

Volume 3



# The PACAP<sup>12</sup> Social Credit

Philippines-Australia Community Assistance Program (PACAP)

Australian Agency for International Development (AusAID)





Volume 3



# The PACAP<sup>12</sup> Social Credit

Philippines-Australia Community Assistance Program (PACAP)

Australian Agency for International Development (AusAID)



# TOC

TABLE OF CONTENTS

## Volume III: Social Credit

- 1 **Best Practices & Insights/Learnings: Sectoral Analysis**
- 5 **Case Summaries & Analysis**
- 6 Homestart Revolving Fund: Capiz-Roxas Islamic Foundation, Inc. (CRIFI)
- 12 Credit and Savings Project of *Buklod-Unlad ng Batangas*, Inc. (BUBI)
- Presentation Highlights**
- 8 Homestart Revolving Fund: Capiz-Roxas Islamic Foundation, Inc. (CRIFI)
- 14 Credit and Savings Project of *Buklod-Unlad ng Batangas*, Inc. (BUBI)
- 20 **Case Studies**
- 21 Homestart Revolving Fund: Capiz-Roxas Islamic Foundation, Inc. (CRIFI)
- 31 Credit and Savings Project of *Buklod-Unlad ng Batangas*, Inc. (BUBI)
- 49 **Reaction Papers**
- 50 Homestart Revolving Fund: Capiz-Roxas Islamic Foundation, Inc. (CRIFI)
- 53 Credit and Savings Project of *Buklod-Unlad ng Batangas*, Inc. (BUBI)



# Social Credit

- Credit and Savings Project of Buklod-Unlad ng Batangas, Inc. (BUBI) in Batangas City
- Homestart Revolving Fund of the Capiz-Roxas Islamic Foundation, Inc. (CRIFI) in Roxas City, Capiz

## A. Best Practices

### 1. Gender Parity

As noted by the reactor in one of the presentations in the conference, the “women slant” of the projects are indeed praiseworthy, considering that the projects existed in milieus that tend to relegate women to the back seats. Poverty, according to the widely held social justice view, is more widespread among women than men. Furthermore, chances of benefiting more household members or more households for that matter, is increased by targeting women.

This is the only best practice in the PACAP criteria that prominently figured in both projects under this grouping. Women members largely dominated both projects in this sector. The projects were in fact designed for the women’s specific needs and with a clear understanding of their capacities to run the projects as well. The credit programs became effective tools in addressing specific needs and concerns of women. The contribution of the women members were sought as early as the consultation stage. Their active participation continued up to the drafting of proposals for the lending scheme, the CBU, and the savings generation schemes. Most payment and collection schemes were even tailored to suit their conditions.

The Credit and Savings Project revealed the organisation’s extensive experience with rural women. Based on their experience, women have always proven to be more efficient and productive if they had the support of their families. The project then also supported home-based and family-based endeavors. The male spouses were also asked to participate in all gender-sensitivity trainings with their wives.

The Homestart Project had a clear woman slant. While some cultural nuances have always been taken into consideration from the very inception of the project, it is from this aspect (e.g., limited mobility during the Ramadan season) that some problems arose. Issues on gender, on the other hand, have never been any cause for worry. It, in fact, became the project's best practice. Taking the women's slant was not an entirely effortless endeavor, however. Women engaging in activities other than anything "domestic" or "noneconomic" is a totally alien concept in Muslim communities. Participants had to go through a series of gender sensitivity training seminars and attend continuous discussions on gender issues in assemblies and meetings. Eventually, this strong traditional barrier was broken. The women have become officers and active members of the organisation, participating in activities from discussions, to policy formulation, to decision-making

## 2. Sustainability and Replicability

Sustainability and replicability indicators are basically seen in how efficient or effective the following are: monitoring scheme, CBU generation schemes, sanction for defaulting leaders, and perhaps most importantly, meeting "real needs of real people".

High repayments are attributed to the thorough monitoring done by project leaders, who may resort to house calls as part of the collection scheme, but are, at the same time, prepared to assist a delinquent borrower to re-start repayments. The CBU schemes are designed in such a way that encouraged savings and capital development among mothers. It also increased the organisation's capital for loan outlay. For instance, the personal CBU of each borrower came from five percent of their net income after every loan cycle. Another 20 percent cash counterpart of the total loan amount was kept within the organisation. After some period, this could be withdrawn and used by the families for emergencies, capital build-up or education for their children.

At the heart of the matter, however, is that the projects altered the hand-to-mouth situation of the beneficiaries by providing them resources for immediate income. There was also a marked success in the upgrading of the people's skills level, enabling them to start their own micro-industries. The projects made credit facilities available for those who wanted to engage in other livelihood projects—like off-farm activities. It devised schemes that allowed people to provide for their future needs and thus gain a measure of control over their lives.

The Credit and Savings Generation Project of BUBI became the model for other GO's and NGA's in the province of Batangas. Their success in improving the livelihood of families in nine (9) of the most depressed barangays in the city urged others to follow in the same path.

## 3. Innovativeness

A minimalist intervention approach could result in maximum effect, or so the experience of CRIFI illustrates, when it took on this fairly innovative practice.

Since the idea for the Homestart Project came from an outside source and ensured practically all necessary preparations, minimal intervention was necessary to enable the project beneficiaries to acquire knowledge and experience in managing the project. The Savings and Capital Buildup and Organisational Strengthening Components prepared

CRIFI to handle the project on its own. Many indigenous skills and features of the Muslim culture were utilised to soften the impact of the changes it introduced. The project supported the Muslim migrants' traditional livelihood activities like *tipay*-making and trading. It also used the relationships these Muslims had with those in Zamboanga for the purchase of goods to be used in their retail trade.

In line with the minimalist mode, the project also assigned “point persons” from within the community. This was necessary in introducing new ideas because Muslim community members looked up to their leaders or elders for guidance in decision-making. From there, the project introduced new ideas through various means like “one-on-one dialogues,” “scenario building,” and audio-visual presentations—which the Muslims found acceptable.



## B. Insights and Learnings

### 1. Working Around the Imperfection of the Financial Market

The concept of the project must be based on the premise that the financial market is imperfect (i.e., high interest rate). With this realisation, the project can then work on giving the poor access to credit and hope that some social and economic problems will be mitigated. As a case in point, aside from providing credit facilities, BUBI also subsidises capacity building measures to make the beneficiaries more credit-worthy.

The BUBI initiative, as the reactor noted, is commendable on three counts:

- 1) It has clear statutory mandate and strategies,
- 2) It is free from external interventions in lending decisions and litigation against defaulters and operates within a context of self-responsibility,
- 3) It is run by competent and qualified staff.

### 2. Providing a Rare Chance

A great part of the projects' success may be attributed to the fact that these catered to a basic need of the target participants to transform their lives and relieve themselves of the overwhelming poverty that has always permeated their existence. The credit and savings generation projects gave the community a rare chance to improve their economic situation.

### 3. Valuing Mutual Trust

Another vital component in the success of the projects is the mutual trust between the target participants and the organisations. The organisations had to, first and foremost,

forge an alliance with the community built on trust and, with this in place, both parties then sought to uphold this trust to the best of their capacities.

As outsider to the target group of beneficiaries, BUBI had to operate with total transparency so as to maintain the people's confidence in their sincerity of purpose. Implementors of the Homestart Project had the same experience since the target beneficiaries were women who had been previously disadvantaged micro-entrepreneurs and who were to become the central force of the project.

#### 4. Realistic Planning

The project designs, made after a careful study of target participants' actual circumstances, were well suited to meet their specific needs. Among the primary goals of the BUBI project were the improvement of the beneficiaries income by helping them start their own livelihood projects and the strengthening of family relationships. This entailed promoting micro-industries that were either home-based or family based. Specific interventions were scaled to the humble prospects and capacities of the individuals within the social group.

As part of realistic planning, the issue of ideal interest rate is taken into account. For the Homestart Project, 36% per annum interest was identified as a good figure. However, as the reactor noted, two factors must be taken into consideration. First, interest rates are always the function of cost: the higher the service delivery costs are, the higher the interest should be to become financially sustainable. Second was affordability: implementers should see to it that the beneficiaries can really afford the interest rate needed by the project to become sustainable.

#### 5. Encouraging a Sense of Ownership of the Project.

The people feel a measure of ownership of the project when institutional and personal CBU are within reach of the clientele. The CBU aspect of the Homestart Project is considered to be a strong sustainability feature. The efforts of the organisation to implement the credit and savings project is rewarded by the success of the residents themselves in pulling themselves out of the rut of poverty and despair that have held them down all their life.

#### 6. Taking Cultural Nuances Into Consideration

Peculiar cultural touches may always pose difficulties but these can also become the greatest features of any particular project as long as these are handled carefully. The minimalist approach employed in Homestart Project ensured the project's success and at the same time carefully initiated and integrated changes in the community. Despite the nuances of the community's culture that are always on the verge of hampering the project's operations, they were able to continue catering to the previously disadvantaged micro-entrepreneurs, particularly women. Another noteworthy aspect about the project is its capability to provide bank-like services despite its not being a financial institution in the strictest sense. ■

# Case Summaries

---

- *Homestart Revolving Fund of the  
Capiz-Roxas Islamic Foundation, Inc. (CRIFI)  
in Roxas City, Capiz*
- *Credit and Savings Project of  
Buklod-Unlad ng Batangas, Inc. (BUBI)  
in Batangas City*



# Homestart Revolving Fund

of the Capiz-Roxas Islamic Foundation, Inc. (CRIFI)

## I. Background

### 1. Project Site

During the conflict in Mindanao in the 1980s some Muslim families were forced to seek refuge in other parts of the country. Some of these families landed in Roxas City, Capiz. In 1985, more than five hundred Muslim men, women, and children were crammed in the poor sections of Roxas City, with two or three families sharing quarters so they could save on rental.

Hoping to find safety and refuge in their new environment, they found themselves thrust into poverty and ethnic discrimination. The men could not get jobs. Even just to be seen in public required a lot of courage and resolve. Capizeños sniggered at them, called them names that lumped them with notorious Muslim groups like the Abu Sayyaf. The dominantly Christian community genuinely believed they had reason to discriminate against these Muslim Filipinos.

The Muslim migrants survived on trading, the one skill they excelled in. They sold household items like wall clocks, figurines, carpets, umbrellas, and textile. Others went into the trading of semi-precious stones and jewelry items sourced from the deeper south. Sometimes they sold their goods in cash. At other times, they would offer these items on credit. Other Muslim families eventually ventured into the manufacture of sandals and *tipay*, traditional wooden trunks inlaid with bits and pieces of shells.

Being a cultural minority in a predominantly Christian community, the Muslim migrants remained largely unnoticed. Local government excluded them from assistance that might have been available to everyone else. Local moneylenders granted them credit at usurious rates that pushed Muslim borrowers deeper into poverty.

## 2. Organising for Change

In 1985, forty-nine Muslims established the Capiz-Roxas Islamic Foundation, Inc. (CRIFI). It served mainly as an organisational symbol of unity for Muslims in the area. It was also a venue for social gatherings. It had a complete set of officers, but the organisation had no vision, mission, or goal. The officers had vague ideas of making CRIFI a means for promoting the recognition of Muslim presence and Muslim issues in Roxas City.

But they had no concrete plans to achieve this. CRIFI existed for more than ten years without implementing a single project for its members

A social worker, Ms. Mary Ann Magsila of the Capiz Development Foundation, learned about CRIFI through her mother, a regular customer of Muslim businessmen. Further inquiries led her to the CRIFI head, Mr. Mamendiara Saripada. She learned more about the plight of the Muslim migrants from him.

Ms Magsila offered her assistance to the group. With Ms. Magsila and former CDFI accountant Ms. Marianne de Leon's help, CRIFI prepared a proposal seeking funding assistance from PACAP-AusAID. Donor money was pouring into the SZOPAD areas in Mindanao. Would assistance be given to Muslims who were no longer residing in Mindanao? PACAP-AusAID approved the proposal with an initial grant of a PhP743,000 financial assistance package. This was increased to PhP1.8 million the following year. This became the seed of the Homestart Revolving Fund for microcredit for Muslims displaced in Roxas City.



## 3. Project Design

The Homestart Revolving Fund was a microcredit program aimed at providing capital loans to small Muslim traders and crafts workers. As a credit program, it provided small, uninsured loans to Muslims involved in micro-enterprises such as the trading of jewelry, personal and home items, sandal-making and trading, and the making of *tipay*.

The project had three distinct components:

- 1) credit,
- 2) savings and capital buildup, and
- 3) organisational strengthening.

**The project was essentially need-based. Its targets were clear and specific:**

- 1) Thirty percent (30%) increase in productivity;
- 2) Seventy five per cent (75%) increase in the participation of women as direct beneficiaries of the project;
- 3) Improvement of housing for fifteen (15) families, and
- 4) Fifty (50) new Muslim beneficiaries.

## 4. Project Implementation

### a. The Credit Component

Project beneficiaries are allowed to borrow a maximum of PhP25,000 for "*tipay*" making, and between PhP8,000 to PhP10,000 for other trading activities. The loan comes with an eighteen percent (18%) interest rate, payable over a year through regular weekly

## Case Summaries

or monthly amortisations. Payment for group loans started on the seventh month after a loan release. Loans for trading activities started on the fourth month.

### **b. The Savings and Capital Buildup Component**

This aims to ensure sustainability after the phase out of the Homestart Revolving Loan Fund Project. Project beneficiaries remit a daily amount of PhP5.00 (or PhP100/mo). The accumulated amount is plowed back to the loan fund as seed capital for other projects.

This component is adopted from the famous Grameen Bank Model introduced by Mohammad Yunus in Bangladesh and considered the forerunner of most microcredit programs in many parts of the world. This key strategy calls for the creation of clusters or cells. Loans are released individually, but collection is done by the cluster or cell to which one belongs. Individual borrowers remit payment to their leader or treasurer. Under the Grameen framework, the group shoulders the delinquency or default of its member. The cell serves, not only as collection and monitoring unit, but also as pressure or support groups to ensure that individual members settle their loan obligations.

Loan processing strictly follows six steps:

- 1) loan application,
- 2) checking or screening,
- 3) investigation and submission of findings,
- 4) approval and recommendation of loan to project manager,
- 5) evaluation, and
- 6) fund release.

An implementing structure delineates the specific roles and responsibilities of people managing the different phases of project implementation. A corresponding schedule for credit and repayment is also in place.

### **c. The Organisational Strengthening Component**

This component involves the conduct of various seminars and training to provide technical know-how, such as basic bookkeeping, values formation, and gender parity.

The training programs are implemented on two levels. The first level involves establishing or testing the credibility and integrity of loan applicants. The second level aims to build the capability of project beneficiaries to manage their projects.

## **II. Presentation Highlights**

Ms. Mary Ann Magsila, who became project manager of the Homestart Revolving Fund Project, presented the best features of the project during the PACAP Partners Conference. In her presentation, Ms. Magsila points out gender responsiveness and innovation as CRIFI's most remarkable characteristics.

### **1. Gender Responsiveness**

Women engaging in activities other than “domestic” or “non-economic” is a totally alien concept in Muslim communities. Through a series of gender sensitivity training and continuous discussion of gender issues in assemblies and meetings, this strong traditional

barrier was eventually broken.

Once the barriers were down, the Muslim women of Roxas became more participative in the various activities of the CRIFI. Some of them became officers of the organisation and involved themselves in activities from policy formulation to decision-making. They have likewise become active borrowers, collectors, and accountants for CRIFI's credit services. Not only have they become active participants in gender training, they have even involved their husbands. In this way, couples share a common perception on issues and concerns and become equally responsible for their livelihood ventures.

Traditionally male-dominated *tipay*-making and trading businesses became family enterprises. The couple signs contracts, ensuring conjugal responsibility for loan payments. Women are now visible in the *tipay*-making process. Women are likewise involved in trading activities—from resource procurement to selling goods.

## 2. Innovation

Aside from gender responsiveness, the project showed a lot of innovation. Since this is the first project of CRIFI in its 12 year existence and the project idea came from an external agent, intervention had to be kept at minimal. Beneficiaries were encouraged to acquire knowledge and experience in project management. The savings and capital buildup and organisational strengthening components are intended to prepare the CRIFI when they would run the project on their own.

The project utilised as many indigenous skills and features of the Muslim culture to soften the impact of the changes it was introducing. Muslims looked up to their leaders or elders for guidance in decision-making. Through these key persons, the project introduced new ideas through one-on-one dialogues, scenario building, and audio-visual presentations, which the Muslims found acceptable.

Instead of introducing new livelihood options, the project supported the traditional livelihood activities of these Muslim migrants such as *tipay*-making and trading. It also used the Muslim linkages with those in Zamboanga for the purchase of goods for their retail trade. The project adopted the Grameen Bank Model. Aside from its suitability to this type of project and its beneficiaries, this tried and tested model also reduced the risks of exposure.

## III. Reactor's Comments

In his reaction paper on the Homestart Revolving Fund, Mr Virgilio Jamon lauded the efforts of the project to cater to the previously disadvantaged micro-entrepreneurs, particularly women. He likewise recognised the capability of the project to provide bank-like services despite its not being a financial institution in the strictest sense.

While he commended the project, he also suggested that CRIFI should start thinking of expansion and sustainability.

Mr. Jamon notes a number of features worthy of attention. He reiterates the same features presented by Ms. Magsila, namely, 1) gender responsiveness and 2) innovation.

He praised the woman slant of the project in a milieu that tended to relegate women to the back seats. Forty six percent (46%) of the present borrowers are women. In light of

## Case Summaries

the fact that poverty is more widespread among women than among men, the Homestart Revolving Fund does a good job of giving women a chance at becoming self-sufficient. More households stand to benefit by allowing women the chance to become economically productive. The line that women make better credit risks is gaining more attention from private bankers.

Mr. Jamon was also quick to point out that while the thinking that women are better credit risks is gaining popularity, most bankers still look at financial systems development beyond gender lines. He recommends that the project move its innovations several steps beyond privileging social groups such as women.

## IV. Conference Interaction

Discussion during the interaction session focused on specific aspects of the project. Some of the more important ones which are considered learning areas are listed below.

### a. Cultural Considerations

Cultural nuances, while these may present difficulties, can also become the greatest features of any particular project as long as these are handled carefully. The minimalist approach employed in this project ensured success and at the same time carefully initiated and integrated changes.

### b. Ideal interest rate

One participant raised the issue of 36 percent per annum as a good interest figure. However, two factors must be taken into consideration. First, interest rates are always the function of cost. The higher the service delivery costs are, the higher the interest should be for the fund to become sustainable. Second is affordability: can the beneficiaries really afford the interest rates which the project needs for it to become sustainable?

### c. Immediate Plans

Specific questions about immediate plans were raised. A long-term sustainability plan is already under way and questions, suggestions, and comments have been considered. Certain specific questions deal with aspects like repayment rates, the option of transforming the group into a cooperative, the collection of CBUs and savings.

## V. Insights and Learnings

In addition to the summary of the interaction of the presenter, the reactor, and the conference participants, below are more insights and learnings:

### 1. Caution on Privileging Women

CRIFI rethinks its focus on women as this may not be sustainable in the long run. The reactor cited that loan targeting per se is historically more of a failure than a success in the Philippines. If CRIFI continues to target women simply because of the irresponsible behavior of men in matters of money and social affairs, it might prove a crippling option

in the long run. For viability's sake, a broader critical mass, to include even poorer clients and even non-Muslims, is necessary and may turn out to be more lucrative for the micro finance program.

## **2. Wide Clientele, More Services**

With an expanded clientele, CRIFI should offer other financial products and services aside from just loans. This means upgrading from a donor-driven project to a full-blown financial intermediary. The more varied the services it can offer, like deposit services, and leasing, the more it can respond to the various needs of its clientele.

## **3. Strong Capital Base**

A very strong capital base is necessary as a last line of defense to protect the interest of its member-savers. Aside from covering operational costs, a strong capital base will help maintain a healthy ratio between CRIFI's risk assets and capital adequacy and give it enough resources for other legitimate funding.

## **4. Linkages**

Finally, Homestart should begin linking up with other financial players like banks and government agencies for collaboration on technical and financial concerns. The project cannot exist in isolation for long. And with the upgrading that it should be undertaking, its entry into the formal banking system becomes inevitable. ■



# Credit and Savings Project

of Buklod-Unlad ng Batangas, Inc. (BUBI)

## I. Background

### 1. Project Site

Batangas is a bustling industrial city, supporting big enterprises such as a petroleum refinery, flourmills and shipyards. Despite a well-developed industrial economy, nine of the city's 105 *barangays* remain depressed. The large enterprises, with their promise of new jobs, have not reached *barangays* like Calicanto, Cuta, Dalig, Kumintang, Lobjo, Pallocan, Dumantay, Gulod, and San Pedro. The urban boom enjoyed by the rest of the city has left these *barangays* behind.

People in these nine (9) *barangays* are caught in abject poverty and bound by the inability to augment incomes to meet the basic needs of their families. Inadequate income meant poor living conditions, no savings, and, above all, less chances of getting an education to compete for the skilled jobs in the factories. Some families start home-based businesses, but this often prove unprofitable for lack of adequate working capital. Loan sharks are all around, tying up the people in a vicious debt cycle. Most men do seasonal farm work. On off seasons they rely on small, short-term work like carpentry. Some families take care of other people's cattle under the *paiwi* system getting a fifty percent (50%) share when the cattle is sold. Women do laundry or engage in vending. More often they stay home and take care of the household and the children.

### 2. Organising for Change

In 1990, the Christian Children's Fund (CCF) organised the parents of seven *barangays* to develop self-reliance and start them up on alternative livelihood endeavors. These *barangay* parents association were eventually federated to form the BUBI. The associations undertook intensive capability-building and institution strengthening training until their projects became viable and the members had gained competence in the management of their business. CCF released BUBI from its supervision in 1996. From the time it was

founded in 1990 to the present it had taken in a lot of experience and gained more capacity to provide assistance to the communities where the parent associations exist.

These concerns have much to do with supporting the family, strengthening family ties, improving conjugal relationships, and in general, provide a better life for the rest of the community.

BUBI has a membership made up significantly of a growing number of women: 63 percent in 1997 to 90 percent by the end of 2000. The increase may reflect the growing interest of women in community life participation, particularly in livelihood generation. Women members have been able to set up their own livelihood projects successfully because they are perceived to have the time and opportunity that men do not have.

### 3. Project Design and Implementation

The project was designed to accomplish these goals: 1) to augment family incomes through the promotion of livelihood projects, and 2) to give rise to family-based activities that strengthen family relations.

To achieve these, it adopted the following measures:

#### a. Credit and Savings Generation

The credit and savings generation project was designed to last two years. The first year began from April 1998 and ended in May 1999. Only seven *barangays* joined during this phase. Gulod and San Pedro stayed out of the project. In the second year, in October and in December, 1999, the two *barangays* joined up. At the end of the year 2000, the recorded beneficiaries totaled 318 families. These families belonged to the lower income bracket of the *barangays*. The Credit and Savings Generation Project has the following components:

##### *a.1 Loan assistance for microenterprises*

The Loan Assistance for Micro-enterprises allows members to borrow from BUBI to finance their projects. This loan facility was designed to complement the Cattle Dispersal Project of BUBI and is an important part of its Livelihood Program. They hope that member beneficiaries would refocus their existing microenterprises and borrow from the project.

Every borrower is asked to attend a series of training seminars before any loan application could be filed. These seminars include sessions on entrepreneurship and financial management and accounting courses for non-accountants, to name a few. Many of the borrowers had none of these skills to start with, and these trainings and seminars helped them gain the competence to manage their own projects.

##### *a.2 Savings component and capital buildup*

The project has one unique feature that increased the revolving credit fund. Each borrower was asked to deposit an amount equivalent of 20 percent of their loan to BUBI

**BUBI reflects the influences of its CCF origin in the seven areas of the concern stated in the program. These are:**

- 1) formal education,
- 2) health and nutrition,
- 3) environmental sanitation and preservation,
- 4) housing and basic community facilities,
- 5) livelihood,
- 6) leadership formation and organizational development, and
- 7) values formation and socio-cultural development.

## Case Summaries

before their loan could be released. This became the personal savings of the borrower. Every borrower was also asked to save five percent of his/her net income as savings. All loans were considered by BUBI as the joint responsibility of the husband and wife and the loan contract was jointly executed. A minimum of 2.5% of their net income was also deposited with the organisation to form the CBU or capital build up.

BUBI hoped that after 3-5 loan cycles, the members would have generated adequate savings that they could withdraw as their livelihood capital. BUBI envisioned that personal savings could help expand existing livelihood projects and preclude the members' total dependence on the organisation for their capital. Thus the families would begin to stand on their own and be more in control of their economic activities.



### *a.3 Capability building component (co-op)*

The Capability-Building and Institutional Strengthening component involved a series of trainings to educate and increase awareness of the members about the affairs of the organisation. The focus of this component was continuing education, skills training, and upgrading of the knowledge and competencies of the beneficiaries. These activities were directed to everyone, including the leaders, staff, and member-borrowers of the organisation.

### **b. Close Monitoring**

A Loan Committee regularly monitors individual projects. Delinquent borrowers were provided assistance to help them recover. House to house consultations were made with families who had overdue accounts. The high repayment rate of the lending project may have been due to this aspect of the program.

### **c. Gender Parity**

Women were the majority in the association. Hence BUBI could not help but include gender sensitivity training as part of its development program. The goal of these sessions was to achieve better understanding of gender issues between couples. This activity helped in reinforcing better family relationships.

## II. Presentation Highlights

Ms. Chona Geron, BUBI's Program Manager, presenter of the project during the PACAP partner's conference, anchors her notes on best practices which manifested three (3) major positive features of the project. These are: 1) gender sensitivity, 2) strong sustainability features, and 3) replicability.

### **1. Gender Sensitive Project**

Women members largely dominated the project. The credit program became an effective tool in addressing the specific needs and concerns of women by designing a project around it. During the consultation stage, women members actively participated in



the drafting of the proposal for the lending scheme, the CBU and the savings generation schemes.

BUBI's extensive experience with rural women revealed that women became more efficient and productive if they had the support of their families. The project was designed primarily for the specific needs of women. Most payment and collection schemes were tailored around the conditions of women. The project also supported home-based and family-

based projects. Thus, they were able to empower women members by recognising their various potentials and giving them the means and the support to realise them. Gender sensitivity training provided the conceptual backing for the project. The male spouses were also asked to participate in all gender-sensitivity trainings with their wives.

## 2. Sustainability Features

### a. Efficient Monitoring Scheme

The high repayment of ninety five percent (95%) was due to the monitoring done by project leaders. House calls were done as part of the collection scheme. Any delinquent borrower was assisted to help him/her resume repayments. Every loan came with the condition of strict compliance and completion of the financial recording system tailored for each individual project.

### b. Effective CBU Generation Schemes

The unique CBU scheme earlier described encouraged savings and helped the members develop their own capital. It also increased the organisation's capital for loan outlay. A portion of the CBU coming from 2.5 percent of the net income of every borrower at every loan cycle which was deposited with the organisation was used for non-income generating programs i.e., education and training seminars, of the organisation.

The personal CBU of each borrower came from five percent of their net income after every loan cycle. Another 20 percent cash counterpart of the total loan amount was kept within the organisation. After some period, this could be withdrawn and used by the families for emergencies, capital buildup or education for their children.

### c. Sanction for Defaulting Leaders

The Board of Directors received an honoraria for their services. Area leaders were given free SSS and Phil Health membership. This was to encourage every member to participate in the project. Members who failed to attend regular board meetings were penalised.

### d. Real Needs of Real People

The project transformed the hand-to-mouth situation of the beneficiaries by providing them resources for immediate income. It also succeeded in upgrading the level of skills of the people to enable them to start their own micro-industries. It made credit facilities available for those who wanted to engage in off-farm livelihood projects. It devised schemes that allowed people to provide for their future needs and thus gain a measure of control over their lives.

### 3. Replicability

The Credit and Savings Generation project of BUBI became the model for other GOs and NGAs in the province of Batangas. Their success in improving the livelihood of families in nine of the most depressed *barangays* in the city became an inspiration for the rest to follow.

## III. Reactor's Comments

Mr. Virgilio Jamon's reactions to BUBI's Credit and Savings Project were situated within the current mainstream thinking in microfinance. The following is a summary of the points raised in the reaction paper and the interaction after the presentation.

### 1. Access to Credit and Poverty Alleviation

BUBI's Project is premised on the imperfection of the financial market, i.e., high interest rate. It is hoped that by giving the poor access to credit, some social and economic problems will be mitigated. Aside from providing credit facilities, BUBI also subsidises capacity building measures to make the beneficiaries more credit-worthy.

The BUBI initiative is commendable on three counts: 1) It has clear statutory mandate and strategies, 2) It is free from external interventions in lending decisions and litigation against defaulters and operates within a context of self-responsibility, and 3) It is run by competent and qualified staff.

On the other hand, the reactor notes that it is not entirely true that providing credit to the poor will redeem them from the culture of poverty. As financial intermediary, BUBI must invoke the principle of self-help to guide it in the formulation of its intervention programs.

### 2. Donor Approach

In general, the reactor is against the donor approach in dealing with microfinance. He is against subsidised loan schemes and "legislated" savings. He recommends that BUBI adopt the following measures as the guiding principles of its operations:

- Financial products developed within the market system
- Focus on demand rather than supply which takes into consideration efficient and cost-effective provision of financial service
- In dealing with microfinance for the poor, it must operate indirectly as a financial institution rather than directly, targeting specific groups
- Partnership with private banks for technical and financial collaboration
- Decentralisation of delivery infrastructures for client satisfaction as financial products multiply and volume of transactions grow

In light of the above suggestions, the reactor offers the following track for BUBI's future development:

- Slow down on capability building geared for target groups and concentrate on savings-led institutions which are member-based, have a deeper outreach to the poor, have a male bias, and are more embedded in the local culture
- Emphasise savings at the household level

- Review BUBI's outreach to the poor based on internal management and information system

The reactor does not advocate replicability as a basis for assessing best practice since he finds imposition of fixed models often intrusive and not attuned to local cultures.

## IV. Conference Interaction

The exchange that followed the presentation of the Project Manager and the Reactor clarified salient points that were educational and enlightening to the conference participants. The points raised included the importance of credit component in a project, the socio-economic issue of the credit, the gender issue as BUBI's best practice, the difference of credit repayment in urban and rural settings, and how BUBI assists its delinquent creditors.

### 1. Credit Component in Multi-component Projects

Responding to the question whether a credit component is important in a multi-component project especially when the people concerned are not credit experts, Mr. Jamon opined that in such a project, the credit component becomes the "superstar", relegating the other components in the background. He said; "It is difficult to strike a balance among several components. Sometimes, it is better to have no credit Component at all, especially in conservation projects, where your only concern is to decide what alternative activities you will give the community that has no capital support. Some NGOs like the UDP have done this successfully—without the credit component... it is really up to you to decide the applicability of the credit component in your project.

### 2. The Socio-economic Issue of Credit

The issue here is the seemingly "unfair" treatment of the poor wherein the project clients avail of credit benefit at the expense of the other poor (who become their customers of their businesses). It is a problem that exists everywhere. Reality demands that we serve a portion of the population first, then when able, we can serve more. What is important is that we are starting somewhere.

Mr. Jamon stressed here that it is not a question of high or low but whether the interest rates cover your costs. You cannot afford to lend below your cost. If it is high, do not reduce your interest rates, instead, be more efficient. If this means dropping other components, by all means spin them off, but always keep interest rates cost covering.

### 3. Credit in Urban and Rural Settings

Ms. Geron explained that they have geographical and other considerations for the repayment requirement of their clients. For those within the city or town proper, with easy access to transportation and whose businesses are not time bound (i.e., they do not have to wait for a certain period to get their profit), they require these creditors to pay daily. However, for those in the livestock business, for instance, who get their income only after a few months, they are given more time to repay their loans, e.g. 3 \_ months. So far, they only have 3 cases of delinquency, and these were due to external factors like the foot and mouth disease.

## 4. Assistance to Delinquent Creditors

Ms. Geron likewise explained how they try to give alternative means of livelihood to their creditors when they encounter major problems in their business that disallow them to repay their loans. For instance, those whose livestock were affected by the foot & mouth disease were given alternative livelihood projects so they can acquire new income and be able to repay their previous loans. This strategy proved to be effective as the delinquency was curbed.

## 5. Gender issue: Empowering the women

To the question whether having their own businesses is an additional burden to the women, Ms. Geron replied that their experience proved otherwise. On the contrary, the businesses became motivational factors for the women to develop themselves, to be freed from their boring existence as housewives and to develop their own potentials. They feel empowered, sustaining the needs of their family from their very own income-generating projects.

## 6. Synthesis

Mr. Art Aportadera, conference facilitator, summarised the discussion into two points; the technical discourse on the importance of credit and how to measure interest, repayment and delinquency and the experiences of the simple people—the credit beneficiaries who have claimed that their lives have been better, just 2 years after BUBI opened its credit component. Women have been empowered, couples have lessened their domestic fights, dreams are woven - having their own home, and seeing their kids to school.

What is beautiful here, Mr. Aportadera stressed, is not only the technical measurements but also the passion and learning derived from the experiences of the people as a result of the project—the passion and learning which are immeasurable as they are priceless. It is in this light that BUBI truly deserves to be in the PACAP 12.

---

***“Mula sa sunong na batya, pedicab  
na ang dala ko sa pagtitinda.  
Ngayon, mas maraming laman: isda,  
gulay, karne, manok at sari-sari na...  
Katulong ko na rin ang aking asawa  
sa paglalako...”***

—Gloria Vergara

---

# V. Insights and Learnings

## 1. A Rare Chance

A great part of the project’s success may have to be attributed to the felt need of the target participants to transform their lives and find relief from the grinding poverty that has been their lot. The credit and savings generation of BUBI gave them a rare chance to improve their economic situation.

## 2. The Value of Mutual Trust

Mutual trust between the target participants and the organisation was a vital compo-

ment in the success of the project. BUBI forged an alliance with the community built on trust and both parties sought to uphold this trust to the best of their capacities.

### **3. The Outsider**

As outsider to the target group of beneficiaries, BUBI had to operate with total transparency so as to maintain the people's confidence in their sincerity of purpose.

### **4. Realistic Planning**

The project design was suited to meet the specific needs of target beneficiaries based on their own stated aspirations. The design was made after a careful study of their actual circumstances. The primary goal of the project was to add to the income of the beneficiaries by helping them start their own livelihood projects thereby strengthening family relationships. This entailed promoting micro-industries that were either home-based or family-based. Specific interventions were scaled to the humble prospects and capacities of the individuals within the social group.

### **5. Ownership of the Project**

By instigating the formation of institutional and personal CBU that was within reach of the clientele, the people feel a measure of ownership of the project. The CBU aspect of the project is considered to be a strong sustainability feature. The efforts of the organisation to implement the credit and savings project is rewarded by the success of the residents themselves in pulling themselves out of the rut of poverty and despair that have held them down all their lives.■

# Case Studies

---

- *Homestart Revolving Fund of the  
Capiz-Roxas Islamic Foundation, Inc. (CRIFI)  
in Roxas City, Capiz*
- *Credit and Savings Project of  
Buklod-Unlad ng Batangas, Inc. (BUBI)  
in Batangas City*



# Homestart Revolving Fund

of the Capiz-Roxas Islamic Foundation, Inc. (CRIFI)<sup>1</sup>

## I. Muslim Migrants in Roxas City

In 1985, there were more than 500 Muslim men, women, and children living in Roxas City, Capiz. They had fled their hometowns in Mindanao, where their homes and livelihood were constantly threatened by war, and came to Capiz hoping to find safety and refuge. They set up homes in the poor sections of Roxas City, two or three families sharing cramped quarters just so they could save on house rent.

For Muslim migrants, getting jobs locally was not an option. They came to Capiz at a time when Christians believed they had reason to discriminate against the Muslims because of events of which their only knowledge came from media stories. When President Estrada declared an all-out campaign against the MNLF in 2000 and the hostage crisis involving the Abu Sayyaf was gaining international media coverage, for example, the Muslims in Roxas City had to suffer the reflected notoriety of the people down south.

Witnesses recounted how every time anyone who was identified as Muslim went out in public, the Ilonggos (natives of Roxas) would snigger at them, calling them derogatory names that lumped them as one with the notorious Abu Sayyaf. The situation worsened to a point where the Muslims considered masking their cultural identity whenever they were among Christians by giving up wearing the traditional Muslim head cover so they could remain inconspicuous when they went out in public.

The Muslims in Roxas City were a cultural minority in a predominantly Christian community whose presence remained largely unrecognised by the local government for a long time. This excluded them from getting any assistance the government might have been able to provide them.

Muslim migrants in Roxas City survived on trading, the one skill they seemed to do best. They sold household items like wall clocks, figurines, carpets, umbrellas and textile.

<sup>1</sup> A case study presented during the PACAP partners conference held at Grand Regal Hotel, Davao City on 19-20 April 2001.

## Case Studies

Others went into the trading of semi-precious stones and jewelry items that they sourced from the south. They sold these items on retail. Sometimes they would be paid in cash, at other times, they offered their buyers these items on credit. Other Muslim families eventually ventured into the manufacture of sandals and traditional wooden trunks inlaid with bits and pieces of shells, locally known as *tipay*.

Ironically, the only form of assistance these Muslim businessmen got was from Christian moneylenders who, unfortunately, exploited their desperate need for capital. They imposed highly usurious loan conditions that pushed Muslim borrowers even deeper into poverty.

Many Muslims who first came to Roxas left for other places. *Muslimen Makaayong*, an officer of a local Muslim group, estimated that by 2001, there were only about 300 Muslims left in Roxas City.

## II. CRIFI and Mary Ann

CRIFI, or the Capiz-Roxas Islamic Foundation, Inc., was established in 1985 with a membership of 49 Muslims—forty male and 9 female. From its inception, it served mainly as an organisational symbol of unity for Muslims in the area and as a venue for social gatherings. CRIFI had a complete set of officers, but it had no vision, mission or goal. CRIFI's officers, headed by Mamendiara Saripada, had vague ideas of making CRIFI a means for promoting the recognition of Muslims and Muslim issues in Roxas; however, they had no concrete plan for achieving this. CRIFI existed for more than a decade as an organisation without having implemented a single project for its members.



Mary Ann Magsila was a social worker connected with Capiz Development Foundation. Her mother had long been a customer of the Muslim traders and knew about CRIFI. Mary Ann's inquiries about the organisation brought her in contact with Mr. Saripada. Through Mr. Saripada, she came to learn about the conditions under which Muslims in Capiz had to live.

Mary Ann offered CRIFI her assistance as a social worker. Specifically, she offered to link CRIFI to organisations and agencies that might be able to help their cause. Mary Ann also promised to help source funds for any project that CRIFI wanted to undertake.

CRIFI identified a need for a micro-credit project that would free Muslim traders and entrepreneurs from their growing bondage to local usurers. With the help of Mary Ann and Marianne (Mae) de Leon, an accountant who also used to work for the CDFI, CRIFI designed a program and put together a proposal to seek funding to implement it.

Mary Ann and Mae brokered the partnership between CRIFI and PACAP-AusAid. For the first year of CRIFI's project, PACAP-AusAid provided a financial package worth PhP743,000. For year 2, PACAP-AusAid committed PhP1.8 million. The money covered funding for a revolving loan fund, a service vehicle, and the cost of loan administration.

Besides providing funds, PACAP-AusAid was also involved in the conduct of trainings, seminars and consultations aimed at strengthening CRIFI as an organisation and ensuring the project's viability.

Meanwhile, the working relationship between CRIFI and Mary Ann became official when the latter was assigned as project manager of what came to be known as the Homestart Revolving Fund. Mae was brought on board to handle the financial aspects of the project.

### III. PACAP-AusAID Involvement

Ephrem Gabriel (E.G) Cortes was the PACAP program officer who reviewed the Homestart Revolving Fund Project proposal.

“When I review a proposal for funding, I usually look at the problem or need, or I ask myself whether there is an opportunity lurking behind the proposal that we should be taking advantage of. When I received the Homestart proposal, a lot of other donors were pouring money into the SZOPAD areas in Mindanao. I thought, if we want to help our Muslim brothers and sisters, do they have to be in Mindanao?”

PACAP approved the project, but it took so long for CRIFI to respond to the letter informing them that their proposal had been approved for funding. Cortes called Mr. Saripada to ask whether the NGO was still interested. “I finally contacted him, and it was only then that I found out the reason for the delay. It was the season of the Muslim Ramadan.”

That early, the cultural nuances of the project had already come into play.

### IV. The Project

The Homestart Revolving Fund was a micro-credit program aimed at providing capital loans to small Muslim traders and craft workers. As a credit program, it provided small, uninsured loans to Muslims involved in micro-enterprises such as the trading of jewelry, personal and home items, sandal-making and trading, and the making of *tipay*

The project was essentially need-based. Its targets were clear and specific:

- 30% production increase,
- 75% increase in participation of women-beneficiaries
- improvement in housing conditions of 15 beneficiaries, and
- 50 new Muslim entrants as project-beneficiaries.<sup>1</sup>

The program was conceptualised and launched in 1998. Phase I was implemented from March 4, 1998-March 4, 1999. Phase II was implemented the following year, from May 3, 2000, to May 3, 2001.

Under Phase I, loans were extended to 50 Muslim craftsmen involved in the production of *tipay*. In Phase II, 50 additional Muslim craftsmen and traders (not necessarily *tipay*-makers) received capital loan assistance. They included traders of household and personal items, dry-goods merchants, and sandal-makers and traders.

<sup>1</sup> Home start Revolving Loan Fund 11 Project Proposal

## 1. Program Components

The project had three distinct components:

- Credit
- Savings and Capital Build-up
- Organisational Strengthening

Under component one, project beneficiaries could borrow a maximum of PhP25,000 for *tipay* making, and between PhP8,000-10,000 for trading activities. The loans came at an 18% interest rate, payable over a year through regular weekly or monthly amortisations. Payment for group loans started on the 7th month after loan release, while loans for trading activities started on the 4th month.

Under the Savings and Capital Build-up Component, project beneficiaries remitted daily the amount of PhP5.00 (or PhP100/mo.). The accumulated amount from this fund was plowed back to the loan fund as seed capital for other projects. This scheme was designed as a way of ensuring project sustainability after the phase out of the Homestart Revolving Loan Fund Project.<sup>2</sup>

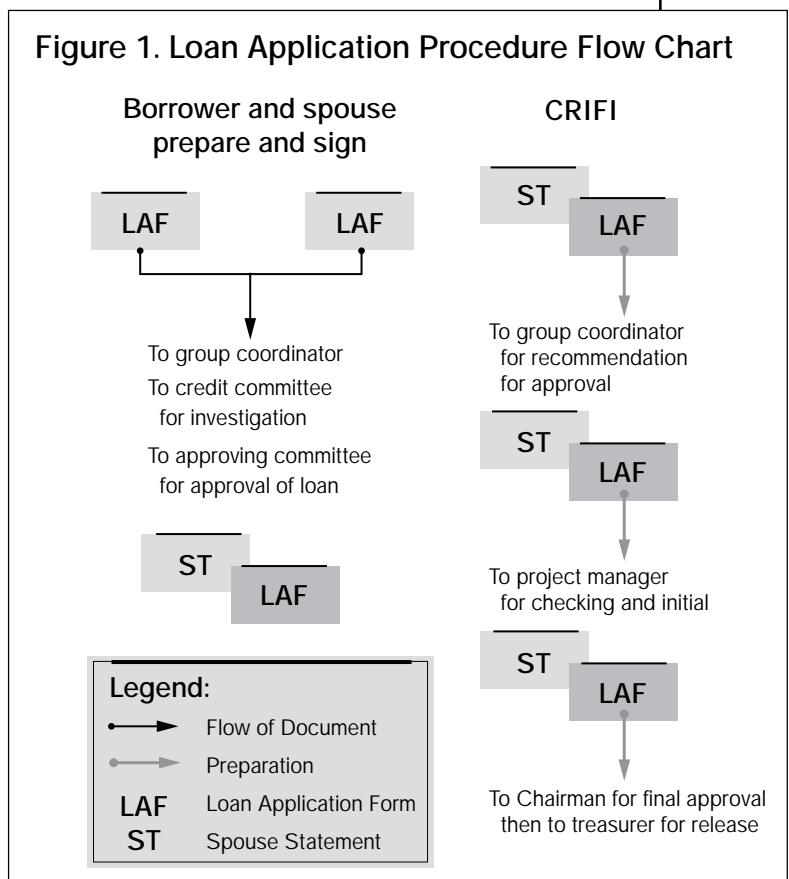
Component 3 served more as a support component directed at strengthening the organisation. It involved the conduct of various seminars and trainings covering technical know-how to value-formation. Examples of such trainings were basic bookkeeping, project management practices, and team-building and gender-sensitivity seminars.

## 2. The Loan Process

A key strategy for project implementation was the adoption of clusters or cell formations. An adaptation of the famous Grameen Bank Model introduced by Muhammad Yunus in Bangladesh, it was considered the forerunner of most microcredit programs in the country, and many parts of the world. Yunus utilised cell-formations not only as collection and monitoring units, but also as pressure or support groups to ensure

<sup>2</sup> ibid

**Figure 1. Loan Application Procedure Flow Chart**



that individual members complied with their loan obligations.

The project design for the credit and savings project stated clear and specific policies and procedures for project implementation.

The loan release process strictly followed 6 steps (see Figure 1):

- loan application
- checking or screening
- investigation and submission of findings
- approval and recommendation to project manager
- evaluation
- fund release

Members had to submit a group plan. Contents of the plan were simple: How much capital do they need? How much can they produce in a month? How much will they make? CRIFI tried to ensure that borrowers made a standard 30% profit.

Payment schemes and amortisation arrangements were also made clear. A project implementing structure was established delineating specific roles and responsibilities of people managing different phases of project implementation. Specific people were identified as project officers or assigned to committees involved in collection, monitoring, evaluation and reporting. A corresponding schedule for credit and repayment was also set in place.

Loans were released to individuals within a group, with a maximum of PhP25,000 per individual. Collection was by group. Following the Grameen approach, the delinquency or default of one member was borne by the rest of the group. Groups remitted payment to their leader or directly to the association treasurer if their leader was absent.

The training program was implemented at two levels. Level 1 primarily involved establishing or testing the credibility and integrity of loan applicants. This involved oral testing on the organisation's creed and loan policies. It also involved subsequent site visits to verify information provided by applicants in their loan application documents and project proposals. This was a means of establishing the overall integrity of applicants, and of inculcating group responsibility and commitment to the project. This was the first rite of-passage: the formal recognition of loan applicants as official beneficiaries of the project.

Level II of the training component had to do with formal orientation on the technical aspect of project management. Participants underwent project planning seminars and workshops. A major output expected from activities under Level II was a detailed project plan specifying project processes from pre-to post-production activities or operations. Other trainings were aimed at building the capability of project beneficiaries to manage their projects. Examples of these trainings were project management, project evaluation, documentation training, design updates and project diversification.<sup>3</sup>

### 3. The Product

Thirty per cent of Homestart's total borrowers made *tipay* or slippers. The rest went into trading. A *tipay* was a shell-inlaid wooden trunk that functioned both as a coffee table or living room centerpiece. Traditionally it was used as a storage unit for items like photo albums, curtains, pillows, and bed linen.

<sup>3</sup> ibid

## Case Studies

The *tipay* made by the Muslim craftsmen in the project were intended more for aesthetic uses than for practical ones. Because of the high prices they commanded, they were considered



more as luxury items. Depending on their size, the price for a *tipay* ranged from PhP5,000 to PhP15,000.

The lid and sides of the trunk were covered with intricate carvings filled with bits and pieces of shell. The high price of this product was justified by the arduous work of filling each carved niche with a

shell bit. Depending on the size, a rush order for one *tipay* could be completed and ready for delivery in about 20 days. Normally the production process for one item could take a month.

Buyers of this product came from the middle to upper class markets—people who bought *tipay* for living room centerpieces. According to the workers, the market was steady. Distribution of the product had already reached the nearby provinces of Aklan and Iloilo, and the island of Boracay.

Another set of clients serviced by Homestart were small Muslim traders. These traders were engaged in the buying and selling of such items as umbrellas, cotton textile of various colors and designs, and wall clocks. Others engaged in the trading of precious stones such as pearls, sometimes diamonds, and finely-crafted gold jewelry such as pendants, rings, earrings, and anklets. They bought these goods in Zamboanga. A group of 2 or 3 traders would be sent on a mission to procure goods or supplies from the south. After a week or so, they came back with the goods which were in turn promptly delivered to their retailer-consignees.

Some traders diversified into the making of sandals, the so-called heavy-duty type of footwear commonly used for hiking or walking long distances. These sandals sold for PhP150 apiece on cash-basis and PhP250 on credit, payable within 2 months.

One such sandal-maker was Benny Asis. He received PhP6,500 from Homestart/PACAP-AusAid in December 2000 as seed capital for this project. According to Benny, he used this amount to buy raw materials worth between PhP2000 to PhP4,000. This produced up to 60 pieces of sandals which he sold for PhP150 apiece, on cash basis, and PhP250 on credit. The latter was payable over a 2-month period. Benny earned a net profit of over PhP2,000 from this project.

According to Mary Ann, Muslim entrepreneurs had some peculiar characteristics. They scoped their markets by word of mouth. Nomadic by nature, if they heard that there was a good chance of selling their products in another town or province, they would go there and would stay for weeks or until they could sell enough to come home. They shared everything—their food, materials, problems, skills. They felt no sense of ownership over a skill or a business opportunity. For example, only one of the members actually knew how to make sandals. But when he realised that he could sell them and make good money, he started teaching the others how to make the sandals so they could start making money out of them, too. They also helped each other out by buying from each other. Those who made *tipay* would buy their raw materials from fellow Muslims in the trading business who would procure these materials for the others.

## V. Leadership and Management

Mary Ann Masila, 42, was the project manager of the Homestart Revolving Loan Fund of CRIFI. Although her role was that of a “friendly outsider” or a change agent, it was mainly through her that CRIFI was revived as a real organisation, with regular meetings and a project for its members.

Mary Anne concentrated on organisational initiatives in the first year. However, she said she was careful not to impose her own ideas or make it appear that she was the initiator of CRIFI activities. Everything was coursed through the CRIFI Board Chairman, Mr. Mamendiara Saripandan. Thus most of her time and effort with the organisation during this period was concentrated on consultations, meetings and dialogues with the CRIFI chairman. He was the “key” that would enable all the other members and officers of CRIFI to open up to the ideas that Mary Ann hoped to introduce to them.

“I discovered that Muslims followed tribal practices in most of their ways, especially in making decisions,” Mary Ann said in the vernacular. She explained that the members waited for word from their leader before they would commit themselves to something. Thus, it was important to first convince the leader before going to the members.

Mary Ann realised that an understanding of the culture of the Muslims was essential before attempting to work with them. She said she had to study the Koran, read Kahlil Gibran and continually immerse herself in the lives and activities of CRIFI members. In the process she learned what topics to avoid discussing with them (religion was one), and the best ways to convince them of a new idea.

“With my understanding of their culture, I learned that the best way to make them open up to a new suggestion was through one-on-one talks or dialogues.” Mary Ann said she never pressed a point if she felt there was still resistance in the group, even if it came from only a few people. This kind of decision-making process was time consuming, she admitted, but it worked.

Another management practice that she resorted to which she found effective was the scenario-building technique, or presenting the negative and positive sides of an issue. According to Mary Ann, this encouraged the members to examine both sides of an issue and, on that basis, make their own conclusion. Mary Ann revealed that this helped facilitate a re-examination of traditional cultural ideas among Muslims, especially those related to gender issues.

One concrete example was the discussion of Muslim women’s role at home and in society during a gender-sensitivity training conducted by Mary Ann. She said she did not impose any ideas of her own and avoided theoretical inputs. Rather, she asked both male and female participants to comment on the practice of keeping the women at home and excluding them from participating in the socio-economic life of the family. “By listing the pros and cons of the issue being presented and examining them, they came to realise that it was practical to allow women to work so that she could also help in the family.”

Mary Ann used simple, visually-oriented mass communication techniques in the trainings and seminars that she and another social worker conducted. She also found out that these techniques fostered a non-threatening environment because participants learned about serious issues while having fun in the process.

## Case Studies

Mary Ann emphasised that an understanding and appreciation of the cultural identity of Muslims is a must for any development worker hoping to assist them. “Before, I used to think that, as a Christian, I had to convert the Muslims to our ways. I encountered a lot of resistance from them because of this personal orientation. I have since realised that it was wrong. They may have different names for their God, but it does not matter because we are all brothers and sisters,” Mary Ann explained.

## VI. Impact and Benefits

The revolving loan fund released by PACAP for year 2 of the project amounted to PhP564,200. This benefited 50 borrowers, at a maximum loan of PhP25,000 per individual borrower. CRIFI’s counterpart was a contribution to overhead costs. Borrowers earned about 30% profit from their businesses. In 2000, loan repayment rate for the project was 80%.

Women borrowers represented about 46 percent of Homestart clients. They were reported to be able to contribute from 30-80 per cent of their family’s income from their participation in the program. Visible among Homestart members were the changes in perception among both men and women towards the idea of women going out to earn a living. In the Muslim mosques, men prayed in the center, while women were sidelined, taking their places in a designated area. At Homestart meetings, however, places were reversed. The women sat in front and the men sat in the back.

Mary Ann recalled that the symbol of a fish was predominant in many self-discovery exercises that she conducted with the CRIFI members in the early trainings, during the first year of the project. She said that most Muslims would often associate themselves with a fish that kept swimming in circles, uncertain of where to go because they were swimming in murky waters.

“They would explain that the murky waters stood for the difficult situations they faced as migrants and the discrimination they were experiencing from the Christians,” Mary Ann shared. Over the years however, this symbol has been erased when slowly they saw the welcome changes that this project brought into their lives,” said Mary Ann.

### Caselet 1

Janet, 21, fresh graduate from college, said that her involvement with CRIFI had given her reasons to dream of bigger things. “I am now into trading goods, but someday I hope to establish several stores and become a really big trader,” she shared. Janet was earning a little income, part of which she sent monthly to her family back in Marawi. Janet came to Roxas with her uncle and aunt when she was only 9 years old. She revealed that when she became economically stable she would send for her parents, brothers and sisters who were left behind in Marawi. ●

### Caselets 2 & 3

Mona Bangate, 31, was an orphan, who assumed the responsibility of caring for and financially supporting 2 younger sisters and 4 brothers. This was a heavy responsibility for one person, but she said the project had helped a lot. She was also into *tipay* trading, and this enterprise often involved big amounts. At one time, she had PhP100,000 worth of goods with her. She averaged 1-2 products sold in a month. When there was no delivery, she fell back on trading ready- to-wear clothes.

Muslimen Makaayong, vice-chairman of CRIFI, left Mindanao and migrated from Masbate, and then moved to Capiz with his family. He was a *tipay* maker and his group of 5 received a PhP25,000 loan from PACAP-AusAid. “A lot of things had changed in my life as a result of this project. I was able to send my children to school and I feel that life has become better for my family.” He said he planned to stay in Roxas because he believed this project assured him a future here. ●

The impact on the beneficiaries was not only economic, but social as well. “Before, the Muslims here at the office would not pick up a ringing telephone. You could dial all day and wonder why there seemed to be nobody at the CRIFI headquarters which, also happens to be the *tipay* shop. It was because they were terrified of the phone,” Mary Ann recalled with some amusement. But this had changed. Less than a year later, you had to drag some of them away from this gadget if you wanted to use it, she added.

## VII. Future Prospects

The project-beneficiaries had plans of making their own enterprises big. These plans were not just dreams or visions but clearly stated goals incorporated in their project plans and marketing targets, with verifiable and quantitative indicators.

One major expectation of CRIFI members that surfaced during interviews was that the Foundation would be able to provide them assistance so they could realise the dream of owning a house and lot of their own. Despite the gains that the project had brought into their lives, majority of the Muslims still lived in rented apartments, still sharing cramped rooms with other families. Usually the living arrangements in this situation would be an entire family in one room. So if the apartment had 3 rooms, you would find 3 families living there. Mary Ann noted, though, that when the circumstances of a family improved, they would move out of the small community where the majority lived. It could, in a sense, be an indicator of improvements in the quality of life of some Muslim community members that about 50% had already moved out of the area and into apartments or houses of their own.

Meanwhile, the future of both the project and the organisation was being planned. The CBU (Capital Build-Up) scheme that was integrated into the Homestart revolving Loan Fund was intended to ensure the sustainability of the project in the event of phase-out, or in case PACAP-AusAid discontinued funding assistance.

Organisational sustainability on the other hand was ensured through the training of second-line leaders in CRIFI, particularly the training of an organiser to replace Mary Ann and Mae when they decide to leave.

“I tell them that my timetable for staying on as project manager is only three years, and that they should be ready to manage their own organisation after that. They would usually express dismay and beg me not to abandon them,” she said. But this early Mary Ann was preparing for that eventuality. She had already pinpointed her likely successors among the Muslims, Genelyn Basser and Arlene Sultana, and had started training them in the ways and techniques of running a project and an organisation. The two women were aware of all this and welcomed it. Although Genelyn had her own personal plans she said there was no contradiction. “If I can help my fellow Muslims, why not? I consider it an honor to continue working for this project because it has done a lot to help us.”

Mary Ann, however, was still concerned about bringing the Muslim community into the mainstream of Roxas City society. The group was still working on gaining recognition of CRIFI by the provincial government. Mary Ann, Mae and Mr. Saripada saw this as a means to link the Muslim community to other sources of funding and to help them gain access to basic services. ■



# Credit and Savings Project

of *Buklod-Unlad ng Batangas, Inc.* (BUBI)<sup>1</sup>

She and her husband, together with their four children, came to Batangas City in search for “greener pastures.” They stayed with a relative in the city. Since the couple did not have a regular source of income, she used the small amount they had to buy vegetables from the central market. Every morning, she went around the community with a *batya* (a large basin) full of vegetables on her head. She used her daily sales to purchase the next day’s stock of vegetables.

In early 2000, she applied for a PhP2,500 loan from BUBI’s Credit and Savings Program. She complied with all the requirements so the loan could be processed. She worked hard to raise the 20% cash counterpart required of her and attended all pre-requisite training. Her first loan was approved and released in June. She used the money to buy more variety of goods from the market that she could sell.

After several months of hard work, she reaped the harvest of her sacrifices. “*Mula sa sunong na batya, pedicab na ang dala ko sa pagtitinda–ngayon, mas maraming laman: isda, gulay, karne, manok at sari-sari na...* (From carrying a basin on my head, I now have a pedicab to carry all my merchandise. Now, I carry greater variety of goods—fish, vegetables, meat, chicken and a lot more...)”, she proudly related—with tears moistening her eyes. “*Katulong ko na rin ngayon ang asawa ko sa paglalako ng paninda* (My husband is now involved in my daily trading activities)”, she beamed. She believed her husband’s involvement in her livelihood was a big milestone by itself.

With her thriving ambulant retailing business, she and her husband generated at least PhP3,000 a month. The additional income helped them send their four kids to school and buy clothes and food their children needed. She could now afford the basic necessities of her family.

She made sure that she was up to date on payments for her third loan. Her personal savings amounting to almost PhP3,000 kept with BUBI reassured her that she would

<sup>1</sup> A case study presented during the PACAP partners conference held at Grand Regal Hotel, Davao City on 19-20 April 2001.

have something to use in case of emergencies. More importantly, she looked forward to saving enough to sustain her business using her own money.

This was the story of Gloria and Sebastian Vergara from Barangay Kumintang, Batangas City. Aling Gloria was one of the beneficiaries of BUBI's Credit and Savings Project. Like many others, Aling Gloria was proud and happy with the results of the risks she had taken. When she first borrowed from the project, some people tried to discourage her. "*Mababaon ka lang sa pagkakautang diyay* (You will only sink deeper in debt.)", she was told. But she persisted. She believed in herself. After all, there were very little choices in life when you live in a far-flung barrio. To many of her co-members, she was a shining example of success achieved through perseverance.

## I. Project Profile

### 1. The Project

The project that offered a ray of hope to rural barangay residents like Aling Gloria was primarily a loan and savings generation project. In the eyes of its target beneficiaries, it was designed to increase their household income by at least Php500.00 per month. It augmented family incomes through the promotion of family-based micro enterprises. BUBI hoped for something beyond the short-term economic gains—something more lasting. BUBI wanted to give rise to family-based activities that would strengthen family relationships, especially between husband and wife.

The project provided financial loans to project participants. These loans were used to start or sustain livelihood projects of selected low-income families. With additional incomes, the project expected personal savings to be generated. It was also intended to directly strengthen the entrepreneurial skills of the project participants.

The following were the major components of the project<sup>2</sup>:

- **Loan Assistance**—This involved the provision of financial assistance to interested BUBI members. The loans were used to start or continue the borrowers' livelihood projects.
- **Capital Build-Up (CBU) Generation**—The project encouraged the generation of capital, both for the organisation and individual borrowers. Each borrower contributed 2.5% of their net income to build up the capital base of BUBI. This was called the institutional CBU. Each borrower was also required to save. A minimum of 5% of their net incomes was deposited to the project as personal savings. The 20% cash counterpart also formed part of the borrowers' personal savings. Non-borrowing BUBI members were encouraged to save as well.
- **Capability Building and Organisational Development**—This involved a series of training activities that increased the awareness and participation of members in organisational affairs. The overall goal of this component was to prepare the organisation and all its leaders (first and second line leaders) to manage the project on a sustained basis.

<sup>2</sup> Refer to Exhibit I for the Detailed Description of Project Components.

## Case Studies

The project period was designed for two years. The first year was implemented from April 1998 to May 1999. The second year covered the period October 1999 to December 15, 2000. The latter reflected a 2½-month extension period.

The project was directly implemented by a people's organisation called the Buklod-Unlad ng Batangas, Inc. or BUBI. As of end of December 2000, the project had benefited a total of 318 families. This was 55% of the total 583 membership of BUBI. The project prioritised the members who belonged to lower income groups as direct beneficiaries of its credit program.

The Credit and Savings Project was funded from both external and internally generated funds. External funds from AusAID, through PACAP, amounted to PhP2,256,300. Counterpart funds from BUBI and the project beneficiaries totaled PhP416,772 and PhP1,111,080, respectively.

## 2. The Project Sites and the Project Beneficiaries

The Year I project was implemented in seven out of the 105 barangays of Batangas City. These included barangays Calicanto, Cuta, Dalig, Kumintang, Libjo, Pallocan, and Dumantay. Two barangays, Gulod and San Pedro, were added to the project sites during the Year II project. This brought the total number of sites to nine barangays. These barangays belonged to the list of depressed barangays in the city.

The major problems of the people in the project sites were “abject poverty and the inability to augment/increase income to meet the basic needs of families...”<sup>3</sup> There was a strong sense of “helplessness” among the residents. They strived continuously to escape the “hand-to-mouth” existence that they had known all their lives. People from these barangays felt they were left behind by the fast-paced urbanisation of Batangas City. Batangas was home to large enterprises such as petroleum refinery, flour milling and shipbuilding and repair. According to the beneficiaries, they tried to get employment from these large enterprises. Unfortunately, they lacked the appropriate skills to compete with the labor market in the city. Most of them reached only elementary grades (Grades 4-6). They were skilled in something else—farming and cattle-raising.

Most of the families from these barangays relied on seasonal work in the farm. Some worked as farm laborers while others were contracted to be care-takers of other people's cattle. Under the *paiwi* system, workers got 50% from the sale of the cattle once the owner sold them. During off-farm season, male spouses looked for occasional cheap labor jobs like driving, carpentry and other short-term work. Sometimes, these jobs took them away from their families for a period of time. A few female spouses went into vending and laundry work to help augment family income. Families subsisted on a meager average family income of PhP3,000 per month. These were not nearly enough to sustain the educational and nutritional requirements of the children.

Previous efforts of families to put up their own home-based enterprises proved unsuccessful. This was due to lack of working capital to start or to sustain off-farm activities. Formal lending institutions required collateral for loans. Most of the families could not comply with this basic requirement. Non-formal lending institutions, on the other hand, charged very high interest rates. This made credit inaccessible to poor families. With the

<sup>3</sup> Project Proposal, “Expansion of BUBI's Credit and Savings Project, 1999.

high interests that these informal lenders charged, the members of the community were not confident that they could pay off their loans.

The Credit and Savings Project was designed by BUBI to respond to these specific needs of their members.

### 3. The Project Implementer: BUBI

BUBI was a federation of seven (7) *barangay*-based parent associations. The formation of these parent associations resulted from the Christian Children's Fund's (CCF) efforts to build self-reliance among CCF-assisted communities. The parent organisations formed themselves into a federation to coordinate efforts in the seven barangays. They believed collaboration among parent organisations would work toward achieving common development goals. BUBI was registered with the Securities and Exchange Commission in October 1990.

After 23 years of working with children and parents in these barangays, CCF phased out of these seven assisted barangays in April 1996. CCF turned over the project management of all its existing programs to BUBI. Starting in the late 1980's, CCF provided the parent associations, and later BUBI, with sufficient capacity building and institution strengthening programs to prepare BUBI of taking over the task.

By December 2000, three more parent organisations had joined BUBI. This brought BUBI's area coverage to 10 barangays. Following the CCF program, BUBI had focused its development programs on seven major areas of concern. This included: 1) Formal Education, 2) Health and Nutrition, 3) Environmental Sanitation and Preservation, 4) Housing and Basic Community Facilities, 5) Livelihood Program, 6) Leadership Formation and Organisational Development, and 7) Values Formation and Socio-Cultural Development. These integrated interventions were geared towards helping the families provide a better life and promising future for their children.

Providing financial assistance to its members was not new to the parents associations. By the time of the application for funding assistance to PACAP, the seven parent associations had a combined loan fund of PhP467,000.<sup>4</sup> Parent associations of each barangay managed their own revolving funds and lending operations. About 88% of the loans provided were for livelihood purposes. The rest were for education, housing repair and other emergency needs. The funds were limited though, and only very few members were serviced.

In 1997, women comprised 63% of BUBI's total membership. Ms. Chona Geron, BUBI's Program Manager, explained how this came about. She said that couples usually decide that the family would be better off if the female spouse would become the official member of BUBI. The common reason was that the male spouses were the ones "working" and the female spouses stayed at home. Women then had more time in their hands to attend to BUBI affairs. At that time, not many women had home-based livelihood activities. But over time, a lot of the women members were able to set up their own livelihood activities. Their additional economic activities had not diminished the women's

<sup>4</sup> Brgy. Libjo had the largest revolving fund at PhP95,000. Brgy. Pallocan had the smallest amount at PhP20,000.

These funds were raised from monthly contribution of members, fund raising activities and from income of their limited lending activities.

## Case Studies

participation in BUBI's activities. Ms. Geron added that the income benefits generated from BUBI's credit program further encouraged the women to become involved with BUBI affairs. In recent years, more women showed interest in becoming a member or a leader of BUBI. By the end of 2000, female membership increased to 90% of BUBI's membership of 583.

## II. Historical Perspective

### 1. Project Preparation Stage

The project was actually an offshoot of BUBI's Cattle Dispersal Project. This dispersal project was the very first PACAP project implemented by BUBI. After one year, a total of 26 cows were dispersed to 26 BUBI members. BUBI was able to continue the dispersal operations beyond the completion phase of the project. By January 2001, BUBI was able to re-disperse cattle to an additional 54 beneficiaries. A total of 19 out of the 26 original beneficiaries owned the cattle dispersed to them.<sup>5</sup>

BUBI evaluated this cattle project after it was completed in October 1997. BUBI members agreed that the project was a medium-term source of income. It took at least three years before the beneficiaries generated cash income from the sale of calves. In the meantime, the absence of short-term sources of income was still a problem.

The Credit and Savings Generation Project was designed to complement the cattle project of PACAP. It made sense that a short-term source of cash or income was provided to the cattle dispersal beneficiaries. In this way, the cattle dispersal beneficiaries avoided unscheduled sale of cattle awarded to them. BUBI, however, did not limit the target beneficiaries to cattle dispersal participants.

This Credit and Savings Project was designed as an integral part of BUBI's Livelihood Program. BUBI had provided a variety of livelihood skills training to its members in the past. These livelihood skills training provided parents and working age children with opportunities to develop new ideas or acquire new livelihood skills. These included classes in sewing, cooking, food processing, cosmetology, card and basket making, baking, potholder making and carpentry. But most of the members who attended these livelihood skills training could not try out their new skills. They did not have the capital to start their enterprises.

BUBI intended the Credit and Savings Project to complement its previous livelihood skills training activities. The credit assistance gave the beneficiaries the opportunity to concretise the livelihood skills they acquired. Those who wanted to start or re-focus their existing micro enterprises could do so if they borrowed from the project.

It was inevitable that women were active participants during the planning stage. The women members dominated the leadership by 6 to 1. Women's concerns were brought into the proposed lending scheme and procedures, the CBU and savings generation schemes. The design of support components considered the specific needs of women.

<sup>5</sup> Each cattle dispersal beneficiary was required to give back to BUBI the first two offspring as payment for their loans. These calves were re-dispersed to new qualified BUBI members. After payment of the two offspring, the beneficiary became the owner of the original cattle and the subsequent offspring.

## 2. Project Implementation Stage

The core of the project implementation phase was the provision of livelihood loans. This was under the **Loan Assistance Component**.

Before any loan application was filed with BUBI, the borrower was required to attend a series of orientation and training sessions. These trainings helped the borrower choose the type of enterprise most suited for himself or herself. Sessions on Entrepreneurship and Financial Management were required prior to application. These sessions encouraged potential borrowers to determine whether they could realistically succeed in managing their chosen project. During these training sessions, BUBI leaders helped borrowers prepare their business plans. This was also the occasion where the beneficiaries helped assess the viability of their proposed projects.

Many of the borrowers obviously had limited livelihood management experience. BUBI addressed this by conducting various training that will upgrade the borrowers' skills in project management.

One unique feature of the project was that each borrower was required to put up a cash counterpart contribution. The amount, which was equivalent to 20% of their loan, was deposited to the project prior to the release of their loan. These cash contributions were treated as personal savings of borrowers. These amounts increased the project's revolving credit fund, which consequently allowed more members to borrow.

Many of the borrowers had limited business management experience and were given a series of technical training. Those who received loans were assisted in the following areas: project planning and management, marketing and operations and assistance in building up their enterprises' competitive advantage. One specific example of these trainings was the conduct of a hog-raising seminar. The beneficiaries were taught techniques on how to better manage their backyard livestock projects. In another example, a seminar on food handling was also provided to *carinderia* (eateries) owners. This was intended to make their businesses more competitive, profitable, cost efficient and safe.

All borrowers underwent an Accounting for Non-Accountants course. This served as their guide in preparing simple books of expense and sales accounts for their micro enterprise. These financial records allowed the strict monitoring of funds usage by the beneficiaries. These records were also used to measure the profitability of the micro enterprises at the end of the loan cycle.

The Loan Committee members at the barangay level undertook regular monitoring of individual projects. Problematic accounts were followed up more frequently. House to house consultations were done for overdue accounts and borrowers were provided assistance with regard to their problems. If there were no valid reasons for non-payment of loans, BUBI leaders forced delinquent borrowers to pay. In a few cases, BUBI brought the problem to the *Barangay* Council for necessary intermediation. All these monitoring and trouble shooting activities at the barangay level resulted in a consistently high repayment rate for the lending program. This was BUBI's way of sending a clear message to all borrowers that everybody should take their projects seriously. Everybody was expected to pay his or her loans on time.<sup>6</sup>

<sup>6</sup> Refer to Exhibits II and III for the detailed Rules and Regulations of the Credit Program (in Filipino) and the Process and Scheme of Collection, respectively.

## Case Studies

BUBI required all fully paid borrowers to coordinate with BUBI in preparing an income statement. The financial books of accounts maintained by the borrowers helped in the preparation of income statements. The financial statement became the basis of BUBI in determining the viability of projects being applied for re-loan. The income statement also served as a guide for computing the 5% and 2.5% personal savings and institutional CBU, respectively.

All loans were considered a joint responsibility of the male and female spouses. Both were asked to sign the loan contract. This ensured that the male spouse knew about the project being planned by his wife. And by co-signing the loan contract, the male spouse felt that he was part of the livelihood project of his wife (or vice-versa). Many of the projects eventually became a family enterprise and eventually became the main source of income for the family. In many cases, both parents actively participated in the management of the chosen livelihood projects.

The **Capital Build-Up (CBU) Generation Component** accomplished two purposes. The institutional CBU fund expanded the capital base of BUBI. This ensured long-term sustainability of the non-income generating programs of the organisation.

The CBU scheme also raised more personal savings. Personal savings represented 5% of their projects' net income. BUBI expected that after borrowing for 3-5 cycles, the borrowers would have generated enough savings. Many of the project beneficiaries looked forward to withdrawing their personal savings. They planned to use the amount to augment their livelihood capital instead of perpetually depending on credit from BUBI.

The CBU and savings generation scheme were discussed in detail with all prospective borrowers prior to their application for a loan. BUBI chose to be transparent and clear about these rules and regulations. This eliminated future problems that usually resulted from lack of understanding of such guidelines and rules.

The project's **Capability Building Component** focused on the continuing education and formation of BUBI's staff, area leaders and borrowers.

The capacity building activities also included the continuing education program for the project borrowers. This continuing education program was in support of the loan component. Upgrading the knowledge and skills of the beneficiaries helped ensure better performance in their respective livelihood projects that would translate to a better repayment performance.

BUBI strived to make every training session gender-sensitised. Gender issues were openly discussed, particularly during values formation sessions. After all, most of the members were women. They were the ones mandated to attend these activities, though the male spouses were always encouraged to attend with their wives. The husbands became part of the whole learning process. The goal was to achieve common perception and understanding of issues among couples.

This component not only strengthened the organisation and the members' individual capacities. It also strengthened family relationships. BUBI leaders had had a long experience in dealing with rural women. They knew that women became more productive if their families rallied behind whatever they did outside of their homes.

Like any development project, BUBI experienced a number of implementation problems. These included:

**1. Delay in the receipt of external funds (second tranche)**

This delay resulted in the delays in the release of loans to some beneficiaries.

To address the problem, the Board decided to advance the funds needed to finance pending loans. BUBI's internal funds were used for this purpose. Only urgent loans were released. Those whose projects were seasonal in nature were prioritised since delays in the release of the loan would affect the profitability of their project. BUBI funds were also advanced for projects with pending orders with suppliers. The Board reviewed the list of pending loans to determine which projects needed urgent financing. Those who did not fall under this "urgent list" had to wait for the receipt of the PACAP funds. Once the funds were received, the advances from BUBI were repaid and properly recorded in the PACAP project's books of accounts.

**2. Non-attendance of BUBI leaders to meetings**

Incentive schemes for leaders, both at the level of BUBI and the barangay, were provided to arrest the problem of absences during regular and emergency meetings.

The Board members were given honoraria for their attendance to meetings. A corresponding penalty scheme was derived to discourage absences among the Board members. At the barangay level, an innovative incentive scheme was designed to give the area leaders some form of compensation for their services. This compensation was in the form of free SSS and Phil Health membership. Transportation expenses during attendance to BUBI meetings were also reimbursed by BUBI.

These incentive schemes immediately resulted in 100% attendance in meetings and other important activities after a few months.

**3. Lack of second line leaders from the "younger generation"**

In the past, CCF focused its capacity building efforts on the leaders of BUBI and the seven parent associations. BUBI management and staff were composed of professional development workers. Most of them had been with BUBI since graduating from college. These people had demonstrated their knowledge and deep understanding of BUBI's operations and institutional history.

The parent association leaders were composed of indigenous community members. CCF trained them in grassroots organizing and volunteer's development. These community leaders served as the core leaders of BUBI for more than 15 years on a volunteer basis.

PACAP advised BUBI to consider training a second-line of leaders belonging to the "younger generation". This suggestion had been considered favorably by BUBI. The community had an informal pool of CCF-sponsored graduates who regularly volunteered their services to the organisation. Younger leaders from among interested CCF graduates and the general BUBI membership were trained. Training was conducted in the areas of organisational development and program management. The "second liners" underwent sessions in grassroots organizing, leadership and values formation. This line of "future leaders" ensured an efficient management of BUBI programs beyond the services of the current BUBI officers and area leaders.

## **Case Studies**

The sense of volunteerism cultivated under BUBI's Volunteer Development Program was very helpful to the project. Under this program, the limited staffing of BUBI was augmented by the assistance of Social Work Practicum Students. This was a formal tie-up between St. Bridget's College and BUBI. These student volunteers considered their relations with BUBI as "symbiotic". While they helped augment the limited manpower of BUBI, the students were given what they needed: experience, exposure and social work practice during the practicum period. Some of these student volunteers could join the "pool of future leaders" of BUBI if they decided to join the organisation.

### **4. Absence of a Collective Marketing Scheme**

The two factors that affected the profitability of the enterprises were: 1) the increasing cost of raw materials; and 2) inadequate marketing opportunities. BUBI recognised that, on their own, the borrowers were helpless against these external factors.

The short-term response to these marketing problems was to include a realistic marketing plan in the beneficiaries' loan proposal. At the loan proposal preparation stage, the borrowers were already encouraged to identify and assess their marketing strategies. In this way, the borrowers would have entertained various marketing options even before they started their respective enterprises.

The proposed Year III project that was submitted to PACAP was BUBI's long-term solution to the problem. The pending proposal included setting up a collective marketing structure that would look into collective marketing strategies that could assist individual borrowers. This would especially be useful for "common projects" such as trading, livestock raising and food processing. This marketing structure would be supported by a marketing fund, which would be used to purchase raw materials in volume. Raw materials would then be retailed to the borrowers. The marketing fund would also allow BUBI to act as "middleman" for some common products of BUBI members.

### **5. Non-repayment of loans on time by a few beneficiaries**

The project's repayment rate had been maintained consistently at an acceptable level of 95% and above. However, BUBI concerned itself with the few problematic borrowers they had, especially those who did not have valid reasons for delays of repayment dues. BUBI believed that allowing a few borrowers to get away with it would have devastating effects on the project. Poor collection of loan repayments delayed release of loans funded from re-flows. It also sent a negative signal to other borrowers—that delinquency could be tolerated.

The Loan Committee members in their respective barangays visited delinquent borrowers in their homes. They helped the borrowers draw out solutions for their problems. Monitoring visits to these problematic accounts were done more frequently until the loans repayments were updated.

There were times when the frequent visits from the loan committee members did not work. BUBI referred these cases to the Barangay Council for intervention. BUBI had been lucky in recovering these loans. These problematic borrowers were banned from availing of the loans unless he/she had proven

their credibility as a borrower again.

A couple of parent associations maintained a revolving loan fund for emergency purposes. Knowing they had access to an emergency loan facility reduced instances of misuse of loan funds. It also strengthened community spirit. “A problem of one member was a problem of the whole group”, said one parent association leader. Called the *Mula sa Puso* program, these funds for emergency loans came from the savings of the parent association members. At the BUBI level, there was also a similar type of loan program for emergency purposes. It was also set up to discourage members from using their livelihood funds for purposes other than their projects. Emergency loans carried lower interest rates and longer repayment periods. BUBI members who borrowed from this program used the money to settle utility or hospital bills, buy LPG (cooking gas fuel) or pay for tuition fees.

### 3. Project Sustainability Phase

Inherent in the design of the Savings and Credit Project were provisions for project sustainability. These provisions allowed BUBI to sustain its lending and savings generation operations beyond the project’s completion date. These included:

- **Institutional CBU schemes.** These monies were used to expand the revolving loan fund base of the project. This allowed more beneficiaries to borrow from the project.
- **Training of second-line leaders.** The presence of this “younger” breed of professional and grassroots-trained leaders ensured a readily available skilled manpower source for BUBI. It also allowed continuity to the programs started by the current leaders and staff of BUBI.
- **Net Income Utilisation.** BUBI used 50% of the net income from its lending operation to expand the revolving credit fund of the project. The remaining 50% was accrued to BUBI’s institutional fund. This was used to support the non-income generating programs of BUBI.

The strong financial management systems (FMS) of BUBI ensured optimum use of the revolving credit funds. BUBI planned to further improve its FMS by consolidating all of BUBI’s lending programs. BUBI believed that this consolidation would lessen the administrative requirements of its lending program.

The sustainability of individual livelihood projects was also ascertained in the project design. These provisions included:

- **Continuous education/skills upgrading training.** This provided beneficiaries with new technologies. These “better ways of doing things” increased the success potentials of the individual projects.
- **Personal savings Scheme.** The borrowers could withdraw their personal savings from BUBI once it reached sufficient levels. The amounts could be used to sustain the business. The borrowers need not perpetually depend on credit for revolving capital.

Setting up simple financial recording systems for their projects allowed majority of the beneficiaries to monitor the financial performance of their projects and allowed them to make sound financial management decisions.

## III. Project Accomplishments and Benefits Generated

At the end of the Year II project period, BUBI submitted a completion report to PACAP. The report was based on an end-of-project evaluation activity conducted by BUBI in December 2000.

The following were the project accomplishments of the Year II project as identified in BUBI's completion report:

- Provided loans to 174 low-income families as of December 2000.<sup>7</sup> Ninety percent (90%) of the borrowers were women. Projects supported were trading, food processing, hog-raising, fishing, sewing, service (i.e. barber/beauty shop, electronic shop, marble installation, etc.), bakery, junkshop, metal/wood craft, etc). Loans ranged from PhP2,000 to PhP50,000.
- Of the total 174 beneficiaries, 171 or 98% increased their monthly income. The average income generated by the projects ranged from PhP600 to PhP1,200 per month. A few very successful projects earned PhP13,000 to PhP25,000 per month.<sup>8</sup>
- Majority of the beneficiaries claimed they had improved self-confidence. They realised that, given the opportunity and some technical assistance, they could increase their income significantly.
- Majority of the beneficiaries established credit worthiness. These people borrowed more than once from the project.
- BUBI noted the minimal amount raised by the project from penalties. This demonstrated the capacity of the borrowers to adhere to guidelines and procedures set by the project.
- Many of the projects set up became home-based, family enterprises. About 83% of these family enterprises strengthened the relationships among family members, especially the parents. Shared responsibilities in the operation of the enterprises allowed more frequent and better communication between couples and children.
- The combined income generated by all the projects assisted was estimated at PhP1.23 million in one year. The conservative estimate on the level of economic activity contributed to the community amounted to a minimum of PhP3.12 M.<sup>9</sup>
- BUBI earned a total of PhP278,000 from the project's interest income, other fees and the 2.5% institutional CBU contributions of the borrowers.
- BUBI gained the recognition and respect of private and public agencies in Batangas City. This resulted from the significant accomplishments of the project.
- BUBI served as a model for other marginalised communities in Batangas. CCF considered BUBI as "one of the successful models of self reliance and sustainable development for families and communities".<sup>10</sup>

<sup>7</sup> An additional 144 members were benefited by the Year I project. This brought the total number of beneficiaries of the Credit and Savings Generation Project to 318 families as of December 2000.

<sup>8</sup> These income figures were sourced from the income statements prepared by the borrowers (with the assistance of BUBI staff) at the end of each loan cycle.

<sup>9</sup> These income figures were sourced from the income statements prepared by the borrowers.

<sup>10</sup> CCF endorsement letter to PACAP dated 7 January 1998.

- The project improved the organisational capacity of BUBI as well as the personal capacities of the borrowers.

In an interview, Ms. Geron added that, as of December 2000, the combined personal savings generated by the 318 Year I and II beneficiaries amounted to PhP576,000. A big portion of this money was deposited to BUBI. This increased the project's revolving credit fund.

## PACAP – Transforming Lives

### Case 1: Flora Factoran

The case of Flora Factoran, 36 years old, of Barangay Pallocan, was a fitting example of the positive effects of the project. Aling Flora and her husband Roberto used to operate a small bakery. Daily production was always low because of lack of capital. All the bread they made was sold around the community by three *maglalako* (roving vendors) every morning. Part of their small income was used to amortize the cost of the baking equipment they used.

The initial loan of Aling Flora amounted to PhP10,000. She used the money to boost the family's bakery project. Her husband possessed skills in baking while Aling Flora had experience in running the business. Both of them were determined to succeed.

Three more loans after, the bakery business prospered. Aling Flora's family now owned and managed the business. The relationship between husband and wife became closer. They shared the tasks of procurement, preparation, cooking, selling/marketing and recording.

From just a husband and wife team, a total of three people were employed to assist Mang Roberto in baking. Aling Flora concentrated in managing the small stall they had. The couple hired nine (9) *maglalakos* to sell bread every morning for which they were paid PhP1,500 a month. The *maglalakos* also earned a daily commission of PhP150 to PhP200.

From the bakery's net income of PhP5,500-12,000 a month, the couple paid in full the cost of the cooking equipment. They also improved their house and added another room to accommodate the workers. Sending three of their four kids to school was less difficult. They were able to afford the family's basic needs, with some luxuries thrown in. Aling Flora planned to withdraw her personal savings amounting to PhP11,500 to be used for business capital. Recently, however, BUBI allowed her to withdraw PhP8,000 from this amount when one of her kids was hospitalised. She had fully paid her fourth and last loan anyway. Aling Flora was confident that her thriving bakery business would help her raise her savings again. She had her thriving bakery business to rely on.

Personally, Aling Flora believed that she learned a lot from the various training she had attended. She learned to socialise more with different types of people. She knew how to budget her time. She especially appreciated learning the proper financial recording tools for her business. •

One notable impact of the project was the significant improvement in the capacity of BUBI to manage a credit project. BUBI found it interesting to note that it did not experience any major problem in its lending operations. BUBI attributed this to the clear set of loan guidelines and procedures. These were disseminated to all prospective borrowers even before the beneficiaries made a final decision to apply for a loan. They also deemed critical the regular meetings among the Board members. The progress of the program and the few problematic accounts were discussed in these meetings.

Finally, they proudly noted that their lending program was studied by several private and public agencies in Batangas. The City and Provincial Governments, TESDA-Batangas, the Lyceum Community Extension Office and the SBC planned to replicate the project in other barangays in Batangas province. They were hopeful that these future replication programs would succeed. If this happened, then the project would have made a significant impact even outside BUBI's limited area coverage.

## Case Summaries

A summary of project benefits was generated to bring out the perception of the beneficiaries. These came from interviews with a significant number of beneficiaries from four out of the nine project sites.

- Family incomes were increased at an average of PhP600 to PhP1,500 per month.
- Additional income from the projects were used by the beneficiaries for the following purposes: education of the children, house repairs, purchase of necessary home appliances, expansion of their enterprises, purchase of additional tools and equipment for enterprise and better food on the table. For many, this meant better homes and better quality of life for their children.
- The enterprises resulted in stronger family ties (i.e., partnership between husbands and wives in project management, children shared some responsibilities, division of labor among family members discussed in the house, etc.).
- Increased confidence of women members to participate in project management, decision-making, policy formulation and enforcement, and monitoring and evaluation of BUBI projects. They became more assertive inside and outside of their homes.
- Harnessed the ability of women members to perform a variety of roles and take on responsibilities in their households, in the community and within BUBI. Many of these women became equal partners of their husbands in generating income for the family. Others became productive sole breadwinners (widows and single parents).
- Women became economically productive. They proved to their husbands that they could do some of the work traditionally done by men. All their activities served as a welcome breather to their daily household routine. With all these activities, women became better in managing their time.
- A number of the women beneficiaries learned to analyse local market conditions as this affected their businesses. They appreciated the value of financial recording and the other new technologies they learned. They applied these not only to their businesses but also in managing their homes.
- The beneficiaries sensed an improvement in their value systems. Many of them claimed they became more honest, responsible, disciplined, open and fearful of God. They put more value on work, even the household chores that they considered “non-productive” before. They learned to sacrifice some personal benefits in exchange for group benefits and were more willing to share with others. They respected the rules and guidelines they helped set up for the project.
- A good number of beneficiaries were happy about generating employment for other people, especially relatives, whom they hired to assist them in their businesses.
- Not only did they learn the value of saving, they also proved to themselves that they were capable of saving little amounts for the future of their kids.

Overall, project beneficiaries appreciated the earning opportunities given to them. But on top of this, they claimed that they became better persons—more responsible and God-fearing leaders, mothers, wives and friends. Majority, if not all, of the beneficiaries interviewed attributed all these changes to the Credit and Savings Project.

## IV. Future

The Credit and Savings Project—Year III was in its appraisal stage. BUBI hoped to have it implemented soon. The project would focus on the consolidation of the three PACAP credit projects it had implemented. This would lessen the administrative burden of running an expanding credit program.

An additional amount was to be requested to increase the project's revolving credit fund. This would increase the project's beneficiary reach. Because of the evident success of the program, the membership of BUBI continued to increase. Many residents from adjacent barangays requested that their barangay be included in BUBI's coverage area.

The proposed project would set up a common marketing facility that would address the collective marketing needs of BUBI members. A marketing fund would enable BUBI to actually implement marketing strategies designed to help individual projects funded under its credit program. The completion report of the Year II project indicated that the "economic potential of 430 BUBI members was left untapped due to absence or lack of a collective marketing scheme."

**(Writer's Note:** A final test to BUBI's sustainability should be its ability to access credit from domestic wholesale institutions dedicated to assist MFIs (i.e., Peoples Credit and Finance Corporation or PCFC). BUBI should begin weaning itself away from grant funds for long-term sources of additional credit funds. In the end, it would be fitting if BUBI can prove it can sustain its operations beyond the real "cost-of-money". After all, it should be able to practice what it is teaching to all its members as it provides credit instead of giving away money for free. This writer is confident that BUBI can hurdle this as well.)

## Exhibit I

### Major Project Components of Credit and Savings Project

#### Loan Assistance Component

This involved the provision of financial assistance to interested BUBI members. The loans were used to start or continue the borrowers' livelihood projects.

Support activities to the loan operations included the provision of orientation seminars and technical training. The orientation seminar would be given to all BUBI members interested in borrowing from the project. All the pertinent credit rules and regulations would be discussed with the members so that they could assess whether or not they could comply with them. It is given prior to loan applications to make sure that the members knew what they are going into before they even submit an application.

All applicants are also required to undergo the following technical training before submitting a loan application:

- Project Proposal Making
- Entrepreneurial Development Workshop
- Accounting for Non-Accountants Seminar

After undergoing the orientation seminar and the above training sessions, the borrower can now submit their application forms. Together with the application form, the borrower submits his/her project proposal. BUBI staff should have already provided assistance to the members at this early stage through the initial set of training sessions provided to interested members.

One unique feature of this loan program is that each borrower is required to raise an amount equivalent to 20% of their loan. The borrowers raise this cash contribution prior to the release of their loans. Once this amount is deposited to BUBI, the loan is released to the borrower. The amount serves as the initial savings of the borrower. Before any borrower can apply for a higher loan (only after full payment of a previous loan), his/her savings should reach 20% of the higher amount being re-loaned.

Each borrower is also required to plant a fruit-bearing tree prior to the release of the loan. Trees are planted at the BUBI Center or at the borrowers' backyards. A mini plant nursery was set up by BUBI to ensure a continuous supply of seedlings. An Adhoc Committee was set up to coordinate, plan, implement, manage and operate the nursery. Committee members took charge of collection, procurement, stocking and growing of fruit-bearing tree seedlings at the nursery, which was located within the BUBI compound. This mini plant nursery was established as an integral part of the Credit and Savings Project.

After the release of the loans, the borrowers are expected to use the money as planned in their respective project proposals. The barangay-based loan committee members would monitor performance of each project strictly. Problematic accounts are monitored more frequently to ensure that borrowers pay their loans on time.

A series of technical training were given to interested members who have received loans from BUBI. These trainings were intended to improve the performance of existing

micro enterprises. These include training sessions on the following areas: project identification, planning and management, marketing and operations and building up of competitive advantage. Skills upgrading seminars on specific livelihood projects are also given if the need arises.

### **Capital Build-Up Generation Component**

The project encouraged the generation of capital for two purposes: 1) to increase the institution's capital base; and 2) to increase members' personal savings.

Each borrower contributed 2.5% of expected net income to the institutional CBU. This amount was accrued to the organisation as institutional CBU. It is used to subsidise the non-income generating programs of BUBI. Borrowers have the choice to pay the amount in full together with the last amortisation payment or it can be paid by installment together with the amortisation payments of borrowers.

Borrowers were also expected to pay, by installment or in full, 5% of its net income to the project as personal savings. This, together with the 20% cash contributions, formed part of the project's revolving credit funds. Members could withdraw personal savings at any time, especially if they wanted to use the amount as additional capital for their project (instead of borrowing again).

### **Capability Building and Organisational Development**

This involved a series of training that increased the awareness and participation of members in organisational affairs. These included training sessions on value formation, leadership skills, organisational management skills, gender awareness and project development and management

The technical trainings provided to the direct beneficiaries of the credit program included: Entrepreneurial Workshop, Accounting for Non-Accountants, Project Proposal Making, Organising, Food Preservation, Micro-Enterprise Development Update, Micro-Scale Livestock Production, Computer Literacy and Applied Electronics, Food Service and Catering, Sewing and Novelty Items Production.■

---

Source: Project proposal documents submitted to PACAP

## Exhibit II

### Credit Guidelines (Mga Patakaran ng Pagpapautang)

#### Credit and Savings Project

1. *Ang sinumang mangungutang ay kailangang nakapagbigay ng cash counterpart na katumbas ng 20% ng kaniyang salaping inuutang. Ito ay madaragdagan ng 5% sa bawat pagkakataong siya ay uutang muli.*
2. *Ang pinakamataas na halagang mauutang sa unang pagkakataon ay PhP10,000, maliban sa pag-aalaga ng baka na hindi lalapas ng PhP16,000.*
3. *Ang patubo sa pautang na ipapataw ay 3% kada buwan at mayroong pataw na multang 5% sa panahon o pagkakataon ng pagkabalang sa pagbabayad ng kaniyang utang sa takdang panahon.*
4. *Ang mga aplikante ay papatawan ng 3% ng halagang inutang bilang service fee at PhP75.00 bilang legal fee.*
5. *Ang pagbabayad ng utang ay depende sa uri ng negosyo at ang pinakamatagal na utang ay hanggang 6 na buwan lamang.*
6. *Ang mga mangungutang ay walang pagkakautang sa kauring negosyo sa ibang ahensya o institusyon.*
7. *Ang bawat uutang ay kailangang sang-ayon at nauunawaan ang layunin ng proyekto na dapat ay kikita ng karagdagan halaga na mula sa anim na raan (P600) hanggang sa tatlong libong piso (PhP3,000) sa bawat buwan. Sila ay may paghahangad o determinasyon na makaipon at magkaroon ng sariling puhunan sa pagnenegosyo upang makatayo sa sariling mga paa o makapag-isa sa hinaharap.*
8. *Ang pamilya ay dapat kaalam, nakakaunawa, kaayon at kalahok sa balakin, gawain at magiging responsibilidad sa binabalak na negosyo.*
9. *Ang mga mangungutang ay sang-ayon na magtabi ng personal capital build up na katumbas ng 10% na linis na kita o 5% ng linis na kita para sa institutional capital build up.*
10. *Ang mga mangungutang ay kailangang dumalo, makiisa at lumahok sa mga oryentasyon, pagpapalano, pagsasanay at mga sama-samang paggawa na may kaugnayan sa negosyo at proyekto.*
11. *Ang simo mang umuutang ay kailangang may maayos at tama sa panahong pagbabayad sa kaniyang mga pananalaping obligasyon sa samahan.*
12. *Ang ga umuutang ay kailangang makabuo ng simpleng balangkas ng isang mungkahing proyekto (business proposal).*
13. *Ang mga umuutang ay kailangang may natatanging kaalaman, kasanayan at interes sa binabalak na negosyo.*
14. *Ang pagkabalang ng pagbabayad sa takdang panahon na walang matibay na dahilan ay di na makakautang muli maliban kung suya ay aapela at papanigan ng approving committee sa susunod na pagkakataon.*
15. *Sa pagkakataong hindi nakabayad sa loob ng isang buwan o tatlumpung (30) araw ay kusang loob kong ibibigay ang aking nakatalagang kolateral sa samahan (BUBI) at ito'y mababawi lamang kung mababayaran na ang kaukulang halaga ng pagkakautang kasama ang interes at penalty.*
16. *Ang patuloy na pagtanggap sa pagbayad ng utang na walang katanggap-tanggap na dahilan ay*

- hindi mababawi ang kaniyang prenda o kolateral hanggat hindi nababayaran ang kabuuang halaga at interes at nangangahulugan ng pagkakait ng amumang serbisyo ng samahan.*
17. *Ang hindi pagtupad o pagkakaayon ng umuutang sapatakarang ito ay nagbibigay ng kapangyarihan sa samahan upang bawiin ang salaping inutang kasama ang pagpapataw ng kaukulang multa at kaparusahan.*
  18. *Ang salaping inutang ay hindi kailanman maaaring gamitin sa ibang negosyo na hindi nakasaad sa project proposal. Sa pagkakataong ito'y malabag ay mayroong kapangyarihan, karapatan at obligasyon ang BUBI sa mga gawaing pagwawasto at pagdidisiplina ayon sa itinakda ng BOT (Board of Trustees) o pamunuan ng samahan.*
  19. *Ang salapi at responsibilidad ng nautang ay hindi maaaring ilipat sa ibang tao maging ito ay kapatid, kamag-anak o kasambahay ng walang pahintulot ng BUBI maliban na lamang kung ang umuutang ang syang sinawing palad na mamatay na hindi pa nababayaran ng buo ang kaniyang pagkakautang. Ito ay pananagutan ng taong kaniyang itinalaga na nakasaad sa kontratang kasunduan na kanilang pinirmahan na notaryado.*
  20. *Ang mga umuutang ay sasailalim sa isang legal na kasunduan at kontrata ng kasunduan na notaryado at nilagdaan ng kinatawan ng BUBI, ng taong unuutang at ng taong kaniyang itinalaga upang panagutan o ipagpatuloy ang negosyo.*
  21. *Ang salaping ipauutang ay ipapadaan lahat sa tseke.*
  22. *Ang itinatalagang binibigyang karapatang/kapangyarihan sa pagkolekta ng bayad ay ang ingat yaman at ang kolektor.*
  23. *Magkakaroon ng pag-uulat ng kalagayan ng pagpapautang at pagbabayad ng mga kasapi sa general assembly kada buwan.*
  24. *Ang lahat ng pagbabayad na tanging may opisyal na resibo lamang ang tatanggapin.*
  25. *Sakaling magkaroon ng problema ang umuutang sa samahan at pagpapasyahan ng management committee, BOT at ng umuutang.*
  26. *Ang mga negosyong papahintulutan lamang sa proyektong ito ay ang mga makakasunod lamang sa kitang PhP600-3,000 kada buwan.*
    - *negosyong hindi nagbibigay kapinsalaan sa kabataan at pamayanan;*
    - *ang mga negosyong nagpapababa ng moralidad at ugnayan ng pamilya ay hindi papahintulutan mga negosyong kaugnay ng pagsusugal o nagdudulot panganib sa buhay*
    - *papahintulutan ang mga negosyong nagbibigay ng karagdagan kita*
  27. *Ang mga pauutangin lamang ay mga kasaping napapatunayan na ang kanilang paninirahan ay tuloy-tuloy sa project areas at hindi kukulangin ng dalawang taon. ■*

## **Exhibit III**

### **Process and Scheme of Collection of Social and Credit Project**

The Credit and Savings Project shall implement collection schemes necessary to safeguard the financial aspect of the project. This process of collection will ensure responsibility of funds and also the smooth transition from the area to the Central Station. This process and scheme of collection entailed the following:

1. Area Station Collector—The nine barangays covered by the project will be provided a copy of loan receivables of each borrower. Each area collector was required to issue provisionary receipts corresponding to the amount of payment made by the borrower.
2. Central Revolving Collector—The designated cashier of BUBI represent the roving collector from all the areas of the project. He/She is required to issue official receipts upon payment of loan by the area collectors. He/She is required to furnish each area an audited Monthly loan payment of borrowers to update each area collector of the borrowers' loan balances. Loan collections for the day will be deposited within 24 hours upon receipt by the cashier of the project.
3. Loan policies and procedures of the Social Credit Project will be maintained and applied to all the project loan borrowers.
4. Regular Project Implementing Team (PIT) and BOT meetings—The borrowers' loan updates shall always be included in the main agenda of the regular meeting of the PIT and the BOT. The loan borrower repayment rate shall be given time to discuss to ensure the success of the collection of loan.
5. The Cashier/Roving Collector of the project is required to post a Surety Bond to the project to ensure safety of the project funds. ■

# Reaction Papers

---

- *Homestart Revolving Fund of the Capiz-Roxas Islamic Foundation, Inc. (CRIFI) in Roxas City, Capiz*
- *Credit and Savings Project of Buklod-Unlad ng Batangas, Inc. (BUBI) in Batangas City*

# Reaction Paper on Homestart Revolving Fund of the Capiz-Roxas Islamic Foundation, Inc. (CRIFI)

A Case Study

## I. Introduction

The greatest milestone of the Capiz-Roxas Islamic Foundation, Inc. (CRIFI) was its ability to cater to the previously disadvantaged micro entrepreneurs, most especially women. CRIFI was able to achieve this feat despite its being not a financial institution, in strictest sense. It has provided bank-like access to its present clients and enabled them to enjoy its various bank-like products.

The focus of CRIFI should (by now) have shifted to improving the quality and scope of its financial services. Meaning, their financial services should expand to include other needs of present clientele, e.g., insurance schemes, payment services and the like. But more important is the inclusion to its present crop of clients those who belong to the lower rung of present membership base. There should be financial deepening, so to speak. New customers should always be CRIFI's inclination. No amount of market orientation should make CRIFI move away from the poor as their preferred clientele. They should continue deepening their outreach to include the most needy, even to the point of reaching out to non-Muslim customers.

Equally significant milestone in the years ahead is CRIFI's mobilisation and transformation or resources in a manner that will approximate bank-like financial intermediation activities. However, the 80 percent loan repayment rate does not sit well with this kind of

aspiration. Something drastic has to be done to improve the quality of the loan portfolio. This will require some soul-searching to find out whether it would be appropriate for CRIFI to consider upgrading its Credit and Savings Project from a mere donor-driven endeavor into a full-blown financial intermediary. This might require major structural adjustments and tedious efforts in convincing the majority to try being a major financial player in the future.

## II. Reactions to the Case Study

This paper focuses on what makes CRIFI's Project meritorious. There are a number of features worth mentioning but this paper will tackle only two issues: (a) gender and (b) innovativeness. The women slant of Homestart Revolving Fund of CRIFI is laudable. According to the report, women borrowers represented 46 percent or almost half of the Homestart clients. To think that such feat was achieved in a milieu that tends to relegate women to the back seats. Or so it seems especially in some religious rites (according to the documentation report).

According to social justice view, poverty is more widespread among women than men. Although the report has no empirical data to support this assertion, the Homestart might have presumed that truly this was the case among the Muslim migrants in Capiz. Hence, the development view of the Homestart is that the additional household income-generating activities that are controlled by women tend to have higher social returns. Meaning, targeting women will have greater chances of benefiting more members in the households or more number of households for that matter. This seems to be the anti-poverty orientation of most women-directed credit programs.

The said line of thinking has gained noticeability among private bankers. The number of bankers who are proponents of the current thinking that "women are better credit risks" seem to be on the rise. But generally, bankers have one slight apprehension about gender-sensitive approaches (or about all-women programs) because financial systems development, as a pursuit, goes well beyond the popular "credit for poor women creed."

## III. Insights and Learnings

Making Homestart more meritorious brings us to a discussion of how CRIFI may pursue innovativeness in the arena of microfinance. First, CRIFI might want to do some serious thinking that to set up financial facilities with priority focus on women may not be sustainable in due time. Historically in the Philippines, loan targeting per se has been known more for failures rather than successes. Targeting is so credit-oriented (old paradigm). Being so credit-oriented did not deliver the intended benefits to the targeted clients. The interest rate subsidy, for example, of government credit programs did not accrue to the supposed beneficiaries—the poor. Empirical studies show that the subsidies were captured by not so poor. Mis-targeting is a reality. Some do mis-targeting deliberately because of viability considerations.

To target the women simply because of the irresponsible behavior of men in matters of money and social affairs might result to similar consequences. Men can also be good

## Reaction Papers

clients Efforts should also be directed across gender lines in order to have critical mass of clients for viability sake. This could be addressed through appropriate financial packaging processes.

It should be emphasised though that credit access of women could lead to higher self-esteem and respect. This may be the case of the Muslim women of CRIFI.

Secondly, CRIFI should veer away from the credit bias. Lending is not always an appropriate tool for addressing poverty. The poor people are sometimes better served if offered attractive deposit services. The poor people may be better off in a system devoid of subsidies (the 18% interest rate on loans may not be enough to cover costs). Many studies have shown that a system that puts premium on credit at the expense of savings mobilisation is unfair to savers. There are many savers who are poor. CRIFI should see both savers and borrowers as valued clients. They should realise that in the long run, savings could be a stable source of loanable funds.

The Homestart Program may evolve a system wherein there will be an efficient allocation of resources from members with temporary “surplus” to members who are in need of money to take advantage of certain economic opportunities. In intermediating between surplus to deficit units, the transaction costs should be kept low.

## IV. Conclusions and Recommendations

CRIFI has made a mark in providing financial services. However, a number of challenges need to be addressed. The greatest challenge ahead for CRIFI is how to increase the outreach of Homestart Revolving Fund without compromising its long-term viability. The poor and very poor in their area of operation are likely still ill served. CRIFI should recognise that there is an equal demand for loans that are intended for the education of children, for medical expenses, for funerals, for weddings, and other needs to address the cyclical big expenditure patterns of the poor. In other words, consumption loans could be a lucrative market.

The next challenge is how to package new menu of financial products and services, e.g., insurance products, opportunities for leasing, money transfers, etc. CRIFI should allow a kind of innovation and experimentation, which would make Homestart more responsive to its clientele. Replicating the already existing “best practices” should be viewed this time with caution. Again, experimentation and innovation should be the new buzzwords.

Moreover, CRIFI should aim for a very strong capital base, especially if Homestart Revolving Fund Project is transformed into a system wherein financial intermediation activities take place. It should maintain adequate levels of capita as a last line of defense in order to protect the interest of member-savers. It should maintain healthy ratio between its risk assets and capital adequacy.

Lastly, Homestart should be mainstreamed to the formal banking system or to commercial sources of credit. It cannot operate long in isolation from the other players in the financial landscape. CRIFI should develop a strategy systematically integrating Homestart in the overall financial system in due time. ■

Prepared by: Virginio P. Jamon, Rural Finance Consultant

# Reaction Paper on Credit and Savings Project of Buklod-Unlad ng Batangas, Inc. (BUBI)

A Case Study

## I. Introduction

The framework in this paper is the “systems view” within microfinance. The Credit and Savings Project of Buklod-Unlad ng Batangas, Inc. (BUBI) was viewed in the context of how it fares within the prevailing norms, behavior and instruments in the financial markets. Even the legal and regulatory environment wherein BUBI operates was somehow put into light. cursory attempts were also made to compare BUBI with other players in the financial system like the private banks, semi-formal sub-systems (credit granting NGOs, cooperatives) and informal sectors (self-help groups).

This paper delved on the following concerns:

1. Present BUBI’s way of things within the current mainstream thinking in microfinance.
2. Situate microfinance strategies adopted by BUBI within the overall perspective of financial systems development approach.

## II. Reactions to the Case Study

The Savings and Credit Project of BUBI is a target group-oriented approach in creating access to credit for the disadvantaged groups, like the women. BUBI’s Project is premised on one imperfection in the financial market i.e., the high interest rates charged on infor-

## Reaction Paper

mal loans and the inability of poor people to access formal loans. It is the hope of BUBI that by providing access to credit, some social and economic problems (like “abject poverty”) will be done away with as well. The borrowers are considered beneficiaries not clients. These beneficiaries are subsidised in terms of the various capacity building measures undertaken to make them more creditworthy. Because of the huge credit needs of the poor and the large donor costs involved in social preparation, much of the funds were provided by donor agencies like PACAP/AUSAID.

The selection of BUBI as partner in the implementation of Credit and Savings Project appears commendable on the following counts:

- 1) Clear statutory mandate and strategies—the concrete view of how to fulfill their mission under the tenet of self-determination;
- 2) Free from external interventions in lending decisions and litigation against defaulters operating within the context of self-responsibility; and
- 3) Evident competent management and qualified staff.

However, there are a number of issues that tend to diminish the value of BUBI’s accomplishments in so far as the Credit and Savings Project is concerned. The success stories mentioned in the documentation report may have failed to capture the entire nuances in the field. One, it is not entirely true of the current thinking that by providing credit, the poor can start up, or expand business and *ergo*, they liberate themselves from the shackles of poverty.

The 318 low-income families who have claimed to have tremendously gained from the Project may represent the minority in the multitudes of poor. Not all poor have the inclination or the tenacity of becoming Gloria Vergara (the one reported to have entrepreneurial qualities). Even for the existing successful micro entrepreneurs, not all of them need credit as a primary tool to combat poverty. These observations therefore imply that BUBI should not attach its star to the wagon of credit only. Meaning, credit services constitute only one of the many financial needs of the poor. BUBI should start thinking new financial products and services (in addition to credit).

## III. Insights and Learnings

Pressures of competition later on will prompt BUBI to do the right hand of finance—soliciting savings from members. Savings has always been the forgotten half of the intermediation process. BUBI cannot go on doing the vertical approach to mobilising funds, i.e., soliciting donor or government funds all the time.

BUBI should also try new schemes in mobilising personal savings other than “legislating” it as an “x” percent of net income. One should not put a cap on the amount of savings that a member will save. He or she should be given the free will to determine how much he or she is willing to save. BUBI should be able to attract savings on the merits of competitive features of savings products. Not by forced means as seem to be the present norm. The voluntary and withdrawability of savings must be the preeminent features of any savings facility. BUBI should attract savings from its target groups and lend to the same groups once trust and confidence are already present.

BUBI may at this time, consider doing real financial intermediary activities. If they find this suggestion worthy, then they must do it on the basis of self-help. BUBI, as a financial intermediary, should observe the following principles:

- 1) Financial products developed in the markets rather than standardised approaches—products that evolved from the direct experiences in dealing with the clients not products adopted by other financial institutions regarded as “best practice” in the field of microfinance.
- 2) Focus on demand rather than supply—Demand-led paradigm means that the demand comes from resources of the poor not from donors with a priori bias for credit. The demand-led approach also takes into consideration efficient and cost-effective provision of financial services (e.g., time deposits, savings, payment transaction, etc.).
- 3) An indirect approach to effective financial institutions (institution building) rather than a direct approach to customer target groups—shift from always socially preparing target groups to capacitating BUBI to attain full-blown intermediary stage. The shift here is from the recipients to the providers of financial services.
- 4) Working through private rather than government institutions—BUBI should explore possibilities of entering into partnerships with private banks, both in terms of technical and financial collaboration.

As financial products multiply, volume of transactions grow significantly, and pressure for financial self-sufficiency mounts, BUBI should start serious deliberations on how delivery infrastructures could be decentralised for a better client satisfaction.

## **IV. Conclusions and Recommendations**

### **Unsolicited Advice to Donors**

The following suggestions are offered:

- 1) Continue to support the establishment and growth of financial institutions serving the poor. As mentioned earlier, slow down on capability building geared for target groups. Concentrate more on capacitating financial service providers. Prioritise “savings-led” institutions, which are mostly member-based, tend to have a deeper outreach to the poor, have a male bias, and more embedded in local cultures.
- 2) Emphasise savings in processes of capital accumulation at household level.
- 3) Regularly review BUBI's outreach to poor and very poor based on internal management and information system.

### **A Word on Replication**

Many have advocated replication of best practices to expand outreach. But many replication efforts, especially if promoted by donor agencies, have been characterised by the imposition of fixed models that, more often than not, are not attuned to local cultures. What is needed is a participatory development of appropriate financial models rather than external obligations. ■







Australian Agency for International Development

Australian Embassy

5/F Salustiana Ty Tower, Paseo de Roxas, Makati City, Philippines

Telephone: (632)750-2845

Fax: (632)813-5473; 754-6205

<http://www.australia.com.ph>

January 2002