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**Credit Access of Rice Farmer-borrowers and  
Financial Performance of Banca Banca  
Primary Multi-purpose Cooperative  
(BBPMPC) under the Laguna Credit Surety  
Fund (LCSF) Program in Victoria and Pila  
Laguna, 2010-2014**

**Marilyn M. Elauria, Ph.D.**

**Department of Applied and Agricultural  
Economics, College of Economics and  
Management, UP Los Banos**

# INTRODUCTION

- But farmers are constrained to access credit from formal institutions because of lack of collateral.
- In order to facilitate credit access among small farmers and other small scale borrowers, the government thru the Bangko Sentral ng Pilipinas (BSP) conceptualized the Credit Surety Fund Program (CSF)
- CSF serves as a security cover in lieu of acceptable collaterals of mSMEs

# INTRODUCTION

- BSP together with the provincial government of Laguna launched the Laguna Credit Surety Fund Program (LCSF) on August 28, 2012.
- Through LCSF, banks will not require voluminous requirements to member-cooperatives such as collaterals; there will be no lengthy and complicated procedures and will offer low interest rates.

# INTRODUCTION

- This study assessed the program's effectiveness in using alternative collaterals to secure cooperatives when availing loans from formal sources.
- Effectiveness of the cooperative in extending credit to its rice farmer-borrowers is necessary to determine if the cooperative is still the best conduit in extending credit to small farmers.

# OBJECTIVES

1. Assess the credit accessibility and loan repayment of rice farmer-borrowers of BBPMPC before and after the program
2. Determine the loan utilization and loan repayment performance of rice farmer-borrowers under the program
3. Determine the level of satisfaction of rice farmer-borrowers on BBPMPC's lending operation
4. Assess the effect of the LSCF program on the financial performance of the cooperative

# METHODOLOGY

- 35 rice farmer-member -borrowers of Banca Banca Primary Multi-Purpose Cooperative
- residents of Victoria or Pila, Laguna
- Financial statements of the cooperative were obtained from BBPMPC.
- two time periods, before (2010-2012) and after (2013-2014) Laguna Credit Surety Fund Program.

# Analytical Tools

- Loan Utilization= 
$$\left( \frac{\text{Amount of loan utilized for intended purpose}}{\text{Total amount of loan}} \right) \times 100$$
- repayment performance= 
$$\left( \frac{\text{Amount of Loan Paid}}{\text{Total Amount of Loan Due}} \right) \times 100$$
- Likert Scale - the level of satisfaction of the rice farmer-borrowers on amount of loan granted, timeliness of the release of loan and repayment scheme
- 1= Moderately Satisfied                      2= Very Satisfied



# Financial Ratios

- Current Ratio = 
$$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$
- Gross Ratio = 
$$\frac{\text{Total Expenses}}{\text{Gross Income}}$$
- Net Capital Ratio = 
$$\frac{\text{Total Assets}}{\text{Total Liabilities}}$$
- Debt to Equity Ratio = 
$$\frac{\text{Total Liabilities}}{\text{Owner's Equity}}$$

# The Laguna Credit Surety Fund Program (LCSF)

- LCSF is a trust fund designed to enhance the credit worthiness and mitigate the risk of banks extending credit to mSMEs.
- Any well capitalized and well-managed cooperative, cooperative bank, NGO or foundation may participate as contributor to LCSF.
- The minimum amount of contribution to LCSF is PhP100,000.
- As of February 2015, LCSF has a total contribution of 12.3 million pesos which came from member-coops, LGU Laguna and the donor banks namely DBP, LBP and the Industrial Guarantee and Loan Fund.

# Lending policies of DBP on credit for LCSF member-cooperatives, Laguna

ITEM	VALUE
Loan limit	10 times of the cooperatives' contribution to LCSF
Interest rate	8% per annum subject to review
Maturity	6 months
Loan security	LCSF

The loan is released three days upon submission of complete requirements.

Repayment of loan is based on the cooperative's projected cash flow.

# The Laguna Credit Surety Fund Program

- Maximum obligation of LCSF is in relation to the payments received by DBP from the borrower. Initially, it shall cover 80% of the principal loan and will increase to 90% and 100% once 30% and 60% of the principal loan, respectively, have been paid.
- LCSF is considered as an alternative security to the loan with a risk sharing ratio of 80:20 (Security vs. DBP).
- Participating cooperatives and NGOs are charged 2%/yr surety fee per transaction based on the amount of loan.
- 10% of the surety fee or Php500, whichever is higher, is processing fee and as income of the LCSF for their operating and administrative expenses.
- At the end of the year, profit is shared based on the computed average contribution.

# Banca Banca Primary Multi-Purpose Cooperative (BBPMPC)

- 25 years ago originally named Samahang Nayon
- re-registered on October 15, 2009 as Banca Banca Primary Multi-Purpose Cooperative.
- engaged in input sales to non-members and lending for palay production and commercial loan to its members.
- Loan requirements must be submitted one month before the start of planting

# Lending policies of BBPMPC, Laguna

ITEM	PALAY PRODUCTION LOAN	COMMERCIAL LOAN
Loan limit	Php 25,000 per hectare	PhP 10,000
Interest rate	18% for 12 months	11% for 6 months
Service charge	1.5%	1.5%
Capital share	2%	2%
Maturity	After harvest	6 months
Loan security	Co-maker	Co-maker

# BBPMPC's sources of credit, interest rate and maturity, 2010-2014.

ITEM	BEFORE			AFTER	
	2010	2011	2012	2013	2014
Source of credit	FUFRB	FUFRB	FUFRB	DBP	DBP
Interest rate, %	16	16	16	6.5	8.5
Loan maturity (days)	180	180	180	180	180

First United Farmers Rural Bank (FUFRB)

# BBPMPC's Rice Farmer-Borrowers

- Ages range from 42 to 86 years ;average- 57 years old.
- There were 19 females and 16 males
- All the respondents had formal schooling ,20% graduated from college.
- The average household size – four
- Their average farm size - 1.8 hectares.
- Average annual net farm income - PhP86,000.
- 74% had other sources of income.



# Credit Access of BBPMPC's Rice Farmer-Borrowers

BBPMPC's 35 rice farmer-borrowers sources of credit, Laguna, 2011-2014

SOURCES OF CREDIT	BEFORE (2011-2012)		AFTER (2013-2014)	
	Number <sup>a</sup>	Percent	Number <sup>a</sup>	Percent
BBPMPC	35	100	35	100
Family	5	14	1	3
Friends	1	3	0	0
Cardbank	0	0	2	6
Private lenders	3	9	0	0
ALL	44		38	

After LCSF was availed, only nine percent of them borrowed from other sources, lower than before the availment of the program.

This indicates that the credit from BBPMPC is more accessible after LCSF was availed

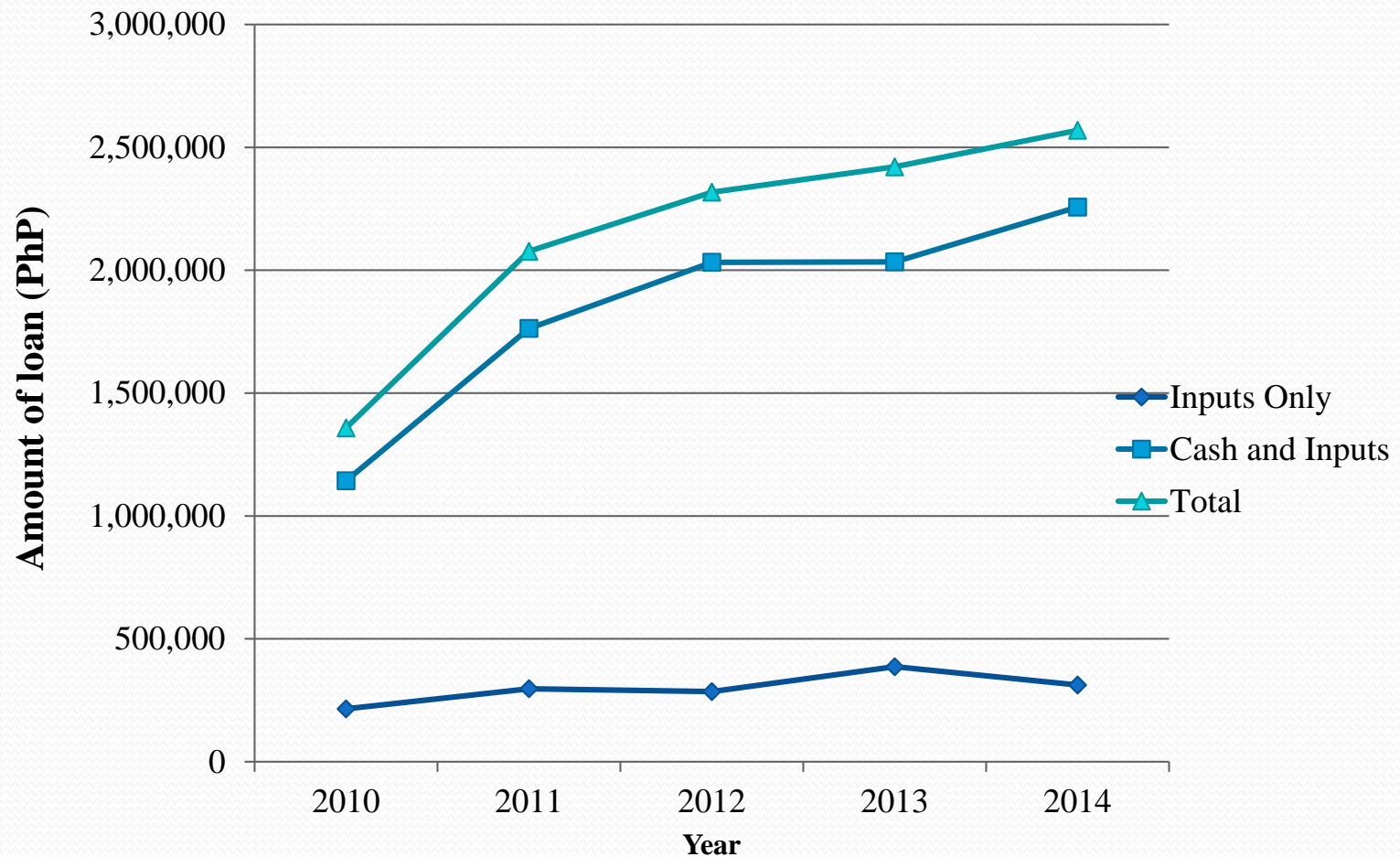
# Credit Access of BBPMPC's Rice Farmer-Borrowers

Amount of loan granted by BBPMPC by type of loan, Laguna, 2010-2014

ITEM	BEFORE			AFTER	
	2010	2011	2012	2013	2014
Amount of Loan(PhP)					
Cash and Inputs	1,143,000	1,763,000	2,032,000	2,034,000	2,257,000
Inputs Only	215,235	297,090	285,480	386,646	312,118
TOTAL	1,358,235	2,077,090	2,317,480	2,420,646	2,569,118
<i>Average</i>		<i>1,917,602</i>			<i>2,494,882</i>

LCSF improves the credit access of rice farmers-borrowers due to increased cooperative's funds available for re-lending and number of rice-farmer who borrowed

# Credit Access of BBPMPC's Rice Farmer-Borrowers



**Total amount of loan granted by BBPMPC to 35 rice farmer-borrowers by kind of loan, Laguna, 2011-2014**

# Credit Access of BBPMPC's Rice Farmer-Borrowers

Number of borrowers by kind of loan, BBPMPC

TYPE OF LOAN	BEFORE			AFTER	
	2010	2011	2012	2013	2014
Cash and Inputs	26	32	28	35	31
Inputs Only	11	10	10	11	8
TOTAL	37	42	38	46	39
<i>Average</i>		39		43	

On the average, the number of rice farmer-borrowers increased from 39 to 43. More rice farmers were borrowing both cash and inputs as compared to those who availed for inputs only from 2011 to 2014, which can be attributed to farmers needing more cash for farm operations.

# Credit Access of BBPMPC's Rice Farmer-Borrowers

## Average amount of loan per rice farmer-borrower by type of loan

TYPE OF LOAN	BEFORE			AFTER	
	2010	2011	2012	2013	2014
	In pesos				
Cash and Inputs	43,962	55,094	72,571	58,114	72,806
<i>Average</i>		57,209		65,460	
Inputs Only	19,567	29,709	28,548	35,150	39,015
<i>Average</i>		25,941		37,083	

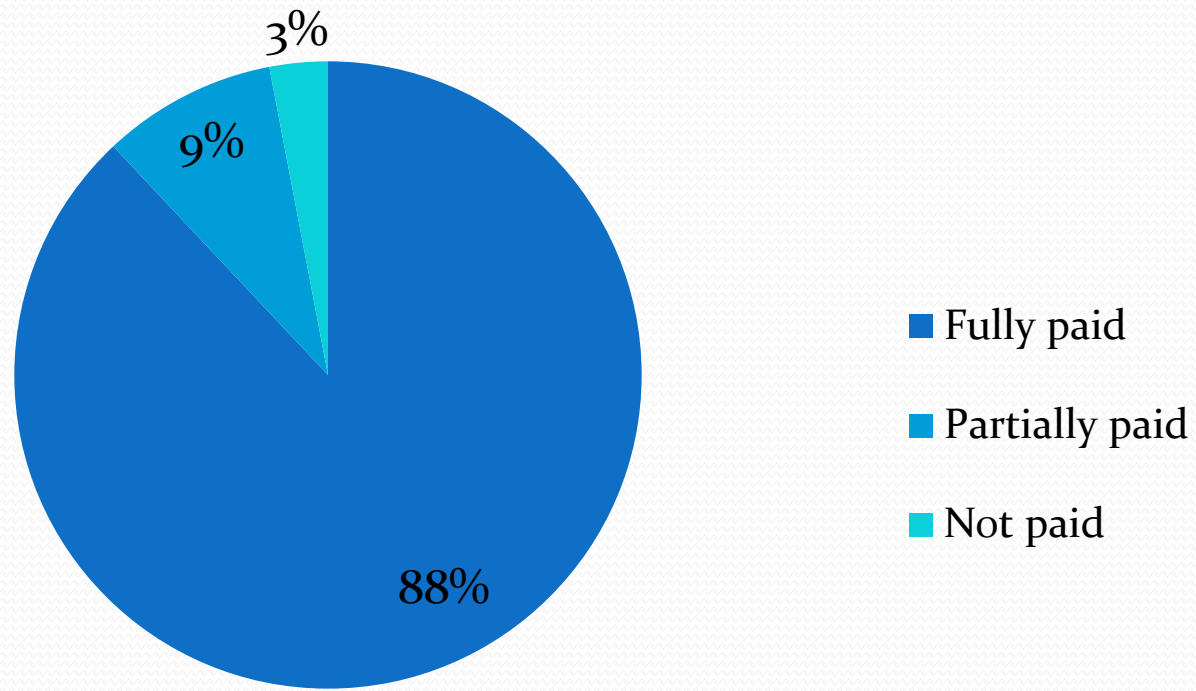
the average amount of loan for both cash and inputs increased after availment of LCSF.

amount of loan after LCSF for those who obtained inputs also increased.

# Loan Utilization of the Rice Farmer-Borrowers

% LOAN UTILIZATION	NUMBER	PERCENTAGE
50-59	5	14
60-69	2	6
70-79	2	6
80-89	2	6
90-99	2	6
100	22	63
<i>Average</i>		87
TOTAL	35	100

# Loan repayment of rice farmer-borrowers of BBPMPC, Laguna, 2014.



average loan repayment rate of the respondents - 94%.

# Level of Satisfaction of Rice Farmer-Borrowers on the coop lending operation

ITEM	MODERATELY SATISFIED (1)		VERY SATISFIED (2)		MEAN RATING
	Number	Percent	Number	Percent	
Amount of loan	13	37	22	63	1.6
Timeliness of release of loan	6	17	29	83	1.8
Repayment scheme	2	6	33	94	1.9



# Liquidity Condition of BBPMPC

ITEM	BEFORE			AFTER	
	2010	2011	2012	2013	2014
Total current assets (PhP)	1,336,401	1,799,075	1,926,781	2,265,428	2,043,383
Total current liabilities (PhP)	952,063	1,348,178	1,472,018	1,778,671	1,451,804
Current ratio	1.4		1.31	1.27	1.41
<i>Average current ratio</i>		<i>1.35</i>		<i>1.35</i>	

- The low ratio can be attributed to cooperative's high loans payable.
- In 2014 cooperative experienced the highest current ratio of 1.41 is to 1.
- CR increased in 2014 due to the decrease in loans payable from PhP700,000 to zero, which is bulk of BBPMPC's current liabilities.
- It indicates that the cooperative was able to pay all the loans before the end of 2014, including loans payable in 2013.

# Solvency Condition of BBPMPC

ITEM	BEFORE			AFTER	
	2010	2011	2012	2013	2014
Total assets (PhP)	1,464,725	1,961,986	2,189,645	2,578,574	2,360,478
Total liabilities (PhP)	952,063	1,348,178	1,472,018	1,778,671	1,451,804
Owner's equity (PhP)	451,669	507,445	558,888	609,387	695,408
Net capital ratio	1.58	1.46	1.49	1.45	1.63
Debt to equity ratio	2.1	2.66	2.63	2.92	2.09
<i>Average net capital ratio</i>		<b>1.51</b>		<b>1.54</b>	
<i>Average debt to equity ratio</i>		<b>2.46</b>			
				<b>2.51</b>	

.In general, BBMPC became more solvent after LCSF.

# Efficiency of BBPMPC's Business Operation

ITEM	BEFORE				AFTER
	2010	2011	2012	2013	2014
Total expenses (PhP)	74,767	88,345	112,208	147,347	241,867
Gross income (PhP)	120,683	269,830	321,709	274,453	332,871
Gross ratio	0.62	0.33	0.35	0.54	0.73
<i>Average gross ratio</i>		<i>0.34</i>			<i>0.64</i>

The average gross ratio before BBPMPC availed LCSF was lower than the gross ratio (GR=0.64) after the cooperative's availment

BBPMPC was more efficient prior to the program, which can be attributed to the increase in their operating expense in 2013 and 2014 since the cooperative had to finance trainings and seminars for their officers and staff, and repairs in their store and office building.

After re-lending of loan obtained through LCSF, the cooperative's total income, the cooperative's total income increased due to higher amount of loan available to rice farmer-borrowers and number of borrowers.

# Loan Repayment Performance of BBPMPC

- The cooperative borrowed PhP700,000 for both 2013 and 2014.
- The interest paid in 2014 (PhP26,250) was higher than in 2013 (PhP22,980) which is due to an increase in interest rate (from 6.5% to 8.5%).
- Even though not all rice farmer-borrowers were able to fully pay their loans, the cooperative still managed to pay their loans on time.
- BBPMPC has a 100% repayment rate to DBP for two consecutive years.

# CONCLUSION AND RECOMMENDATION

- LCSF was seen to be beneficial to BBPMPC because it helps rice farmer-borrowers have easier access to credit.
- The rice farmer-borrowers were very satisfied with BBMPC's granted loan amount, time of release and the repayment scheme, indicating that the cooperative is still the best conduit in extending credit to rice farmer-borrowers.
- The program also helped improve the financial standing of the cooperative.
- Even though the loan repayment of the rice farmer-borrowers was less than 100%, the cooperative was still able to pay all its debt.
- BBPMPC's officers are therefore effective in terms of its ability in its mechanism of paying debts.

# CONCLUSION AND RECOMMENDATION

- the cooperative should release inputs on time. BBPMPC should see to it that the necessary farm inputs are always available at the cooperative's warehouse whenever the farmer-borrowers need it
- LCSF should also coordinate with DBP to shorten the loan release processing time for a new cooperative applying; this is to avoid resorting to informal lenders.
- LCSF should improve its information dissemination regarding the program to notify other agricultural cooperatives that such program exists and encourage to become members in order to extend more credit to farmers.



The End

THANK YOU