

Credit Access and Technical Efficiency of Cavendish Banana Growers in Santo Tomas, Davao del Norte, Southern Philippines

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Abstract

Cavendish banana substantially boosts the economy of the Philippines, which is one of the leading suppliers worldwide. However, production problems and constraints, such as the spread of diseases and challenging cost of production due to expensive inputs, hinder farmers to generate higher incomes. As such, access to credit becomes an important tool to afford better inputs, invest in equipment, and eventually improve production. Therefore, credit access could potentially increase farm efficiency. Employing data envelopment analysis, along with Tobit regression, this study aims to investigate the effect of credit access on technical efficiency level. Using 187 production data from Cavendish banana farmers in Santo Tomas in Davao del Norte, findings showed that growers with access to credit attained higher technical efficiency. Furthermore, farmers who borrowed from formal financial institutions reaped higher technical efficiency compared to farmers who sourced from informal financiers. The study concludes that farmers in a developing country like the Philippines lack capital and need available and accessible credit sources to purchase adequate volume of inputs necessary to maximize technical efficiency. Additionally, borrowing from banks and/or cooperative could give better efficiency. These results could guide government and other industry actors in designing future agricultural credit programs to aid farmers.