



Trip Report: Improving Household Well-Being by Improving Access to Credit

Country: Philippines
By Agnes Quisumbing

Dates: February 20-March 4, 2004

A team from IFPRI traveled to the Philippines between February 20 and March 4, 2004, to pretest the questionnaire for the migrant survey, finalize the household questionnaire, interview lenders in rural and urban areas, and follow-up the coding of the data. The team consisted of Agnes Quisumbing (co-Principal Investigator), Manohar Sharma (who works on rural finance issues), and Marie Godquin. Hazel Jean Malapit, a Ph.D. candidate from the University of the Philippines School of Economics, joined the team to conduct the community survey and compile historical administrative data on the survey barangays.

We were joined by a RIMCU team composed of co-Principal Investigator Linda Burton, Chona Echavez, Lourdes Wong, Vicky Regidor, Prospercora (Tata) Vega and Dodong Obial. Again, we would like to thank RIMCU for its excellent cooperation and collaboration (both substantive and logistic) during this trip.

The main products from this trip were the final versions of the English and Cebuano migrant questionnaires and an interviewer's manual for the migrant survey. All the team members, including Dan Gilligan, who did not join this trip, worked together to draft the survey modules in Washington DC before sending them to RIMCU for translation prior to the pretest. James Garrett, who heads the rural-urban linkages project that is funding the migrant survey, worked with Agnes to design the migration module. The team had also finalized the community questionnaire based on the September 2003 version drafted by Sarah Harrower. Annex A shows the list of modules to be fielded as part of the survey.

1. Pretest of questionnaire modules (February 23-26)

Agnes, Manohar, Marie, and Hazel arrived in Cagayan de Oro on February 23. On February 24, the IFPRI and RIMCU teams went to Bukidnon to begin the pretest, which took place from February 24-27. For comparability with the September-December 2003 round, we had decided to make minimal changes to the questionnaire modules, although we added a new migration module and streamlined the questionnaire by dropping other modules/questions that were less relevant to the migrant survey. We did this because we wanted to maximize the number of migrants we could reach, realizing that with the limited budget there would be tradeoffs between sample coverage and interview length.

We already knew the distribution of the children of our original respondents from tabulations of the original household interviews from the September 2003 round. The households are distributed as follows:

Place	Frequency	Percent	Cumulative distribution
Same barangay	318	27.80	27.80
Municipality urban	11	0.96	28.76
Municipality rural	112	9.79	38.55
Bukidnon urban	78	6.82	45.37
Bukidnon rural	110	9.62	54.98
Mindanao urban	198	17.31	72.29
Mindanao rural	73	6.38	78.67
Philippines urban	165	14.42	93.09
Philippines rural	42	3.67	96.77
Out of the country	32	2.80	99.56
Unaccounted/place unknown	5	0.45	100.00
TOTAL	1144		100.00

Out of the 78 children living in Bukidnon urban areas, 26 live in Malaybalay and 42 in Valencia (this was later revised to 29 in Malaybalay and 44 in Valencia). Out of the 198 kids leaving in Mindanao urban, 145 live in Cagayan de Oro. We had already interviewed a subsample of children living in the same barangay in the September 2003 round. For the migrant round, we decided to include children living in the same municipality (urban or rural, n=123), children living in urban areas of Bukidnon (73), and those living in Cagayan de Oro (145), for a total potential sample size of 341 migrant children. We decided not to include the other categories due to high costs of follow-up, as well as possible safety risks to the interviewers (especially in rural areas of Mindanao).

We were based in Valencia and traveled to the pretest sites each day. We adopted a slightly different strategy in pretesting this time, focusing on the migration module and the production record, which we had initially shortened. (Subsequently, we decided to use the old production record, for comparability and to avoid needless retraining of the interviewers).

Our pretest schedule was as follows:

- February 24: interviews in Valencia (urban area in Bukidnon)
- February 25: interviews in rural community of indigenous peoples and migrants
- February 26: interviews in Valencia (morning) and Malaybalay (capital of Bukidnon)

Similar to the August pretest, our strategy was to pretest a set of modules each day. We began the day by reviewing the modules with our RIMCU colleagues, making sure that the Visayan questions accurately reflected the intent of the English questions. We

would then break up into teams, pretest the modules, and revise and print them in the evening, so that we would be working with the revised modules the next day.

Pretest interviews indicated that individuals can be very mobile (one respondent had 9 moves!) and that moves are not necessarily from rural to urban areas (there is also substantial return migration to rural areas). Getting the details of each move took up to 10 minutes. In order to shorten interview time, we decided to get migration histories for all places moved to (dates, reasons for moving, whether the destination was rural or urban, primary occupation) and then ask a more detailed set of questions for the first and last move. These questions focused on the role of familial and other networks in helping migrants find jobs in the destination, duration of job search and unemployment, etc. Other information on rural-urban linkages is already being collected in the other income module, which includes transfers to and from individuals in other places.

2. Interviews with rural lenders (February 25-26, Manohar and Marie)

Manohar and Marie interviewed four different kinds of credit providers during the pretest:

- informal lender resident in the village
- formally registered “investment lender” that lends to agricultural families,
- formally registered pawn shop
- agricultural inputs seller that also provided credit services

Also, in addition to pretesting the urban credit module, we held an informal session with a poor rural household in one of the survey barangays in order to assess knowledge of financial services offered, and the nature of household demand for financial services.

Informal Lender. We visited Betty, a local moneylender of Merangeran, one of our survey barangays. Betty has been in the lending business for 25 years; she had outstanding loans of 90 000 pesos lent out to 7 borrowers at the time we interviewed her. She is providing loans to only farmers she knows and, according to her, only to finance investments. Although she requires no collateral (the borrower simply signs a paper stating the amount of the loan, in the presence of a witness), Betty can lend big amounts (she had already provided a 150 000 loan in the past). The duration of her loans is of 3 to 5 months (corresponding to the harvest cycle) with a monthly interest rate of 6% (72% per anum). She also provides interest free, emergency loans for her “good” clients.

Investment lender. We were introduced to Juvel Lending Investor by Dodong Obial, a RIMCU staff member who was a former client. Juvel is primarily a farm machinery seller and has been present in Valencia since 1977. Juvel is a legal entity that is registered with the Securities and Exchange Commission. Juvel expanded its activities to lending 12 years ago and provides loans (5 000 to 35 000 pesos) to buy farm machinery as well as cash loans (5 000 to 500 000 pesos). At the time of the interview, Juvel had 500 borrowers with outstanding loans of 20 million pesos. Both loans are payable at harvest (4 months loan), with a monthly interest of 5%. The machinery serves as the collateral for machinery-related loans, but Juvel also requires other

certificates like barangay tax clearance. For cash loans, land title is required as collateral. Valencia has around 40 registered lending investors, most of which are lending small, collateral-free loans using a daily collection methodology. It was interesting to note that organized lending investors use quite diversified lending methodologies.

Pawnshop. The abundance of pawnshops is really striking in the Philippines. Obviously, for many in the Philippines, pawnshops represent the quickest access to credit. We visited a pawnshop in Valencia - the Prime Asia Pawnshop - in order to get a sense of pawning arrangements. Prime Asia Pawnshop has operated since 1992 and has 70 branches. The branch we visited had opened last year only. It is a small store (about 6 square meters including the cashier's desk) with one guard, two cashiers and a manager. The manager could not give us detailed information on its clientele but he told us that their target was to service at least ten clients per day. The pawnshop accepts jewelry (gold only) and selected appliances (TV and cellphone). The loan is equivalent to 60% of the market value of the pawned good (the auctioned price is usually 85% of the market value). The interest rate is of 5% per month and the duration is 4 months.

Agriculture inputs dealer. Most of the farmers we approached reported that they bought their inputs in cash or on credit through cooperatives. We decided to meet input dealers directly in order to further probe the reported 'absence' of direct credit arrangements and interlinked transactions with input dealers. Manohar and Marie visited Bukidnon Marketing, an input dealer operating in Valencia since 1991. Ms. Diling, the manager (also daughter of the owner) informed us that their clientele was composed of cooperatives' members (who buy their goods using a Purchase Order coupon from their cooperatives), big farmers (10-12 clients), small farmers (40 in the last season), intermediate financiers (30 clients), and research stations/universities. Ms. Diling explained to us what she meant by financiers: a financier usually has 30 to 50 clients (smallholders) for whom he finances all the farming expenses at a 7-10% interest rate per month. Their clients usually also have to sell him their harvest (below the market price). For some selected clients, Bukidnon Marketing sells its products on credit. The interest rate charged in these cases is 10 pesos per bag (around 1.6% per month). Input dealers do not seem to be engaged in interlinked transactions with farmers in Bukidnon, thanks to the large coverage of cooperatives and possibly due to the presence of some financiers.

Informal session with household. We talked to Babi, a small farmer (2.5 hectares) in Merangeran. Babi has 3 children, 2 of which are in college in Malaybalay. The third is working and lives with her child in her parents' home. Babi usually buys household items on credit (without interest for food items) from the local stores. She took a 2,000 pesos loan from the Merangeran multipurpose cooperative that she wasn't able to pay back yet. Her husband is currently working as a daily laborer in somebody else's farm to finance the harvesting expenses of their own land. She said that if she had better access to credit, then her husband would have planted corn/sugarcane on their own land, instead of working as wage laborer. Lack of financing delays planting activities, with a negative impact on yields. Financing education of her son in Malaybalay was another

important issue. The family's contribution toward this end has been to provide care for their grandchild, in order that the daughter-in-law is freed up to work for wages.

3. Interviews with the Land Bank and Cooperative Development Authority (February 27, Manohar and Marie)

We met with Hubert B. Quiblat, manager of Valencia's Land Bank branch and with Betty Magagna from the Development Assistance Center of the Land Bank in Cagayan de Oro. The Land Bank is a government bank that lends to farmers through cooperatives for farm loans (10-12-16% interest rate per year). Cooperatives need to be accredited by the Land Bank (364 in Bukidnon) to be eligible for a loan. Betty Magagna from the Development Assistance Center explained to us that there were different levels of accreditation based on a computed score using 7 indicators including membership structure (60 members at least), capital build-up and financial performance. This process of accreditation started in 1994 and the repayment rate increased from less than 50% to above 82% in 2003.

In the afternoon, we meet Orlando R. Ravanera, the regional director of the CDA (Cooperative Development Authority). The CDA is the registering authority for the cooperatives. After a presentation of the registering requirements, Orlando gave us an overview of the economic situation. According to him, the Land Bank covers only 20% of the farmers needs.

4. Review of experience with previous survey and coding

Agnes and Marie also met with the survey staff, supervisors, and computer staff at RIMCU to review the experience with the previous survey and the coding instructions.

5. Meeting with Xavier University Staff

On February 27, Agnes met with Edith Langreo, officer-in-charge of the Economics Department, to discuss the training for economics department staff. (The Chair of the Department is currently on sabbatical at Ohio State). We decided to hold a three-day training in April or May 2005 to coincide with the summer break so that more faculty members could attend. Participants would include economics department faculty from Xavier and other schools in Cagayan de Oro, Davao, and Zamboanga. We discussed renting the computer lab at Xavier so that participants could have hands-on exercises. Edith said that she would ask the staff for suggestions on topics to be included in the training. Agnes said she would also consult with IFPRI's training and capacity strengthening program for training materials to be used.

6. Plans for future work

Agnes and Linda met to discuss plans for Linda's visit to IFPRI in May 2004. Aside from a visit to IFPRI, Linda would also visit Virginia Tech to give a lecture. Agnes

suggested that the May visit be used to draft more focused papers on specific topics based on the qualitative study. Agnes also met with Beethoven (Venboy) Morales to discuss his background paper on rural financial institutions, which he is currently revising. Venboy was discouraged from coming to IFPRI as originally planned owing to the new visa requirements for BASIS-CRSP trainees (a two-year residence requirement for a one-month stay seemed to be too stringent).

Agnes and Linda also discussed the next set of qualitative case studies (funded by IFPRI core contribution), to be conducted by graduate students in April-May. These studies would consist of in-depth interviews and life histories of families who have “moved up” and those that have remained stuck or “fallen behind.” We discussed the possibility of doing paired case studies, pairing the original household with a child who had formed a separate household. The graduate students would also use this material to fulfill their thesis requirements.

Agnes and Linda also discussed a proposal submission to the CGIAR’s Inter-Center Initiative on Collective Action and Property Rights, on “Collective Action and Vulnerability: An Evaluation of Local Groups and Networks in Determining Pathways out of Poverty,” involving John Hoddinott and Nancy McCarthy. This project will evaluate how collective action can be used by groups to buffer rural people’s exposure to shocks in the short-term, and to break the vicious cycle of poverty in the long-term. Quantitative analysis of panel datasets in Ethiopia and the Philippines will be used to purposively choose case study analysis of specific collective activities and networks that are most relevant for the poor. Results of the analysis will help policymakers identify what types of networks work best for the poor, enabling them to design interventions that enhance and/or compliment these networks. If funded, the proposal would support additional qualitative work on social networks and their role in protecting individuals from shocks. The IFPRI team submitted the proposal on May 1; a decision will be made by May.

Manohar returned to the US on February 29. Agnes left Cagayan de Oro for Manila on March 1, and went to Bangladesh on other IFPRI business on March 2. She returned to the Philippines on March 10 and to the US on March 17. Marie Godquin left for Manila on March 4 and for Bangladesh for her other thesis research on microfinance. Hazel Malapit will stay in Cagayan de Oro/Bukidnon for two months to finish the work on the community survey.

ANNEX A. LIST OF MODULES FOR MIGRANT INTERVIEWS

	Module	Restriction to some HH members	Respondent	Modifications
A	Roster		H, W	
A1	Migration history and reasons for migrating	Migrant child of original household	Migrant child	
B	Inheritance and intergenerational transfers	Migrant child		
E	Education, long rsion	Schooling history: only for migrant	Migrant child	No change
F	Shocks	Since they left their parent's house	H, W	Modified to include urban shocks
G	Food Consumption and food away from home		W and other household members	No change
H	24-hour recall	All individuals in hh's with 24-hour recall survey; migrant households with preschoolers		
I	Diet diversity	All individuals in hh's with 24-hour recall survey		
J	Nonfood consumption		W	No change
K	Parcels		H, W	shortened
L	Production record		H, W	No change
M	Major crop production		H, W	shortened
N	Agricultural wage labor		H, W	No change
O	Other sources of income (including own business, wages, and salaries)		H, W	No change
P	Backyard production		W	No change
Q	Assets		H or W	No change

S	Savings		H or W	Adjusted to include group savings
T	Credit		H or W	Shortened
U	Lending		H or W	No change
V	Reproductive History and Child Health	All women 15-50	All women 15-50/ Mothers	Include child health for kids up to 5 years
W	Anthropometry and morbidity	Only for migrant and spouse, children up to 5 years	Anthropometry only for migrant and spouse, children up to 5 years; Chronic disease/disability for hh members 15 and older	Only for migrant and spouse, children up to 5 years

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