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ED FINANCING OF AGRICULTURAL INVESTMENT  
PROJECTS IN SELECTED UPLAND  
TOWNS OF CAVITE

THESIS

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**RISK AND FINANCING OF AGRICULTURAL INVESTMENT  
PROJECTS IN SELECTED UPLAND  
TOWNS OF CAVITE**

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## **ABSTRACT**

**ESPIRITU, MYLENE PIORES. “ Risk and Financing of Agricultural Investment Projects in Selected Upland Towns of Cavite”. Undergraduate Thesis, B.S. Business Management, Cavite State University, Indang, Cavite, April 1999. Adviser: Dr. Alice T. Valerio.**

This study mainly focused on risks and financing schemes of various agricultural investment projects in selected upland towns of Cavite. Specifically, it aimed to: (1) describe the operators' socio-economic characteristics and basic profile of the project; (2) how farm operators finance the projects; (3) determine the business risk of the farm projects; (4) determine the most pervasive problems encountered by the operators.

Data were gathered from the selected upland towns of Cavite, namely; Alfonso, Indang, Mendez, Silang and Tagaytay. These were analyzed using descriptive statistics such as frequency counts, percentage, expected value, standard deviation, and coefficient of variation.

The operators of the agricultural investment projects had a mean of 42 years old. Majority of them were male, married with three dependents. They were graduates with different specialization. Most of them were self-employed without hired laborers and had average monthly income of P 14,079.

Poultry and piggery projects were the operators' major source of income. Backyard and semi-commercial projects were greater in number than commercial projects and most were solely owned by operators.

Poultry projects had a mean of six years in operation while piggery had the mean of eight years. These projects were located few kilometers away from the owners' residence and others were within the residence. In the operation of semi-commercial and commercial projects, the sources of labor were hired laborers while family members in the case of backyard scale. The method of sales employed by the operators were both retail and wholesale method.

The initial capital of the projects were obtained from the owners' personal savings. Combination of personal savings and farm income were the primary sources of financing the projects. Credit was also extended to support their financing activities. Banks were the primary lending institutions that granted cash loan in exchange of collateral. The mode of repayment was on partial payment basis.

Poultry projects that had been in the operation for two to five years had expected profit rate of 11 percent, dispersion of 8.37 percent, and risk of 76 percent while poultry projects with 6 to 11 years had expected profit rate of 27 percent. The operators of a new or infant projects were not familiar with the different problems in the operation, hence, a relatively higher amount of risk than older or projects that had been in the operation for 6 to 11 years.

Piggery projects that had been in operation for one to five years had expected profit rate of 16 percent, dispersion of 12 percent and risk of 75 percent while those piggery projects with 6 to 15 years had expected profit rate of 25 percent, dispersion of profit of 16 percent and risk of 60 percent. The operators of infant piggery had not enough knowledge and experience compared to the piggery projects with 6 to 15 years.

The problems encountered by the operators in production was the pests and diseases brought about by frequent change of weather. The second problem was the high cost of inputs that caused delay of feeds and other inputs of production. Thus, in marketing they encountered problems regarding market outlet. They had no regular customers. They also encountered low selling prices of products due to pests and diseases. In financing, they encountered lack of capital to meet the needs of the operation.

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# **RISK AND FINANCING OF AGRICULTURAL INVESTMENT PROJECTS IN SELECTED UPLAND TOWNS OF CAVITE**

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## **INTRODUCTION**

Most of the Filipinos are engaged in different businesses. There are those who are engaged in big investment projects while the others are in small businesses. Investment project is a business where an investor commits his money for a long period of time in order to earn financial return.

Agricultural investment projects like poultry and piggery are the common farm businesses in the Philippines. Poultry project is the production of either eggs and broilers while piggery is the business of raising pigs and piglets.

In starting with an investment project, the entrepreneur needs capital for housing and other inputs needed in the operation. During the operation, the project needs sources of funds to improve the operation. Many small undertakings are financing the project out of the owner's savings. This may be supplemented with other sources. Some operators of the projects finance the operation through farm income but it cannot provide all the