

Microfinance on Rural Farming Community: Issues, Outcomes, and Lessons Learned from the Experiences of Smallholder Vegetable Farmers in Barangay Marilog, Davao City, Philippines

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Abstract

Several studies documented the importance of microfinance for agricultural productivity and rural development. In this paper, we described the financing scheme in vegetable production in Barangay Marilog, the main vegetable production area in Davao City. This paper aims to document the issues and outcomes from accessing microfinance credit by groups of smallholder vegetable farmers and draw lessons from their experiences to help improve the access and delivery of microfinance services to farming communities. A case study approach was employed in documenting the experiences of smallholder farmers with information collected from household survey, farming systems survey, and focus group discussions. The results show that farmers sourced financing for their vegetable production from one or a combination of the following: microfinance institution, trader-financier, or informal sources such as relatives and neighbors. However, the sustainability of the microfinance scheme accessed by farmers was blighted with several issues that resulted to farmers' failure to repay their debt on time. The findings suggest that optimal loanable amount for agricultural loan must be within the needs and capacity of farmers. A simple and realistic business farm plan as one of the requirements in loan application would be essential to assess the borrowing needs of the farmers and their repayment ability. The findings suggest that access to credit is not enough to achieve agricultural productivity; thus, it must be coupled with social preparation through financial literacy and community consultations or meetings to design credit scheme tailored to the social and cultural context of the farming community.