected and character of the borrower is also considered because trust is an important requirement in financing.

6. Good Shepherd's requirement in lending loan is that the farmer should be a strawberry farmer who is an active member of "Duting Farmer's Association" and farm area inspection.

7. The requirements of ECLOF and Card bank in lending loans are credit investigation, papers or document, and should be a member of their informal grouping or cluster grouping of farmers, ECLOF also requires collateral.

8. Farmers financed by traders cannot sell their product to other buyers who even offer a higher price than traders. Farmers financed by Good Shepherd, ECLOF and Card bank encountered problems such as delayed release of loan and the loan they avail is



insufficient. Farmers financed by input suppliers share equally their net income with the input supplier even if the profit is low.

9. The best financing system identified by farmers is sourcing out funds from Good Shepherd because it has no interest rate fee, no service fee, they are also provided with sure market on a fix price of produce at 65-75 pesos, farmers also derived rebates in the form of saving account, they can borrow money during their times of need and the financier also provides a way for spiritual growth because Good Shepherd conducts bible reflection.

### Recommendations

Based on the findings, it is therefore recommended that farmers should look for a better alternative source of credit where the conditions set by the lender is fair. It is also recommended that banks should be flexible in giving loans to the farmers. It is also recommended for the farmers to join or organize cooperative so that it could provide the credit needs of the farmers or look for market similar with Good Shepherd where the buyer finance and at the same time purchase output at a fair price.

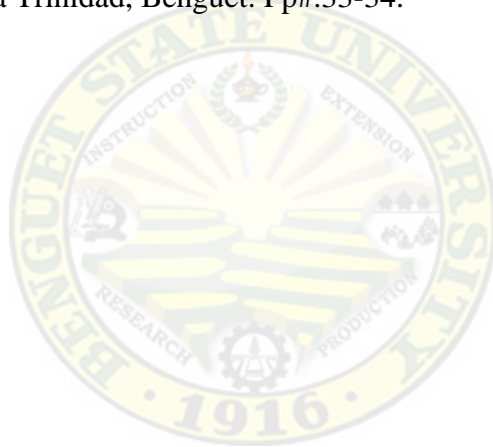


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**APPENDICES****APPENDIX A**

Letter to the Respondents

Republic of the Philippines  
Benguet State University  
College of Agriculture  
**DEPARTMENT OF AGRICULTURAL ECONOMICS  
AND AGRIBUSINESS MANAGEMENT**

September 2010

Sir/Madam:

I am a fourth year student taking up Bachelor of Science in Agriculture major in Agricultural Economics at Benguet State University. To fulfill my field of study, I am required to conduct this research titled, “An Assessment on the Source of Capital by Strawberry Farmers in La Trinidad, Benguet”. In this connection, may I therefore ask your time, your honesty, and sincerity in giving the needed information about my study.

Thank you very much! God bless you.

Respectfully yours,

**RASHID B. LOKINES**  
Student Researcher

Noted by:  
**JOVITA M. SIM**  
Thesis Adviser





## APPENDIX B

Letter to the Manager of ECLOF

DEPARTMENT OF AGRICULTURAL ECONOMICS  
AND AGRIBUSINESS MANAGEMENT  
Benguet State University  
La Trinidad, Benguet

September 2010

The Manager  
Ecumenical Churches Foundation, Inc.  
358 Magsaysay Ave., Baguio City

Sir/Madam:

Warm Greetings!

I, Rashid B. Lokines, a student of Benguet State University taking up Bachelor of Science in Agriculture major in Agricultural Economics. I am presently conducting a research titled “AN ASSESSMENT ON THE SOURCE OF CAPITAL BY STRAWBERRY FARMERS IN LA TRINIDAD, BENGUET” as a requirement for the degree.

In this connection, may I request permission to gather information regarding my study by interviewing you or one of your staff?

Thank you very much for your favorable action regarding this request. Your action will be highly appreciated.

Sincerely yours,

RASHID B. LOKINES  
(Student Researcher)

Noted:

JOVITA M. SIM



Adviser

APPENDIX C

Letter to the Manager of CARD BANK

DEPARTMENT OF AGRICULTURAL ECONOMICS  
AND AGRIBUSINESS MANAGEMENT  
Benguet State University  
La Trinidad, Benguet

September 2010

The Manager  
CARD BANK  
Km.4 Balili, La Trinidad, Benguet

Sir/Madam:

Warm Greetings!

I, Rashid B. Lokines, a student of Benguet State University taking up Bachelor of Science in Agriculture major in Agricultural Economics. I am presently conducting a research titled “AN ASSESSMENT ON THE SOURCE OF CAPITAL BY STRAWBERRY FARMERS IN LA TRINIDAD, BENGUET” as a requirement for the degree.

In this connection, may I request permission to gather information regarding my study by interviewing you or one of your staff?

Thank you very much for your favorable action regarding this request. Your action will be highly appreciated.

Sincerely yours,

RASHID B. LOKINES  
(Student Researcher)

Noted:

JOVITA M. SIM



Adviser

APPENDIX D

Letter to the Manager of Good Shepherd Convent

DEPARTMENT OF AGRICULTURAL ECONOMICS  
AND AGRIBUSINESS MANAGEMENT  
Benguet State University  
La Trinidad, Benguet

September 2010

The Manager  
Good Shepherd Convent  
15 Gibraltar Road, Baguio City

Sir/Madam:

Warm Greetings!

I, Rashid B. Lokines, a student of Benguet State University taking up Bachelor of Science in Agriculture major in Agricultural Economics. I am presently conducting a research titled “AN ASSESSMENT ON THE SOURCE OF CAPITAL BY STRAWBERRY FARMERS IN LA TRINIDAD, BENGUET” as a requirement for the degree.

In this connection, may I request permission to gather information regarding my study by interviewing you or one of your staff?

Thank you very much for your favorable action regarding this request. Your action will be highly appreciated.

Sincerely yours,

RASHID B. LOKINES  
(Student Researcher)

Noted:



JOVITA M. SIM  
Adviser

## APPENDIX E

### Interview Schedule

#### A. BACKGROUND INFORMATION

Name (optional): \_\_\_\_\_ Age: \_\_\_\_\_

Gender: \_\_\_\_\_ Marital Status: \_\_\_\_\_ Household size: \_\_\_\_\_

Main source of income: \_\_\_\_\_ other source of income: \_\_\_\_\_

Annual Household income: \_\_\_\_\_

Educational Attainment:

No formal education     Elementary graduate     High School  
 Vocational     College graduate     Others, specify

How many years in farming strawberry? \_\_\_\_\_

#### B. FARM PROFILE

Farm Location: \_\_\_\_\_

How many square meters do you cultivate for strawberry? \_\_\_\_\_

Do you own the land you are cultivating? ( ) yes ( ) no

If no, whose land are you renting? \_\_\_\_\_

How much do you pay for rental? \_\_\_\_\_

Sources of capital:

Loans from bank     Loans from cooperative  
 Trade credit/ (agents)     Borrowed from relatives  
 Lending institutions     Personal savings



others, specify \_\_\_\_\_

What are your reasons for choosing that source of finance?

\_\_\_ It offers low interest rate unlike other financiers

\_\_\_ It offers lower service fee unlike other financiers

\_\_\_ It is a way of patronizing its services being offered.

\_\_\_ It's easy to get loan without much paper work

\_\_\_ It finance all the needs of the farmer for subsistence, educational, and medical purposes

\_\_\_ They are giving patronage refund.

\_\_\_ the lender gives more time for the farmer to repay

\_\_\_ Lenders also buy the crop at harvest time unlike the banks

\_\_\_ Others, specify \_\_\_\_\_

How much loan do you borrow? \_\_\_\_\_

What are the conditions set by financiers or financial institutions?

Terms of interest rate: \_\_\_\_\_

Rate of service fee: \_\_\_\_\_

What are the requirements for borrowing loans?

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What are the benefits derived in from that source of finance?



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What are the problems you encounter in from that source of finance?

\_\_\_ Foreclosure of collateral

\_\_\_ They lend insufficient amount of capital

\_\_\_ They offer high interest rate

\_\_\_ They offer high service fee

\_\_\_ It's not easy to get loan because of so much paper work.

\_\_\_ the lender does not give more time for the farmer to repay

\_\_\_ the farmer cannot sell his produce to other buyers with higher price

\_\_\_ delaying in payment

\_\_\_ Others, specify

Do they charge penalty on late payments? ( ) yes ( ) no

if yes, how much? \_\_\_\_\_

Are you forced to pay your loan on time, why? ( ) yes ( ) no

Which of the following affects you in paying your debt?

\_\_\_\_\_ Charges \_\_\_\_\_ Term of loan

\_\_\_\_\_ Others, please specify \_\_\_\_\_

Which mode of collection on loan affects you in paying your debts?

\_\_\_\_\_ Daily \_\_\_\_\_ Weekly \_\_\_\_\_ Semi-monthly

\_\_\_\_\_ Monthly \_\_\_\_\_ Lump sum others specify \_\_\_\_\_

What is/ are your reasons for delayed payments of your loan?



\_\_\_\_\_ Loss of production    \_\_\_\_\_ Bankruptcy    \_\_\_\_\_ High interest  
 \_\_\_\_\_ Insufficient fund    \_\_\_\_\_ Low prices of strawberry  
 Others, please specify \_\_\_\_\_

## APPENDIX F

### Interview Schedule (for financiers)

#### A. BACKGROUND INFORMATION

Institution: \_\_\_\_\_

Address: \_\_\_\_\_

Name (optional): \_\_\_\_\_ Age: \_\_\_\_\_

Position: \_\_\_\_\_ Sex: \_\_\_\_\_

What are your credit policies in lending loans?

What are your requirements in lending loans to strawberry farmers?

What are your conditions in lending loans?

Terms of interest rate:

Rate of service fee:

Repayment period:

Mode of payment:

What is/ are the collection technique used in collecting loan?

Do you charge penalty on late payments? ( ) yes    ( ) no

if yes, how much? \_\_\_\_\_

Do you force your borrower to pay their loan on time, why? ( ) yes ( ) no

Do you charge penalty on late payments? ( ) yes    ( ) no



if yes, how much? \_\_\_\_\_

What are the problems you encounter in lending loans to strawberry farmers?

What are your actions in order to prevent delinquent accounts?

