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Research Article

Exploring The Utilization of Micro-Loans among Livestock Farmers

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ABSTRACT

This study explores how microloans are helping livestock farmers in Pagadian City, Zamboanga del Sur, Philippines. For many small-scale farmers, traditional banks are out of reach microloans fill that gap by offering accessible financing to support their agricultural activities. These loans have become a valuable tool for rural development, giving farmers a chance to invest in their farms, improve productivity, and increase income. To understand how microloans are used and how effective they are, the study combined survey responses and interviews with local farmers, along with insights from microfinance institutions. It looked into how loans are approved, how they're used, and what challenges farmers face particularly with repayment and access to reliable information. The findings show that microloans have made a real difference. Farmers used the funds to buy healthier livestock, upgrade their facilities, and improve overall farm output. But not everything worked perfectly. Some struggled with strict repayment terms, and others didn't fully understand how to access or manage these financial tools. The study offers practical recommendations for policymakers, lenders, and farmers. These include introducing more flexible repayment options, improving farmer education about loan programs, and encouraging better coordination between lenders and agricultural support services. This research provides meaningful insights into how microloans can be made more effective. It points the way toward smarter policies and programs that can help small farmers thrive and contribute more fully to sustainable rural development.

Keywords: *Microloans, Livestock farming, Rural development, Agricultural finance, Financial inclusion, Small-scale agriculture*

Introduction

Micro-loans are small, short-term loans designed to support individuals or small businesses lacking access to traditional banking. In livestock farming, they enable access to essential resources like feed, veterinary care,

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and equipment, leading to improved productivity, animal health, and income stability. Microfinance institutions (MFIs), NGOs, rural banks, cooperatives, and government-backed programs offer these services with flexible terms, low collateral, and financial literacy support to promote sustainable agricultural development.

Numerous studies confirm the positive impact of micro-loans on livestock farmers. Access to capital significantly boosts productivity and income (Sapkota et al., 2022), while improved understanding of financial tools increases farmers' willingness to adopt insurance (Ali et al., 2024). Integrated strategies, including extension services and technology use, enhance effectiveness (Priscilla et al., 2024; Mushikiwabo, 2024).

Historical and regional insights highlight programs like the MAFISA-NERPO scheme in South Africa and index insurance initiatives that enhance resilience and financial security (Fakudze & Machethe, 2015; Marr et al., 2024). In Nigeria and Pakistan, credit utilization has expanded farm operations and grassroots entrepreneurship (Vihi et al., 2024; Lakhani et al., 2022).

However, challenges persist. High interest rates, limited access, low financial literacy, and lack of collateral remain significant barriers (Castellani & Viganò, 2017; Kaviku et al., 2024). Climate change also threatens livestock productivity, emphasizing the need for climate-smart financial solutions (Fereja, 2016; Naazie et al., 2024). Gender disparities and socio-economic factors influence access and outcomes, particularly in regions like Nigeria and Ethiopia (Silong & Gadanakis, 2019; Shiferaw et al., 2017).

Emerging trends include digital micro-loan platforms and AI-driven financial services that enhance accessibility (Singh et al., 2024). Yet, gaps remain in understanding long-term impacts, gender-specific outcomes, and the effectiveness of different micro-loan types.

This study addresses these gaps by exploring the diverse utilization of micro-loans among livestock farmers, aiming to inform more equitable, sustainable, and effective microfinance strategies.

Statement of the Problem

This study aimed to understand how livestock farmers manage their micro-loans and the impact of this management on their farming operations. It would be conducted in rural areas with livestock farmers who have received micro-loans, using data collected through interviews and observations during the first semester, academic year 2024-2025. The study aimed to answer the central question, "How do livestock farmers utilized micro-loans to enhance their agricultural practices and overall farm performance?" It also sought to answer the following questions:

1 What are the primary drivers for livestock farmers to acquire micro-loans?
2 What areas of their operations do farmers invest in with the funds from micro-loan?
3 What strategies employed by livestock farmers invest in with the funds from micro-loans?
4 What challenges do livestock farmers face in utilizing micro-loans?
5 How do livestock farmers overcome the challenges in utilizing these loans?

Methodology

This study used a qualitative descriptive design, guided by the Financial Inclusion Theory, to explore how livestock farmers in Pagadian City, Zamboanga del Sur utilize micro-loans to sustain their farming operations and household needs. Fifteen farmers were purposively selected as participants, each with at least two years of farming experience and prior access to micro-loans within the last three years. Data were collected during the first semester of Academic Year 2024–2025 through semi-structured interviews, non-participant observations, and reviews of available loan documents and receipts. Interviews, which lasted 30 to 45 minutes, were conducted in the local language and focused on farmers' reasons for acquiring loans, the ways in which funds were allocated, the challenges they faced in repayment, and the coping strategies they adopted. Observations were conducted through one- to two-hour farm visits, where researchers noted visible applications of loan funds, such as livestock purchases, feed supplies, and improve-

ments in housing or infrastructure. The analysis followed a thematic approach, where transcripts and field notes were coded to identify recurring patterns in loan utilization, financial practices, and strategies for overcoming challenges. To strengthen credibility, data triangulation was carried out by cross-checking the accounts of farmers with neighbors and loan collectors, while member checking allowed participants to validate the accuracy of their responses. Ethical standards were observed throughout the study, including informed consent, voluntary participation, and confidentiality of all data. Anchored in the Financial Inclusion Theory, this methodology highlights how access to financial services through micro-loans empowers farmers to sustain operations, expand productivity, and navigate financial challenges despite limited resources.

Results and Discussion

Table 1. Reasons Driving Livestock Farmers to Acquire Micro-Loans

Response	No. of Respondents
1. Livestock Purchase and Growth	3
2. Livestock Care and Support	5
3. Crisis Management and Infrastructure Improvement	6

The livestock farmers primarily acquired micro-loans to expand their herds, sustain animal care, and address urgent needs such as crises or infrastructure repairs. Farmers borrowed to buy pigs and chickens, purchase feed, and secure medicines or vitamins, ensuring their animals remained healthy and productive. Others turned to loans when faced with unexpected financial struggles, such as repairing damaged poultry sheds or covering household expenses during lean seasons. These findings reveal that loans were not only used for growth but also served as a safety net to help farmers balance both farm and household demands. Triangulation with neighbors, loan collectors, and receipts confirmed that borrowed funds were indeed allocated to livestock and farm-related purposes.

These results align with existing studies that the importance of financial access in rural farming communities. Similar to the findings of (Kaviku et al., 2024), who reported that microfinance empowers small-scale farmers to expand operations, this study shows how loans provided essential resources for productivity and survival. (Gebrehiwot et al., 2024) and (Juventud et al., 2023) likewise noted that loans helped farmers cope with crises and infrastructure challenges, echoing the experiences of livestock farmers in Pagadian City. In line with the Financial Inclusion Theory, the findings suggest that access to micro-loans empowers underserved farmers to sustain operations and build resilience. However, repayment challenges remain, highlighting the need for simplified loan processes, flexible repayment terms, and financial literacy support to maximize the long-term benefits of micro-financing.

Table 2. Areas of Operation Where Farmers Invest Micro-Loan Funds

Response	No. of Respondents
1.Livestock Care and Welfare	7
2. Farm Infrastructure and Expansion	3
3. Household and Family Support.	5

The data showed that livestock farmers used micro-loans in three main areas: livestock care, farm infrastructure, and household support. The majority of respondents spent their loans on livestock health and welfare, including feed, vitamins, and medicines to ensure their animals remained productive. Others used the funds for infrastructure improvements, such as

repairing pig pens or expanding farm facilities to increase capacity. Meanwhile, several farmers allocated part of the loans to cover household expenses, repay debts, or support small family businesses, highlighting how farm and household finances are closely interconnected. Validation from neighbors, loan collectors, and receipts confirmed that loan proceeds were applied to both farm operations and family needs, underscoring the dual role of micro-loans as both agricultural and household support.

These findings reflect how micro-loans sustain not only farming activities but also the broader livelihood of rural households. Similar to (Gebrekidan et al., 2019) and (Sapkota et al., 2022), who emphasized that microfinance enables farmers to invest in animal health and essential farm inputs, this study shows that loans were critical in maintaining livestock productivity. Likewise, (Kaviku et al., 2024) highlighted the importance of microfinance in supporting farm infrastructure, while (Juventud et al., 2023) observed that loans also help balance household and business needs. Grounded in the Financial Inclusion Theory, the results suggest that micro-loans empower small-scale farmers by expanding their access to financial resources, sustaining both farm operations and family stability. To maximize these benefits, financial literacy training, flexible loan terms, and expanded access to credit in rural areas are recommended to strengthen farmers' economic resilience and long-term sustainability.

Table 3. Strategies Employed by Livestock Farmers with Micro-Loan Funds

Response	No. of Respondents
1. Selling Livestock for Income	5
2. Using Store and Business Income	7
3. Earning from Alternative Sources	2
4. Borrowing and Using Savings for Shortfalls	1

The data revealed that livestock farmers employed various strategies to repay their loans and sustain farm operations. Many relied on selling pigs and piglets as their primary source of income, carefully timing sales to generate enough funds for both farm needs and loan repayments. Others drew from store or small business earnings, which provided a steady cash flow and reduced dependence on livestock alone. A smaller group of farmers supplemented their income with alternative sources such as tricycle driving or market sales, while some turned to borrowing from neighbors or dipping into personal savings to bridge financial shortfalls. These strategies highlight how farmers balanced multiple income streams to remain financially afloat, showing both resilience and resourcefulness in navigating limited resources. Verification from neighbors, loan collectors, and repayment records confirmed these practices, underscoring the reliability of the findings.

The results showed how rural farmers diversify income to maintain financial stability. (Kaviku et al., 2024) and (Ali et al.,2024) both noted that livestock sales are a common repayment strategy, while (Juventud et al.,2023) emphasized the role of small businesses in supporting household and farm needs. Similarly, (Melak et al., 2024) stressed the importance of off-farm income in enhancing resilience, especially during lean farming periods. The findings suggest that micro-loans give farmers the flexibility to draw on multiple income sources, helping them manage repayment and sustain both family and farm operations. However, the need for additional support is evident, as farmers still rely on borrowing or savings when income falls short. Flexible repayment terms, financial literacy programs, and tools like livestock insurance could further strengthen repayment capacity and promote long-term financial stability.

Table 4. Challenges Faced by Livestock Farmers in Utilizing Micro-Loans

Response	No. of Respondents
1. Loan Repayment Challenges	5
2. Financial Shortages	4
3. External Setbacks	3
4. Business Management Struggles	4

The data revealed that livestock farmers faced multiple challenges in utilizing micro-loans, with repayment difficulties as the most pressing concern. Many participants admitted that inconsistent income, delayed sales of livestock, and rising costs of goods made it difficult to meet weekly repayment schedules. Some doubled payments when they had extra funds, while others relied on savings or borrowed from neighbors to bridge financial shortfalls. Farmers also reported setbacks from external factors such as livestock illness, salary delays, and unfavorable weather conditions, which disrupted cash flow and weakened their ability to repay loans on time. In addition, business management struggles such as balancing farm expenses with household needs and unexpected costs further complicated their financial responsibilities. These challenges often forced farmers to make trade-offs between sustaining operations and meeting their loan obligations, highlighting the fragile balance of rural livelihoods.

These findings are consistent with (Gebrekidan et al.,2019) and (Kaviku et al.,2024), who observed that unstable agricultural income frequently leads to repayment challenges and dependence on external support. Similarly, (Lakhani et al.,2022) and (Melak et al.,2024) noted that wage delays, animal illnesses, and income fluctuations hinder farmers' ability to sustain cash flow. The results show that while access to credit empowers farmers, the lack of flexible repayment terms and financial training creates barriers to fully benefiting from micro-loans. Addressing these challenges requires more adaptable financial solutions such as seasonal or flexible repayment schedules, tailored savings programs, and livestock insurance. Financial literacy programs and support from cooperatives could further strengthen farmers' capacity to manage resources, reduce financial stress, and sustain both their farm and household stability.

Table 5. Methods Used by Livestock Farmers to Overcome Challenges in Utilizing Micro-Loans

Response	No. of Respondents
1. Managing Loan Repayments	*9*
2. Leveraging Income for Repayment	*5*
3. Financial Adjustments	*3*

Livestock farmers overcame loan-related challenges through a mix of financial planning, income diversification, and resourceful adjustments. The most common method was carefully managing repayments by saving profits, cutting unnecessary expenses, and balancing loan obligations with farm investments. Many farmers also relied on income from livestock sales, small stores, or secondary jobs to cover weekly payments and sustain operations. Others made financial adjustments by working harder, borrowing from neighbors, or using savings during shortfalls, especially when livestock illness or market downturns disrupted income. These strategies reflected the farmers' resilience, discipline, and determination to avoid loan defaults while keeping their farms and households stable.

These findings align with studies highlighting the importance of income diversification and financial management among smallholder farmers. (Melak et al.,2024) observed that profits from livestock and secondary income streams strengthen repayment capacity, while

(Gebrehiwot et al.,2024) emphasized how community support and flexible strategies help farmers navigate setbacks. The results suggest that access to micro-loans not only provides immediate relief but also fosters financial discipline and long-term stability by empowering farmers to plan, diversify, and adapt. To maximize these benefits, microfinance programs should offer flexible repayment schedules, promote financial literacy, and expand complementary tools like savings programs and livestock insurance to further support farmers' resilience.

Conclusion

This study examined how livestock farmers in Pagadian City used micro-loans to sustain their farms and households, highlighting both benefits and challenges. Farmers used loans for livestock, farm improvements, and essential expenses but struggled with repayment due to irregular income, livestock illnesses, and market instability. To cope, they sought extra work, borrowed from neighbours, or used savings. The study recommends financial literacy programs, flexible loan terms, and livestock insurance to help farmers manage finances and reduce risks. Policymakers should support community lending groups to enhance resource-sharing. Further research is needed to assess the long-term impact of micro-loans and risk management tools, ensuring better support for rural farmers.

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