

Introduction

This module aims to provide up-to-date, practical and easy-to-use resource materials as well as relevant information on key players in the microfinance industry, both locally and internationally.

It targets program proponents or microfinance institutions (MFIs) including:

- credit cooperatives
- credit unions
- non-government organizations (NGOs)
- lending investors
- cooperative banks
- rural banks
- thrift banks

End-clients or borrowers as well as funding agencies, loan providers and government agencies may also find this a handy reference material.

Readers will find this module a useful tool for quick access on the pertinent Philippine laws on the local microfinancial market, industry standards and benchmarks, microfinancing models and policies, as well as other reference materials, including websites, as recommended by industry experts.



Philippine Laws and Issuances on Microfinance

Laws/Issuances and Salient Features

National Strategy for Microfinance

- Advocating a greater role for private microfinance institutions (MFIs) in the provision of financial services
- Provision of an enabling policy environment that will facilitate the increased participation of the private sector in microfinance
- Adoption of market-oriented financial and credit policies, e.g., market-oriented interest rates on loan and deposits
- Non-participation of government line agencies in the implementation of credit guarantee programs

Executive Order 558-A

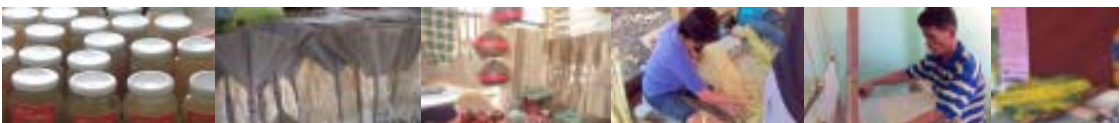
- Clarifying the overall framework in the implementation of government credit programs as contemplated under E.O. 558 dated 8 August 2006

Executive Order 558

- Repealing Executive Order No. 138 dated August 10, 1999, entitled "Directing Government Entities Involved in the Implementation of Credit Programs to Adopt the Credit Policy Guidelines Formulated by the National Credit Council"

Executive Order #138

- Transfer of directed credit programs of government line agencies to Government Financial Institutions (GFIs)
- Discontinuance of interest rate subsidies that distort the financial market
- Requiring GFIs to provide wholesale credit funds to avoid competition with MFIs
- Use of sustainable community-based private MFIs in



the delivery of microfinancial services RA 8425 – Social Reform and Poverty Alleviation Act

- Rationalization of government directed credit and guarantee programs
- Emphasis on savings mobilization
- Capacity-building assistance to MFIs while excluding any and all forms of seed funding, equity infusion and partnership funds from government to MFIs

RA 8425-Agriculture & Fisheries Modernization Act

- Consolidation of government directed programs in the agriculture sector into the AMCFP
- Adoption of market-based financial and credit policies
- Use of GFIs as wholesaler of funds
- Use of private sector MFIs as conduits and retailer of funds

RA 8971 General Banking Law of 2000

- Recognition of the peculiar characteristics of microfinance (e.g. non-collateralized)
- Use of the household's cash flow as basis in the design of microfinance products

BSP Circular 272

- Provision of guidelines in implementing the microfinance operations in the GBL, specifically Sections 40, 43 and 44

BSP Circular 273

- Partial lifting of the general moratorium on the licensing of new thrift and rural banks to allow the entry of microfinance-oriented banks



BSP Circular 282

- Provision of guidelines for the rediscounting facility which will provide liquidity assistance to support and promote microfinance programs

BSP Circular 340

- Lifting of moratorium on bank branching for MFI banks

BSP Circular 409

- Prescribing the rules, regulations and standards that shall govern microfinance operations of banks
- Adoption of Portfolio-at-Risk as a measurement of delinquency for microfinance loans and for the provisioning of allowances for probable loan losses

RA 9178 - Barangay Micro Business Enterprises

- Setting up by the GFIs of a special wholesale credit window for accredited MFIs
- Direct provision by private sector MFIs of credit support to micro-enterprises
- Provision by SBGFC and Quedancor of the necessary credit guarantee cover to BMBEs
- Computation of loans at twice the amount of its face value and the establishment of Magna Carta for SMEs

[Regulatory Framework for Philippine Microfinance](#)

On January 30, 2001, the *Bangko Sentral ng Pilipinas (BSP)* issued Circular 272 providing an



enabling policy and regulatory framework for microfinance in the banking sector. According to the *Bangko Sentral*, "the national framework for regulation, which encompasses all types of microfinance institutions, focuses on portfolio quality, outreach, efficient and sustainable operations, and transparent information."

"The framework's basic premise is that all deposit-taking institutions, particularly banks and cooperatives, are subject to prudential regulation. On the other hand, "microfinance NGOs which collect savings greater than the compensating balance should be subject to regulation and supervision."

Basic Premises of the Framework

- A. To adopt appropriate measures to establish an alternative structure should existing regulatory agencies lack the capability to effectively undertake the necessary functions for microfinance operations. Otherwise, the necessary technical assistance for institutional strengthening will be sought from relevant donor agencies.
 - Only deposit-taking institutions will be subject to regulation



- Banks, including GFIs that provide wholesale funds for microfinance, will continue to be regulated by the *BSP*
 - Credit cooperatives shall be under the supervision of the Cooperative Development Authority (CDA)
 - Microfinance NGOs are not subject to prudential regulation by any government regulatory authority provided that the total savings collected from their clients do not exceed the total loan portfolios of microfinance NGOs at any point in time
 - Microfinance NGOs which collect savings beyond the compensating balance will be required to convert into a formal financial institution (either a credit coop or a bank) to allow them to continue collecting savings from their borrower-clients
- B. To promote among all types of MFIs the establishment of a transparent set of information to include sex disaggregated data for microfinance. Since majority of microfinance clients are women, their specific needs should appropriately be considered in the design of microfinance products.



- C. To establish a credit information system through the private sector to enable data compilation on all microfinance loans.
- D. To establish a core set of performance standards for microfinance operations of all types of financial institutions. These standards, while defined and consistent with international best practices, should likewise be endorsed and adopted by a rating agency, concerned MFIs and regulatory authorities.

Institutional Set-up for Microfinance Regulation

Bangko Sentral ng Pilipinas (BSP)

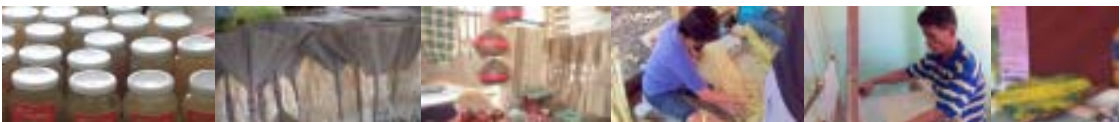
- To act as the regulatory and supervisory authority for banks engaged in microfinance operations
- To provide the necessary technical assistance to the CDA unit responsible for issuing appropriate rules and regulations for credit cooperatives and other similar cooperatives. These rules should be consistent with existing bank regulations while having enough flexibility to consider the different nature of credit cooperatives as compared to banks



- To establish a credit information bureau for all loans, including microfinance loans, by all types of banks supervised by the *BSP*.

Cooperative Development Authority (CDA)

- To act as the regulatory agency for credit cooperatives
- To establish a supervisory unit for credit cooperatives which will be responsible for the regulation of credit cooperatives and other types of cooperatives with credit services
- In the interim that the CDA is not equipped yet to directly conduct regulatory activities for credit cooperatives, accredited federations/unions of credit cooperatives and cooperatives with credit services whose membership is voluntary may be authorized to perform quasi self-regulation. The federation/union will supervise and examine the operations of member-coops on a fee-basis using rules and regulations issued by the CDA. The recently approved set of performance standards will be used to rate credit cooperatives and other cooperatives.



Microfinance Council of the Philippines, Inc. (MCPI)

- The MCPI is proposed to serve as the repository of information on microfinance NGOs . Using information submitted by the different MFIs, the MCP will inform concerned regulatory authorities in the event that a microfinance NGO starts collecting savings from members beyond their compensatory balance
- The MCPI may collaborate with the SEC and the Philippine Council for NGO Certification on the establishment of incentive mechanisms to enjoin all MFIs (especially the microfinance NGOs) to submit a reliable set of information on their operational and financial performance.
- In coordination with concerned agencies and the private sector, the MCPI will work towards the establishment of a private risk-rating agency for all financial institutions involved in the delivery of microfinance services. Concerned regulatory authorities for each type of MFI may use the risk ratings of these institutions in their off-site supervision activities. Donors may also use the ratings in determining the necessary technical assistance to certain MFIs.



Establishment of Infrastructure for Financial Transparency

A. Risk Rating Agency

- To establish a private sector risk-rating agency to rate MFIs and whose ratings will be used by regulatory authorities, donors and wholesale financial institutions (e.g., GFIs and commercial banks) to evaluate the MFI's financial performance
- Risk ratings are intended to provide a clear and concise summary of the institutions' risk profile that can easily be understood by investors who have limited knowledge on the MFI's business operations
- Government should only provide an appropriate policy and institutional environment for private sector to initiate work on the establishment of a risk-rating agency.

B. Central Credit Information Bureau for Microfinance

- A credit bureau shall act as the repository of all credit information on microfinance clients. A more transparent information system will lessen the incidence of credit pollution, where a client borrows from multiple institutions



and, at the same time, improve the credit process of MFIs

- The credit bureau for bank clients may be established within the BSP. Technical assistance to initiate the establishment of the bureau may be sought from relevant donors
- A privately-initiated credit bureau may also be established to supplement the information from BSP. In most cases, data from such bureaus are far more comprehensive than those from the credit bureau within the supervision of banks. These include credit information on borrowers outside of the banking system (e.g., utility bills, credit cards, other MFI clients, etc.).

Minimum Set of Parameters for Assessing MFI Performance

The National Credit Council (NCC) has developed a common set of performance standards for all types of microfinance institutions (MFIs) in the Philippines to serve as the industry benchmarks in the assessment of MFI operations. These standards are based on international best practices and ratios used by industry players, including banks, cooperatives or non-government organizations.



- A. Portfolio Quality
 - Portfolio at risk
 - Past due ratio
 - Provision for loan losses
- B. Efficiency Indicators
 - Administrative efficiency
 - Operational self-sufficiency
 - Financial self-sufficiency
- C. Stability Indicators
 - Liquidity
 - Net institutional capital
- D. Outreach Indicators for microfinance
 - Growth of number of clients
 - Growth of microfinance loan portfolio
 - Growth of savings

Measures to be Undertaken by Concerned Institutions

- A. *Bangko Sentral ng Pilipinas*
 - Review existing regulatory, supervisory and examination procedures and guidelines to consider the peculiar characteristics of microfinance. Adopt an appropriate approach for the supervision and examination of banks engaged in microfinance operations (e.g., risk-



based supervision approach)

- Revise, when necessary, relevant rules, regulations and circulars to ensure that guidelines and procedures do not pose as barriers for banks to engage in microfinance operations (e.g., guidelines on new banks and branching, performance indicators, manual of examination, etc.)
- Provide appropriate technical assistance to the regulatory and supervisory unit of the CDA for credit cooperatives

B. Cooperative Development Authority

- Establish a regulatory unit for credit cooperatives
- In coordination with the BSP, formulate and establish relevant regulatory guidelines, policies and procedures for the operations of credit cooperatives
- Issue rules and regulations for the effective supervision of credit cooperatives and other types of cooperatives with credit services
- Formulate and establish relevant supervision and examination procedures



C. Microfinance Council of the Philippines, Inc.

- In coordination with concerned stakeholders, formulate and establish necessary guidelines and systems for its effective functioning as the repository of information of all MFIs
- In coordination with stakeholders and with appropriate support from relevant government agencies, advocate for and work towards the establishment of a credit bureau and risk-rating agency for microfinance

D. National Credit Council

- In consultation with MFIs, private organizations/networks and other government agencies, formulate and establish performance standards for MFIs using as basis the parameters identified in this framework
- In consultation with both public and private institutions, promote and advocate for the establishment of a rating agency and a credit information system

Sources: National Credit Council and the Bangko Sentral ng Pilipinas

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Code of Ethics for Microfinance Institutions

Preamble

With the help of the Almighty and in solidarity with the poor, we commit to reduce human and income poverty in the Philippines through collective effort.

We recognize that inequality is the root cause of the alarming rate of poverty in our country. Inequality in the form of unequal distribution of wealth and income and its inevitable consequence of lack of access on the part of the poor to basic services such as health, nutrition, housing, peace and order and livelihood opportunities.

We believe that the deliverance of the poor out of poverty through access to financial services like savings, credit and microinsurance can enhance the poor's capacity to take advantage of livelihood opportunities that would allow them to lift themselves out of poverty and bring about spiritual, social, economic and physical well-being and happiness. As such, we aim to provide the right and quality services to the poor on a coordinated, permanent, and sustainable basis.

In the service of the poor and invoking divine assistance, we do institute this Microfinance Institutions' Code of Ethics.



- A. For our members, clients or partners, we shall strive to:
1. Provide the poor with permanent and sustainable access to appropriate social and financial services;
 2. Charge market rates of interest on loans and savings, avoiding interest rate subsidies or excessive interest rates;
 3. Promote and maintain a client-friendly culture among our members of the Board, management and the entire staff of the organization;
 4. Provide access to all forms of information requested by members and clients regarding past, current, and future transactions;
 5. Adequately inform members and clients about policies, procedures and transaction costs in order to enable them to make informed choices and decisions;
 6. Treat members and clients with respect and dignity, empathizing with them most especially in times of crisis;
 7. Consistently assess the impact of our services with the objective of exerting extra efforts to



lift members and clients out of poverty in the shortest time possible.

- B. For our co-microfinance institutions, we shall endeavor to:
1. Enhance mutual development recognizing that MFIs are partners, not competitors, in poverty reduction and as such, have a stake in each other's growth and development;
 2. Maintain a high standard of professionalism based on honesty, equality, reciprocity and dedication to be able to serve the poor;
 3. Foster constant dialogue and sharing of resources, expertise, information and experiences;
 4. Formally inform other MFIs currently operating within a certain geographic area about our expansion plans, instruct area managers and field staff to closely coordinate with field staff of other MFIs;
 5. Refrain from recruiting existing members and clients to avoid credit pollution;
 6. Refrain, as much as possible, from recruiting currently employed staff of other MFIs where

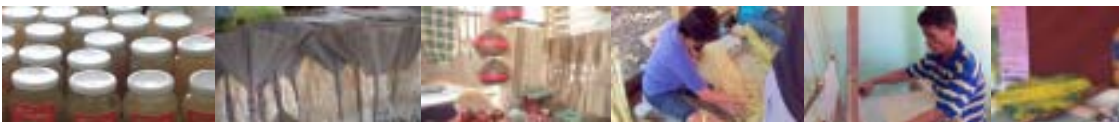


this may prove deleterious to the operations of other MFIs;

7. As far as practicable, seek other unserved and underserved areas for expansion, avoiding areas that are already adequately served;
8. Ensure that relations with other MFIs are based on mutual respect and close collaboration, acknowledging the accomplishments of other MFIs as achievements of the entire microfinance sector.

C. For our staff, we undertake to:

1. Provide ample avenues for personal growth and development;
2. Provide just compensation and promote the rights and welfare of all personnel;
3. Disclose all information deemed necessary for decision-making that may affect all staff members;
4. Ensure the accountability of the leaders and managers to their staff members;
5. Ensure that credit delivery and collection procedures have minimal risks to staff;

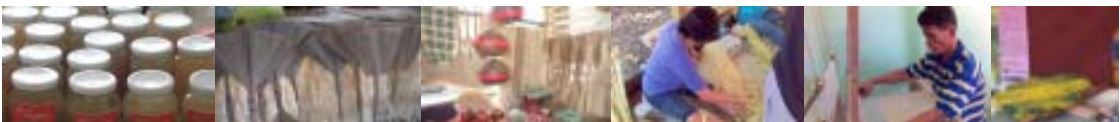


6. Encourage a simple lifestyle consistent with pro-poor orientation and the principles of total human development.
 7. Discourage any form of discrimination among our staff and the publics we serve.
- D. In our relation with funding agencies and loan fund providers, we will:
1. Nurture an atmosphere of openness and mutual respect towards a common vision and goal;
 2. Request funding agencies and loan fund providers to clarify and share their development framework, areas of priority, procedures and other relevant information;
 3. Ensure that the relations and transactions are above board. Deception and misrepresentation will be avoided at all times, such as overstating client outreach and loan portfolios, double funding, diversion of grants and loans to unrelated activities;
 4. Mutually agree upon the parameters of success of funded projects through evaluations that are participatory in nature;



5. Strive to diversify funding sources in order to avoid perpetual dependence on one or two institutions.
- E. In our relation with the Government, we shall seek to:
1. Create an atmosphere of openness and mutual respect based on the perspective that the Government and MFIs share the common objective of reducing and minimizing the extreme poverty amongst our people;
 2. Foster a continuing dialogue for policy reform conducive to the development of microfinance institutions;
 3. Coordinate closely with different branches of government to further promote poor people's access to sustainable financial services;
 4. Support government initiatives to unify all sectors so as to make financial systems work for the poor.

Source: Microfinance Council of the Philippines



Key Principles on Microfinance

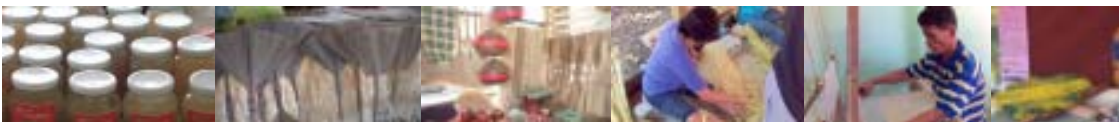
The Consultative Group to Assist the Poor (CGAP)

1. Poor people need a variety of financial services, not just loans. Like everyone else, the poor need a range of financial services that are convenient, flexible, and affordable. Depending on circumstances, they want not only loans, but also savings, insurance, and cash transfer services.
2. Microfinance is a powerful tool to fight poverty. When poor people have access to financial services, they can earn more, build their assets, and cushion themselves against external shocks. Poor households use microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education.
3. Microfinance means building financial systems that serve the poor. In most developing countries, poor people are the majority of the population, yet they are the least likely to be served by banks. Microfinance is often seen as a marginal sector—a “development” activity that donors, governments, or social investors might care about, but not as part of the country’s mainstream financial system. However,



microfinance will reach the maximum number of poor clients only when it is integrated into the financial sector.

4. Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people. Most poor people cannot get good financial services that meet their needs because there are not enough strong institutions that provide such services. Strong institutions need to charge enough to cover their costs. Cost recovery is not an end in itself. Rather, it is the only way to reach scale and impact beyond the limited levels that donors can fund. A financially sustainable institution can continue and expand its services over the long term. Achieving sustainability means lowering transaction costs, offering services that are more useful to the clients, and finding new ways to reach more of the unbanked poor.
5. Microfinance is about building permanent local financial institutions. Finance for the poor requires sound domestic financial institutions that provide services on a permanent basis. These institutions need to attract domestic savings, recycle those savings into loans, and provide other services. As local institutions and



capital markets mature, there will be less dependence on funding from donors and governments, including government development banks.

6. Microcredit is not always the answer. Microcredit is not the best tool for everyone or every situation. Destitute and hungry people with no income or means of repayment need other kinds of support before they can make good use of loans. In many cases, other tools will alleviate poverty better—for instance, small grants, employment and training programs, or infrastructure improvements. Where possible, such services should be coupled with building savings.
7. Interest rate ceilings hurt poor people by making it harder for them to get credit. It costs much more to make many small loans than a few large loans. Unless microlenders can charge interest rates that are well above average bank loan rates, they cannot cover their costs. Their growth will be limited by the scarce and uncertain supply of soft money from donors or governments. When governments regulate interest rates, they usually set them at levels so low that microcredit cannot cover its costs, so such regulation should



be avoided. At the same time, a microlender should not use high interest rates to make borrowers cover the cost of its own inefficiency.

8. The role of government is to enable financial services, not to provide them directly. National governments should set policies that stimulate financial services for poor people at the same time as protecting deposits. Governments need to maintain macroeconomic stability, avoid interest rate caps, and refrain from distorting markets with subsidized, high-default loan programs that cannot be sustained. They should also clamp down on corruption and improve the environment for micro-businesses, including access to markets and infrastructure. In special cases where other funds are unavailable, government funding may be warranted for sound and independent microfinance institutions.
9. Donor funds should complement private capital, not compete with it. Donors provide grants, loans, and equity for microfinance. Such support should be temporary. It should be used to build the capacity of microfinance providers; to develop supporting infrastructure like rating agencies, credit bureaus, and audit capacity; and



to support experimentation. In some cases, serving sparse or difficult-to-reach populations can require longer-term donor support. Donors should try to integrate microfinance with the rest of the financial system. They should use experts with a track record of success when designing and implementing projects. They should set clear performance targets that must be met before funding is continued. Every project should have a realistic plan for reaching a point where the donor's support is no longer needed.

10. The key bottleneck is the shortage of strong institutions and managers. Microfinance is a specialized field that combines banking with social goals. Skills and systems need to be built at all levels: managers and information systems of microfinance institutions, central banks that regulate microfinance, other government agencies, and donors. Public and private investments in microfinance should focus on building this capacity, not just moving money.
11. Microfinance works best when it measures—and discloses—its performance. Accurate, standardized performance information is imperative, both financial information (e.g., interest rates, loan repayment, and cost



recovery) and social information (e.g., number of clients reached and their poverty level). Donors, investors, banking supervisors, and customers need this information to judge their cost, risk, and return.

CGAP is a consortium of 31 public and private development agencies who work together to expand access by the poor to microfinance services. These principles were developed and endorsed by CGAP and its 31 member donors, and further endorsed by the Group of Eight leaders at the G8 Summit on 10 June 2004. *E-mail: cgap@worldbank.org Website: www.cgap.org*

Credit Lending Models

“Microfinance: Credit Lending Models” is an attempt to document the various models currently being used by microfinance institutions throughout the world.

1. Association

This is where the target community forms an ‘association’ through which various microfinance (and other) activities are initiated. Such activities may include savings. Associations or groups can be composed of youth, women; can form around political/religious/cultural issues; can create support structures for microenterprises and other



work-based issues. In some countries, an 'association' can be a legal body that has certain advantages such as collection of fees, insurance, tax breaks and other protective measures. Distinction is made between associations, community groups, peoples organizations, etc. on one hand (which are mass, community based) and NGOs, etc. which are essentially external organizations.

2. Bank Guarantees

As the name suggests, a bank guarantee is used to obtain a loan from a commercial bank. This guarantee may be arranged externally (through a donor/donation, government agency etc.) or internally (using member savings). Loans obtained may be given directly to an individual, or they may be given to a self-formed group. Bank Guarantee is a form of capital guarantee scheme. Guaranteed funds may be used for various purposes, including loan recovery and insurance claims. Several international and UN organizations have been creating international guarantee funds that banks and NGOs can subscribe to, to lend or start microcredit programmes.



3. Community Banking

The Community Banking model, which is closely related to the **village banking** model, essentially treats the whole community as one unit, and establishes semi-formal or formal institutions through which microfinance is dispensed. Such institutions are usually formed by extensive help from NGOs and other organizations, who also train the community members in various financial activities of the community bank. These institutions may have savings components and other income-generating projects included in their structure. In many cases, community banks are also part of larger community development programmes which use finance as an inducement for action.

4. Cooperatives

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Some cooperatives include member-financing and savings activities in their mandate.



5. Credit Unions

A credit union is a unique member-driven, self-help financial institution. It is organized by and comprised of members of a particular group or organization, who agree to save their money together and to make loans to each other at reasonable rates of interest. The members are people of some common bond: working for the same employer; belonging to the same church, labor union, social fraternity, etc.; or living/working in the same community. A credit union's membership is open to all who belong to the group, regardless of race, religion, color or creed. A credit union is a democratic, not-for-profit financial cooperative. Each is owned and governed by its members, with members having a vote in the election of directors and committee representatives.

6. GRAMEEN model

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. It essentially adopts the following methodology:



A bank unit is set up with a Field Manager and a number of bank workers, covering an area of about 15 to 22 villages. The manager and workers start by visiting villages to familiarize themselves with the local milieu in which they will be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the bank to the local population. Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive, a loan.

The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifty weeks do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan.

7. Group Model

The Group Model's basic philosophy lies in the fact that shortcomings and weaknesses at the



individual level are overcome by the collective responsibility and security afforded by the formation of a group of such individuals.

The collective coming together of individual members is used for a number of purposes: educating and awareness building, collective bargaining power, peer pressure etc.

The Group model is closely related to, and has inspired, many other lending models. These include Grameen, community banking, village banking, self-help, solidarity, peer pressure etc.

8. Individual

This is a straight forward credit lending model where micro loans are given directly to the borrower. It does not include the formation of groups, or generating peer pressures to ensure repayment. The individual model is, in many cases, a part of a larger 'credit plus' programme, where other socio-economic services such as skill development, education, and other outreach services are provided.



9. Intermediary

The Intermediary or the 'partnership' model of credit lending positions a 'go-between' organization between the lenders and borrowers. The intermediary plays a critical role of generating credit awareness and education among the borrowers (including, in some cases, starting savings programmes). These activities are geared towards raising the 'credit worthiness' of the borrowers to a level sufficient enough to make them attractive to the lenders. The links developed by the intermediaries could cover funding, programme links, training and education, and research.

Such activities can take place at various levels from international and national to regional, local and individual levels. Intermediaries could be individual lenders, NGOs, microenterprise/microcredit programmes, and commercial banks (for government financed programmes). Lenders could be government agencies, commercial banks, international donors, etc.



10. Non-Governmental Organizations (NGOs)

NGOs have emerged as a key player in the field of microcredit. They have played the role of intermediary in various dimensions. NGOs have been active in starting and participating in microcredit programmes. This includes creating awareness of the importance of microcredit within the community, as well as various national and international donor agencies. They have developed resources and tools for communities and microcredit organizations to monitor progress and identify good practices. They have also created opportunities to learn about the principles and practice of microcredit. This includes publications, workshops and seminars, and training programmes.

11. Peer Pressure

Peer pressure uses moral and other linkages between borrowers and project participants to ensure participation and repayment in microcredit programmes. Peers could be other members in a borrowers group (where, unless the initial borrowers in a group repay, the other members do not receive loans. Hence pressure

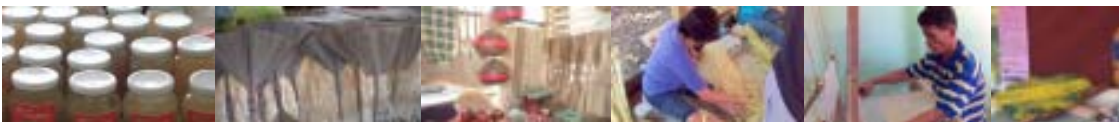


is put on the initial members to repay); community leaders (usually identified, nurtured and trained by external NGOs); NGOs themselves and their field officers; banks etc. The 'pressure' applied can be in the form of frequent visits to the defaulter, community meetings where they are identified and requested to comply etc.

The **Grameen** model extensively uses peer pressure to ensure repayment among its borrower groups.

12. Rotating Savings and Credit Associations (ROSCAs)

Rotating Savings and Credit Associations (ROSCAs) are essentially a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle. For example, a group of 12 persons may contribute Rs. 100 (US\$33) per month for 12 months. The Rs. 1,200 collected each month is given to one member. Thus, a member will 'lend' money to other members through his regular monthly contributions. After having received the lump



sum amount when it is his turn (i.e. 'borrow' from the group), he then pays back the amount in regular/further monthly contributions. Deciding who receives the lump sum is done by consensus, by lottery, by bidding or other agreed methods.

13. Small Businesses

The prevailing vision of the 'informal sector' is one of survival, low productivity and very little value added. But this has been changing, as more and more importance is placed on small and medium enterprises (SMEs) - for generating employment, for increasing income and providing services which are lacking. Policies have generally focused on direct interventions in the form of supporting systems such as training, technical advice, management principles etc.; and indirect interventions in the form of an enabling policy and market environment. A key component that is always incorporated as a sort of common denominator has been finance, specifically microcredit - in different forms and for different uses. Microcredit has been provided to SMEs directly, or as a part of a



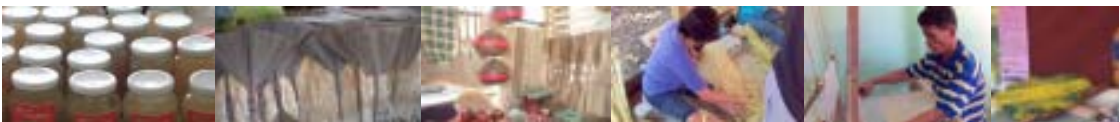
larger enterprise development programme, along with other inputs.

14. Village Banking

Village banks are community-based credit and savings associations. They typically consist of 25 to 50 low-income individuals who are seeking to improve their lives through self-employment activities. Initial loan capital for the village bank may come from an external source, but the members themselves run the bank: they choose their members, elect their own officers, establish their own by-laws, distribute loans to individuals, collect payments and savings. Their loans are backed, not by goods or property, but by moral collateral: the promise that the group stands behind each individual loan.

The Village Banking model is closely related to the **Community Banking** and **Group** models. This model is widely adopted and implemented by FINCA.

Source: The World Wide Web Virtual Library on Microcredit and Microfinance



Microfinance Models

A. The Grameen Bank

(Grameen in Bangla means “village” or “rural”)

“The Grameen Bank is based on the voluntary formation of small groups of people to provide mutual, morally binding group guarantees or joint liability in lieu of the collateral required by conventional banks.

Following is the mode of operation of Grameen Bank:

A bank branch is set up, which usually covers an area of about 15 to 22 villages, with a branch manager and a number of center workers. The manager and the workers start by visiting villages to familiarize themselves with the local milieu. They will identify the prospective clientele as well as explain the purpose, functions, and the mode of the bank's operations to the local population.

Groups of five prospective borrowers are formed. In the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members conform to bank rules. Once the first two borrowers begin to repay the principal plus



interest over a period of six weeks, the other group members become eligible for a loan. Because of these restrictions, there is substantial group pressure to keep individual accounts current. In this sense, the collective responsibility of the group serves as the loan collateral.

Loans are small yet sufficient enough to finance the micro-enterprises undertaken by borrowers. The repayment rate on loans is currently at 95 per cent due to group pressure and self-interest, as well as the motivation of borrowers.

The Government of Bangladesh has fixed the interest rate for government-run microcredit programmes at 11 per cent at flat rate. It amounts to about 22 per cent at declining basis. Grameen Bank's interest rate is lower than government rate. There are four interest rates for loans from Grameen Bank: 20% (declining basis) for income generating loans, 8% for housing loans, 5% for student loans, and 0% (interest-free) loans for Struggling Members (beggars). All interests are simple interest, calculated on declining balance



method. This means, if a borrower takes an income-generating loan of Tk 1,000, and pays back the entire amount within a year in weekly instalments, she'll pay a total amount of Tk 1,100, i.e. Tk 1,000 as principal, plus Tk 100 as interest for the year, equivalent to 10% flat rate.

Although the bank pursues lending activities and savings mobilization, most of its loanable funds are obtained on commercial terms from the central bank, financial institutions, the money market, and from bilateral and multilateral aid organizations.

Intensive discipline, supervision, and servicing characterize the bank's operations which are managed by authorized "bicycle bankers" in branch units. The rigorous selection of borrowers and their projects by the bank workers, the powerful peer pressure exerted on individuals by the groups, and the repayment scheme based on 50 weekly installments, contribute to operational viability to the rural banking system designed for the poor. Under the bank's savings scheme, five percent of the loans are credited to a group fund.



The success of this approach shows that a number of arguments against lending to the poor can be overcome if careful supervision and management are provided.

First, Grameen borrowers have successfully established viable enterprises. Second, repayment rates have reached a high of 97 percent. Third, poor rural women are, in fact, bankable as they accounted for 94 percent of borrowers in early 1992. Fourth, the reality is that group savings have proven to be as successful as group lending. Lastly, while it was thought that rural power structures would ensure the failure of a bank of such nature, Grameen Bank has been able to expand rapidly.

Grameen Bank dropped joint liability as part of its reforms around 2001, dubbed "Grameen II," but retained the rest of the credit delivery system, notably, regular public meetings.

Grameen Bank Bhavan
Mirpur-1, Dhaka-1216 Bangladesh.
Phone : [88 02] 9005257-69
E-mail: yunus@grameen.com Website: www.grameen.com

Sources: Grameen Bank and the Grameen Foundation websites



B. Association for Social Advancement (ASA) (ASA in Bengali means “hope”)

The Association for Social Advancement (ASA) was founded in 1978 by a group of young social and political activists in Bangladesh fighting for liberation from Pakistan. ASA started out as a social action organization to organize poor people to resist oppression and to assert their right of access to institutional resources.

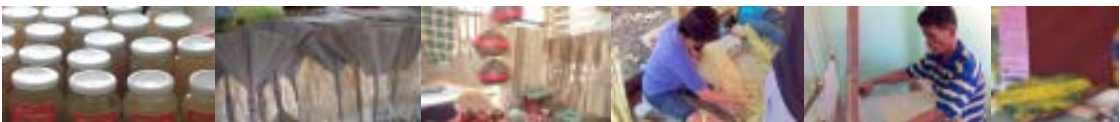
In 1984, ASA saw a shift in focus to the basic social unit - the family – as it recognized the critical role women must play in the development process. In the late 80s, ASA began to incorporate management skills for income-generating projects and stress the importance of savings. Credit delivery came in next as an extension of its development education program. ASA was able to develop a credit delivery model tailored to the needs of landless Bangladeshi women anxious to escape from poverty.

The Branch Office is the basic element of ASA Model at the field level for the formation of groups of poor women. One branch comprises 60 to 120 groups with 1,200 to 3,000 members per group. Each branch has one Branch



Manager (BM) and four to five Loan Officers (LOs). The LOs are responsible for disbursing loans, collecting savings, and recording transactions. The BM supervises the LOs to promote the groups' viability and ensure that branch finances are in order. On top of the BM is the District Officer (DO). There are three to six DOs who are under the direct supervision of the District Manager (DM) who serves as the communication link between 20 to 40 branch offices and the Central Office. They are responsible for summarizing financial reports of the branch offices for effective fund management at the institutional level.

The ASA Sustainable Financial Services Model is so simple that it can be easily replicated in almost under any circumstance. Since its focus on financial services in 1991, ASA has been growing its operations throughout Bangladesh with loan disbursement, savings mobilization, health and insurance facilities. Over 15 million people currently benefit from its microfinance services, both directly and indirectly. ASA's loan recovery rate has been consistently above 99 per cent, and is on target to quadruple outreach to over three million poor women.



ASA owes its rapid growth to its system of group lending with individual liability. It stems from the notion that the public nature of group lending and the resulting play of honor and shame appear to be more essential to timely repayment than formal joint liability. Now ASA is a sustainable, globally-renowned specialized microfinance institution in Asia and the Pacific fighting poverty with a self-reliant microcredit model.

Md. Shafiqul Haque Choudhury

Founder and President

ASA-Central Office:

23/3, Khilji Road, Shyamoli, Mohammedpur, Dhaka-1207,
Bangladesh

Phone: (880-2) 8110934 -5, 8112898, 9116375

Fax: (880-2) 9121861, 8111175

E-mail: asabd@dhaka.net Website: www.asabd.org

Source: ASA/Center for Global Development websites

C. Bank Rakyat Indonesia (BRI)

“People’s Bank of Indonesia”

Bank Rakyat Indonesia evolved from being a bank for the Indonesian elite in the late 1800s to a cooperative bank, and eventually into a state-owned commercial bank in 1950.

At the beginning of the 1970s, 3,600 BRI Unit *Desas* or “village banks” were formed as part of a government program, BIMAS, whose aim

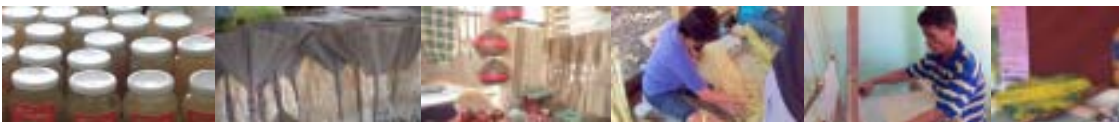


was to provide inputs for the rice-green revolution. While they were used as conduits for the different government subsidized lending programs, none reached a level of sustainability.

In 1984, the Unit *Desas* were completely restructured: each became an individual profit center and adopted a commercial approach to microfinance. This meant efficient management, sustainable interest rates, savings mobilization and the absence of subsidies which led them to financial profitability starting in 1985.

BRI is divided into four strategic business units: Micro Banking, Retail Banking, Corporate Banking and Investment Banking. Its microfinance services are provided through the Micro Banking Unit, also known as BRI Unit.

"The BRI units represent the bottom layer of the bank's four-tiered organizational structure: the Head Office in Jakarta; 15 regional offices; 320 branches at the district level; and 4,057 units at the sub-district level as well as village service posts. The nucleus of the unit system, the Unit *Desa* itself, is



commonly found in a central location of the sub-district town, often near the market place. The BRI unit typically occupies a one-room office. In many cases, the office is rented in order to keep overhead costs low. A unit covers an average of 16-18 villages at the sub-district and serves an average of 4,500 savers and 700 borrowers. The operational structure of each unit is kept simple; its size is purposely kept small. The standard unit consists of four staff with clear job descriptions and division of responsibilities:

- A unit manager, responsible for managing all activities of the Unit Desa;
- A credit officer called mantri, responsible for undertaking the field work necessary to verify information in loan applications and to pursue delinquent borrowers;
- A teller, responsible for serving the customers at the counter;
- A desk officer, responsible for maintaining records and files and for preparing financial reports”

BRI specializes in small-scale and microfinance style borrowing from and lending to its approximately 30 million retail clients through its over 4,000 branches, units and



rural service posts. It only lends individually, and requires titles to land, buildings, motorcycles, or other property as collateral. Given the low market value of most assets pledged, however, such collateral is used as a threat rather than a way to cover losses from default. Today, BRI is one of the world's largest and most profitable microfinance networks in the world.

PT Bank Rakyat Indonesia (Persero) Tbk
Jl. Jend Sudirman Kav. 44-46 Jakarta, 10210, Indonesia
Phone: +62-21-575-2008 Fax: +62-21-575-2010
E-mail:
Website: www.bri.co.id

Sources: BRI/Center for Global Development websites

D. *ACCION* International

ACCION International was founded in 1961 by an idealistic law student named Joseph Blatchford to help address the desperate poverty in Latin American cities. Begun as a student-run volunteer effort building schools and waterways in the shantytowns of Caracas, Blatchford realized that such kind of intervention did not create a real, lasting difference in the quality of lives of the people.

In 1973, the ACCION staff in Recife, Brazil noticed the prevalence of so-called informal



businesses. At the same time, they recognized the fact that almost all the profits of the entrepreneurial poor were being paid to loan-sharks from whom they had borrowed money to keep their businesses afloat. If these small-scale entrepreneurs could borrow capital at commercial interest rates, they wondered, could they lift themselves out of poverty?

ACCION's Recife program coined the term "microenterprise" and began offering to the poor small loans at moderate interest rate, and this paved the way for microenterprise development. To ACCION staff's knowledge, these first loans launched the field of microcredit.

The experiment in Recife was a success. Within four years, the organization had provided 885 loans, helping to create or stabilize 1,386 new jobs. ACCION had found a way to generate new wealth for the working poor of Latin America. Over the next decade, it helped start microlending programs in 14 countries in Latin America.

ACCION and its partners developed a lending method that met the distinct needs of microenterprises. Small, short-term loans



built confidence and a credit record; site visits replaced paperwork.

With a loan repayment rate of 97 percent, ACCION's clients soon shattered the myth that the poor were bad credit risks. Given access to affordable capital, they could improve their lives.

ACCION soon found that microlending had another revolutionary quality: it paid for itself. The interest each borrower paid helped cover the cost of lending to another.

ACCION's partner programs provide small, short-term loans at interest rates that reflect the cost of lending. ACCION's loan methodology and range of financial services have been designed to both meet the needs of microentrepreneurs and to ensure that the microfinance organizations that it works with become financially sustainable.

ACCION considers microentrepreneurs skilled business people. Like traditional banks, its partner programs evaluate potential borrowers using measurements like business assets – which could be as small as a tin stall in the market – amount and cost of goods sold,



cost of raw materials, and household expenses. But unlike traditional banks, its partner programs do not make loans based upon revenue or collateral alone.

Because its clients are the poor, ACCION sends out loan officers to meet potential borrowers in their places of work, where intangibles like references from customers and neighbors, and the loan officer's own "gut feeling" about the microentrepreneur's drive to succeed are weighed. This character-based lending has allowed ACCION to go "beyond the numbers" and develop a more complete picture of a potential borrower than a traditional credit score.

Borrowers either apply for loans individually, or, if they lack physical collateral or a co-signer, they team up with a few other borrowers. Known as solidarity group lending, this method allows members to cross-guarantee one another's loans in lieu of collateral. ACCION spearheaded this approach in the 1970s to help bring microlending to the poorest of the economically active population.

First loans start small – as low as \$100 in Latin America and \$500 in the United States.



Borrowers who repay their loans on time are eligible for increasingly larger loans. This process, called stepped lending, keeps initial risk at a minimum while allowing microentrepreneurs to carefully grow their businesses and increase their incomes.

Today, ACCION is one of the premier microfinance organizations in the world, with a network of lending partners that spans Latin America, the United States and Africa. Over the last four decades, ACCION has built a tradition of developing innovative solutions to poverty.

ACCION International & *ACCION* USA Headquarters
56 Roland Street Suite 300 Boston, MA 02129 USA
Tel: 617-625-7080 Fax: 617-625-7020
E-mail: ncassidy@accion.org Website: www.accion.org

Source: ACCION International website

D. BancoSol

BancoSol's roots date back to 1986, when ACCION and Bolivian business leaders established a nonprofit microlending entity called PRODEM, which itself is descended from the world's first "solidarity group" lending experiments by Acción International. By 1988, PRODEM had grown so large that it was outstripping the capacity of the local banking



system to supply it with lending capital.

In 1992, PRODEM joined with ACCION International, Calmeadow Foundation, Bolivian banks and other investors to establish BancoSol, the first private commercial bank in the world dedicated exclusively to microenterprise. BancoSol thus became a commercial offshoot of PRODEM.

Of BancoSol's active clients, more than half are women—market vendors, seamstresses, bakers, candy makers and others. With first loans as low as \$50, BancoSol effectively reaches the poorest of the economically active population. Yet today, BancoSol offers its 58,000 clients an impressive range of financial services including savings accounts, credit cards and housing loans - products that just years ago were only accessible to Bolivia's upper classes.

As a bank of the poor, BancoSol continues to make history in the microfinance industry. BancoSol has disbursed over \$1 billion in operations and support of microcredit since its inception in 1992. In 1997, BancoSol became the first microfinance institution in history to issue dividends to shareholders. The bank



declared cash dividends of \$162,857 or \$0.45 per share on 1996 earnings of \$1.1 million.

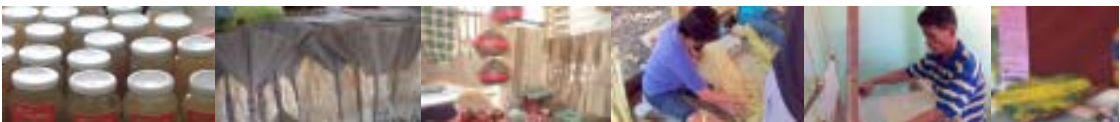
Since helping to start BancoSol, ACCION International has supported the bank in developing new services, expanding programs and attracting new investment.

BancoSol is implementing several complementary products, including Credit Scoring and PortaCredit. It is also supporting the standardization and improvement of credit management. These projects will allow the bank to operate more efficiently, provide better services for clients, and reach new markets.

To date, there are 35 BancoSol branches in urban centers and secondary cities throughout Bolivia.

BancoSol
Calle Nicolás Acosta no. 289
Esq. Calle Cañada Strongest, Plaza San Pedro
La Paz, BOLIVIA
Tel: (5912) 2484-242, 486-485 Fax: (5912) 2486-533
E-mail: info@bancosol.com.bo
Website: www.bancosol.com.bo

Source: Accion International/BancoSol websites



Local Organizations in Microfinance

1. Microfinance Council of the Philippines, Inc. (MCPI)

The Microfinance Council of the Philippines Inc. is a network of 40 institutions with a common goal of a viable microfinance industry in the Philippines. These include 33 practitioners and seven service providers. While membership among the practitioners is currently dominated by non-government organizations (NGOs), the roster of practitioners also includes microfinance-oriented rural banks and one thrift bank.

There are two types of membership in MCPI: regular and associate. Regular members are institutions engaged in retail microfinance operations. Membership is restricted to NGOs, thrift banks, development banks, rural banks, cooperatives, and credit unions. To become a regular member, the MFI must have a minimum number of 1,000 active clients and a loan portfolio outstanding of at least PhP 3 million.

Microfinance Council of the Philippines, Inc.
Unit 1909 19th Floor, Jollibee Plaza
Emerald Avenue, Ortigas Center
Pasig City, Metro Manila



Tel. Nos.: (632) 631-5920, 631-6184
TeleFax: (632) 631-5920
E-mail: microfi@pworld.net.ph;
secretariat@microfinancecouncil.org
Website: www.microfinancecouncil.org

Source: Microfinance Council of the Philippines

2. People's Credit and Finance Corporation (PCFC)

The People's Credit and Finance Corporation is a second-tier financial institution which was established by virtue of Administration Order 148 in 1994 and Memorandum Order 261 in 1995. Republic Act 8425 or the Social Reform and Poverty Alleviation Act of 1997 further strengthened the role of the Corporation as the lead government agency specifically tasked to mobilize resources for microfinance, both from local and international sources, solely for the use of the marginalized sector of society.

Its major program is wholesale lending through its accredited program partners, the microfinance institutions (MFIs), such as banks (cooperative, rural and thrift banks), non-banks (cooperatives, non-government organizations (NGOs) and lending investors) and retail lending. It is backed up by a capacity-building program to enhance the



entrepreneurial skills of both program partners and end-clients.

In 1995, following the directive of President Gloria Macapagal-Arroyo, PCFC formed the Microfinance Program Committee (MFPC) together with the Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), National Livelihood Support Fund (NLSF), Small Business Corporation (SBCor) and Quedancor. PCFC now acts as the lead coordinative body for the microfinance industry.

People's Credit and Finance Corporation
2/F Accelerando Building, 395 Sen. Gil Puyat Avenue,
Makati City
P.O. Box No. 1894, Makati Center 1200, Makati City
Trunkline: 897-8521
E-mail: info@pcfc.ph Website: www.pcfc.gov.ph.

Source: People's Credit and Finance Corporation

3. National Credit Council (NCC)

The National Credit Council (NCC) was created by Administrative Order No. 86 on October 8, 1993 mainly to rationalize and optimize government credit and guarantee programs. It also aims to institutionalize consultation linkages and policy dialogues to



encourage a higher level of private sector participation in credit delivery in the countryside. The Department of Finance chairs the NCC, with the Land Bank of the Philippines as co-chair.

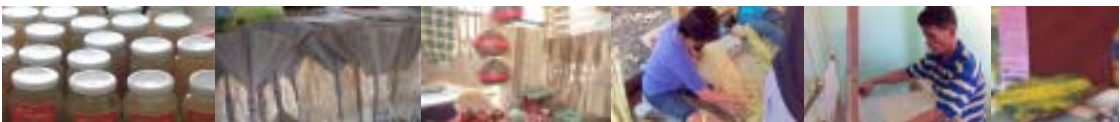
Special Studies Division
4th Floor, FPPO Group
Department of Finance Building
Roxas Boulevard, 1004 Manila, Philippines
Tele/fax/+ (632) 523-3825
E-mail: ncc@dof.gov.ph
Website: www.dof.gov.ph/nccsite/ncc.asp

Source: National Credit Council/Department of Finance

4. National Confederation of Cooperatives (NATCCO)

The National Confederation of Cooperatives or NATCCO was formed by credit union pioneers in the Philippines who believed that the task of cooperative development lies primarily in the hands of the private sector. These pioneers advocated self-help and espoused the idea that unless people do something to solve their own problems, their situation will not get any better.

The leaders believed that to succeed, cooperatives have to be driven, capitalized and



patronized by the members themselves rather than depend on the government. They believed in membership responsibility, and that such could only be attained through cooperative education.

Thus, between the 1950's and 1960's, a number of privately-initiated primary cooperatives (or cooperatives with individual persons as members) were formed. Between 1966 and 1976, these cooperatives formed five regional cooperative training centers (i.e. secondary coops). In 1977, the five regional training centers organized NATCCO, then known as the National Association of Training Centers for Cooperatives, to coordinate the provision of training and educational services at the national level, and serve as the voice of cooperatives belonging to the NATCCO network.

In 1986, NATCCO was converted into a multi-service national cooperative federation while the regional training centers were transformed into multi-service cooperative development centers. The acronym NATCCO was retained and its meaning converted to the present, National Confederation of Cooperatives.



Today, NATCCO is the biggest and strongest national federation of cooperatives in the country in terms of geographical reach, membership, financial capacity, and array of services.

National Confederation of Cooperatives
227 J.P. Rizal St. Project 4, Quezon City 1109
Tel. Nos.: (02) 9137011 to 14 Telfax: (02) 9137016
E-mail: ceo@natcco.coop Website: www.natcco.coop

Source: NATCCO Website

5. Center for Agriculture and Rural Development (CARD), Inc.

The Center for Agricultural and Rural Development or CARD was initially established in 1986 as a social development foundation serving landless coconut farmers. CARD is one of the first Grameen replication programs in the world which primarily targets low-income landless rural women.

The Philippines is now home to a large number of Grameen-style microfinance programs in view of positive developments in the financial sector. First, the passage of the General Banking Law of 2000 paved the way for the regulation of banks engaged in microfinance. And second, the National Credit Council



drafted the National Strategy for Microfinance to create a viable private microfinance market. The “deep country approach” in the Philippines is facilitated by a number of factors:

- microfinance regulation helped the industry become more streamlined,
- the presence of a national Grameen Replication Program network (Philnet), and
- the existence of a wholesale fund specializing in microfinance programs (PCFC)

CARD's 881 staff provides more than 10 different products such as microcredit loans, savings, microinsurance, and other financial services to its female clients including those of CARD Bank. CARD uses a targeting methodology that includes a housing index and household assets. It is currently implementing Grameen Foundation's Progress out of Poverty Index (PPI) as a tool for targeting poor clients and measuring impact over time.

Today, CARD is the largest MFI in the Philippines, with an outreach of more than 108,477 members. It has 127 branches in 18 provinces. The CARD group includes CARD NGO, CARD Bank, CARD Mutual Benefit Association, and CARD Development



Institute, collectively known as “CARD Mutually Reinforcing Institutions or CARD MRI.” CARD NGO is responsible for opening new branches and nurturing them to financial sustainability at which time they could be absorbed by CARD Bank once a license is made available by the government.

CARD MRI Executive Office
20 M.L. Quezon St., City Subdivision,
San Pablo City, Laguna, 4000 Philippines

CARD Bank Executive Office
Tel. No. (63)-(049)-562-4309
Fax No. (63)-(049)-562-0009
E-mail: info@cardbankph.com
Website: www.cardbankph.com

Source: CARD MRI website

Local Microfinance Institutions

The following table is a directory of local microfinance institutions engaged in retail lending.

ABS-CBN BAYAN MICROFINANCE FOUNDATION, INC.

14-A Sct. Borromeo St., South Triangle, Quezon City

Tel: (02) 3720628; 3711430

Mr. Reno R. Rayel - Executive Director

ABUYOG ST. FRANCIS XAVIER CREDIT COOP. (AFOCO)

Cor. Avenida Ext. & Mabini St. Abuyog, Leyte

Tel: (053) 3344028

Msgr. Jaime Villanueva - Chairman



AD JESUM DEVELOPMENT FOUNDATION, INC.

Clergy House Compound, Mati, Davao Oriental

Tel: (087) 8114190 ; 8112292

Sr. Bernadette Dollete -Executive Directress

ADVANCE CREDIT CORPORATION

23F Tower I, The Enterprise Centre, 6768 Ayala Ave., Paseo de Roxas, Makati City

Tel: (02) 886-3389/90Fax: 886-5849

Mr. Fernando M. Nicandro, -President & CEO

AGRI-BUSINESS RURAL BANK, INC.

Bambang, Nueva Viscaya

Tel: (078) 8031185Fax: 6345512

Ms. Yela Yambala-Officer-in-Charge

AGRICULTURAL & RURAL DEVELOPMENT FOR CATANDUANES, INC.

Former Chinese School Bldg., Sta. Elena, Virac, Catanduanes

Tel: (052) 8111738; 8111672

Mr. Oscar Alfaro-President

AHON SA HIRAP, INC. (ASHI)

2/F #76 8th Avenue, Cubao, Quezon City

Tel: (02) 9132452Fax: 9120688

Ms. Mila Mercado - Bunker President

ALALAY SA KAUNLARAN SA GITNANG LUZON, INC.

582 Maharlika Highway, Cabanatuan City, Nueva Ecija

Tel: (044) 4631246; 4635780

Mr. Rolando B. Victoria Executive Director

ANCHOR SAVINGS BANK, INC.

G/F Valgosons Bldg., cor. C.M. Recto & Bonifacio Sts., Davao City

Tel: (082) 2225466Fax: 2225477

Ms. Evangeline Escobillo, President

ASA PHILIPPINES FOUNDATION, INC.

Unit 506 Prestige Tower, Emerald Ave., Pasig City

Tel: (02) 6877558Fax: 6327844

Mr. Kamrul H. Tarafder, President



ASIAN HILLS BANK, INC.

Sta. Ana Bldg., Fortich St., Malaybalay City, Bukidnon

Tel: (088) 8133990 Fax: 2214697

Mr. Estelito R. Marabe, President

ASSOCIATION OF DISABLED PERSONS (ILOILO), INC.

Jaro Plaza, Jaro, Iloilo City

Tel: (033) 3292905

Ms. Mary Rose Divaras President

BACAYAN MULTI - PURPOSE COOPERATIVE

Brgy. Bacayan, Cebu City

Tel: (032) 4176605

Ms. Emelia Borgonia Manager

BANCO BATANGAN, INC.

J.P. Rizal St., Poblacion, Taysan, Batangas

Tel: (0916) 4664201

Mr. Ramelo M. Mendoza Chairman

BANCO SANTIAGO DE LIBON, INC.

San Francisco St., Poblacion, Libon, Albay

Tel: (052) 4866064

Mr. John V. Dycoco President

BANGKO KABAYAN (IBAAN RB), INC.

Poblacion, Ibaan,

: (043) 3111420 Fax: 3111323

Atty. Francis S. Ganson President

BANGKO LUZON, INC.

Poblacion, San Isidro, Nueva Ecija

Tel: (044) 4860084 Fax: 4861374

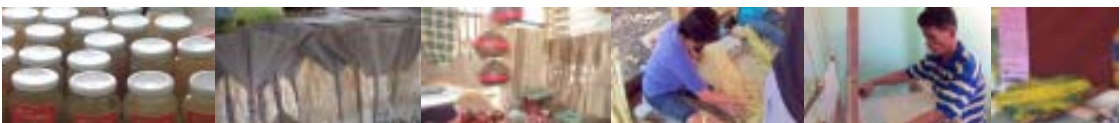
Mr. Abelardo P. Samson Chairman/President

BARANGKA CREDIT COOPERATIVE

#96 Julian Cruz St., Barangka, Marikina City

Tel: (02) 9412217 Fax: 9415244

Mr. Roberto C. Mascariña General Manager



BASAK LAYOG AGRICULTURAL MULTI PURPOSE COOPERATIVE

Municipal Tenement, Roxas St., Tabango, Leyte

Tel: (053) 5519024

Mr. Joseph Marie Remendaban General Manager

BATAAN COOPERATIVE BANK

Capitol Compound, Balanga, Bataan

Tel: (047) 7914715

Mr. Marcelino Zulueta Chairman

BAWOD WOMEN'S MULTI - PURPOSE COOPERATIVE

Bawod, San Isidro, Leyte

Tel: (053) 5500003

Ms. Felma Empaz Manager

BMS RURAL BANK, INC.

12 C. Raymundo Ave., Maybunga, Pasig City

Tel: (02) 6436105; 6433670 Fax: 6436150

Mr. Melchor Santos President

BUKIDNON COOPERATIVE BANK, INC.

Vicente Neri St., Malaybalay City, Bukidnon

Tel: (088) 8134514; 3561561

Ms. Wilhelmina Ferrer General Manager

CALAPAN VENDORS MULTI - PURPOSE COOPERATIVE

Sto. Niño St., Ibaba East, Calapan, Oriental Mindoro

Tel: (043) 2885458; 2885841 Fax: 4410865

Mr. Fidel A. Ligaya Chairman

CANTILAN BANK (RURAL BANK OF CANTILAN, INC.), INC.

Orosko St., Magusitong, Cantilan, Surigao del Sur

Tel: (086) 2125055; 2113053 Fax: 2319603

Lt. Gen. William Hotchkiss (Ret.) President

CAPITOL CITY RURAL BANK OF TRECE MARTIRES, INC.

San Agustin, Trece Martirez City, Cavite

Tel: (046) 4191178; 4190416 Fax: 4191120

Dr. Nellie M. Ilas Chairperson



CARD RURAL BANK, INC.

20 M.L. Quezon St., City Subd., San Pablo City
Tel: (049) 5624309; 5626560 Fax: 5620009
Ms. Dolores M. Torres President

CARITAS MANILA, INC.

2002 Jesus Street, Pandacan, Manila
Tel: (02) 563-9298 Fax: 536-9309
Rev. Fr. Anton C.T. Pascual Executive Director

CEBU PEOPLE'S DEVELOPMENT COOPERATIVE (CEPEDECO)

2/F GMT Bldg., cor P. del Rosario cor. Junquera St., Cebu City
Tel: (032) 4168244
Mr. Alberto Bartolata General Manager

CEBU PEOPLE'S MULTI - PURPOSE COOPERATIVE

10th St., Reclamation Area, Cebu City
Tel: (032) 2329219 Fax: 2323221
Mr. Roberto Salera General Manager

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, INC.

20 M.L. Quezon St., City Subd., San Pablo City
Tel: (049) 5624309; 5626560 Fax: 5620009
Ms. Flordeliza Sarmiento Executive Director

CENTER FOR COMMUNITY TRANSFORMATION

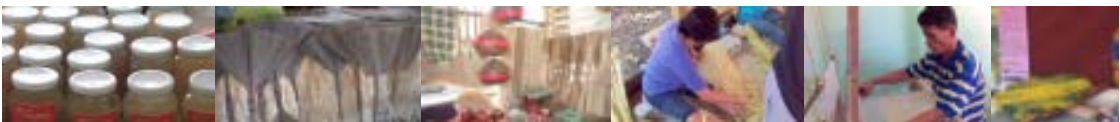
5/F Joshua Center, 1428 Taft Avenue, Malate, Manila
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Mr. Ernesto Mabunga Chairman

COOPERATIVE RURAL BANK OF ILOCOS NORTE, INC.

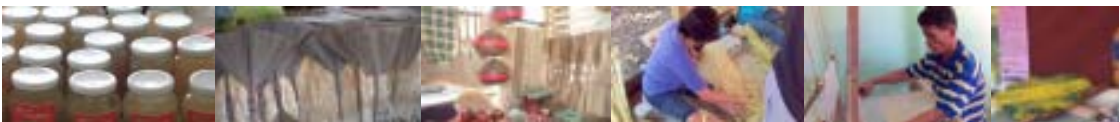
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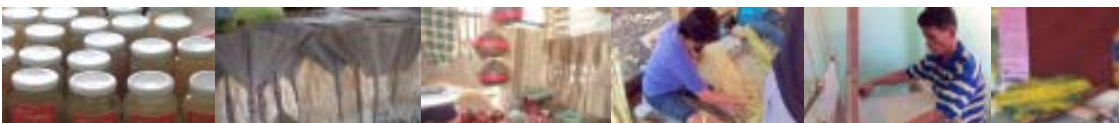
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Mr. Alfredo A. Acaylar Chairman

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Ms. Ma. Cecilia R. Acuna President

KAZAMA GRAMEEN (LINGAP SA PAMAYANAN), INC.

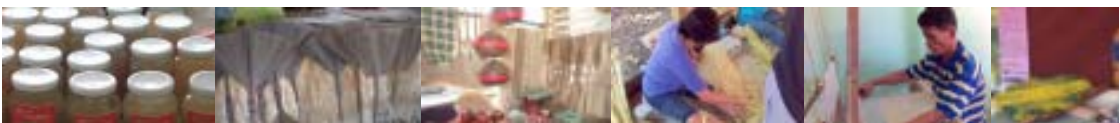
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Dr. Vicente Perlas President

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Naval, Biliran

Tel: (053) 5009693; 5009017

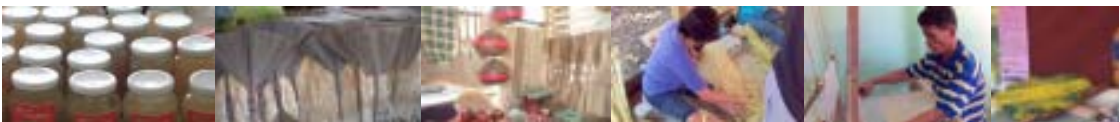
Ms. Jecely Poyales, General Manager

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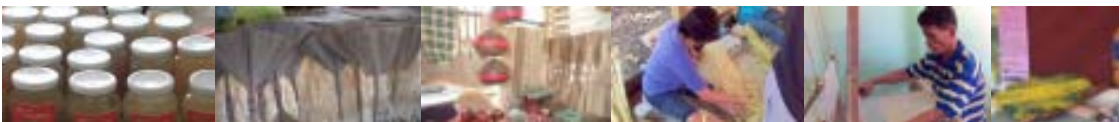
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Mr. Geronimo B. Rebollos President



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Mr. Johnson Cuiting President

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Atty. Alberto C. Concha President

RURAL BANK OF SALUG VALLEY, INC.

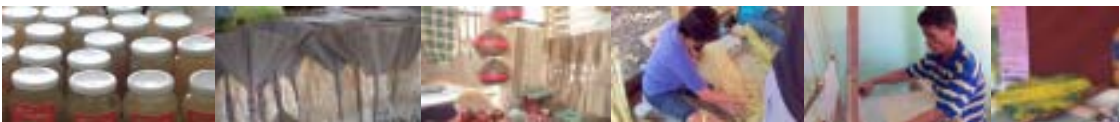
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Mr. Joseph Omar Andaya President

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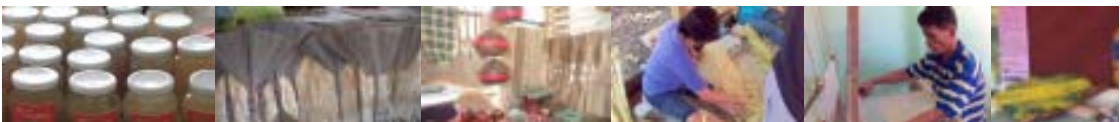
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Source: www.gonegosyo.net website



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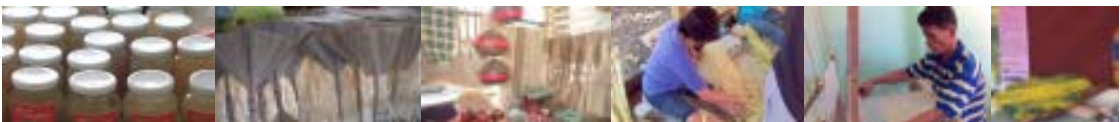
Out of Poverty. Philippine Network for Helping the Hardcore Poor, Inc. Philippines (PHILNET). P.12.

B. ACCION Publications www.accion.com

Small Loans, Big Returns Maekawa, T. Journal: ADB Review, 33(2): 22-23 Publication Date: 2001
Published by: Asian Development Bank (ADB)
Document Type: Journal Article

Banking Services for the Poor: Managing for Financial Success - An Expanded and Revised Guidebook for Microfinance Institutions, Robert Peck Christen Published: 1997, Paperback, 314 pages.

This best-selling manual offers practical applications of traditional financial topics to microfinance institutions. The author addresses interest rate policy, management of assets and liabilities, and capital and portfolio risk - all key issues for microfinance institutions. The manual presents the theoretical framework along with numerous examples,



allowing the reader to deepen his/her understanding of the subject matter.

From Margin to Mainstream: The Regulation and Supervision of Microfinance Rachel Rock, María Otero Published: 1997, Paperback, 127 pages.

This monograph examines the transition of microfinance institutions to regulated financial intermediaries. By linking into the financial systems of their countries, these institutions are strengthening their ability to access international capital and capture the savings deposits of their clients and the public. *From Margin to Mainstream* expands upon the proceedings of a 1995 conference sponsored by ACCION that convened high-level representatives from bank supervisory agencies in Latin America and United States. Much of what is presented can be applied to work in Africa and Asia in establishing links to the formal financial sector. It aims to provide useful guidance on supervision and regulation of microfinance institutions.

Elements of Credit Analysis: A Manual for Loan Officers of Programs Serving Small and Microenterprises ACCION International Published: 1994, Paperback, 176 pages.

Based on various case studies, this manual gives loan officers a model for analyzing credit, and provides tools for the financial and non-financial evaluation of



potential microenterprise clients. The manual aims to eliminate the gathering of unnecessary client information and minimize risk while at the same time improving overall financial assessment.

An Operational Guide for Microenterprise Development Projects ACCION International, Calmeadow *Published: 1988, Paperback, 98 pages.*

This guide serves as an introduction to the practices and methodologies used by *ACCION* to manage microenterprise projects. Topics include defining the informal sector, steps for planning and implementing projects, program monitoring and evaluation, fundraising and public relations.

What Microenterprise Credit Programs Can Learn from the Moneylenders Robert Peck Christen *Published: 1989, Paperback, 29 pages.*

Although moneylenders are perceived as exploitative sources of credit, they can provide useful financial lessons that can be applied to microenterprise programs. This discussion paper focuses on financial and economic factors in informal lending that lower the costs of borrowing for the microentrepreneur and result in greater income for the lender.

Microenterprise Development Programs: Is Client Graduation a Myth? Katherine Stearns *Published: 1989, Paperback, 48 pages.*



Donors and development professionals emphasize the importance of client graduation from microenterprise assistance programs to the formal financial sector. This study takes a critical look at graduation as a program goal and examines the experiences of 10 microenterprise programs in six Latin American and Caribbean countries to identify principal factors that affect graduation.

Microenterprise Assistance Programs: Their Benefits, Costs and Sustainability María Otero
Published: 1989, Paperback, 26 pages.

As the informal sector steadily grows in Latin America, it is important to discuss the efficiency of the microenterprise assistance programs directed towards this population. This document seeks to redefine the measures of the benefits derived from microenterprise programs. It analyzes three key areas for project sustainability: volume, institutional capacity and program repayment rates.

Breaking Through: The Expansion of Microenterprise Programs as a Challenge for Non-Profit Organizations María Otero
Published: 1989, Paperback, 89 pages.

ACCION's affiliated programs in Latin America provide the context for this analysis of the process of microenterprise program expansion, including the formulation of a vision based on massive outreach,



development of efficient information systems, and policies for human resource development. Common constraints to program expansion are also explored.

ACCION International/AITEC: A Methodology for Working with the Informal Sector Mirtha Olivares

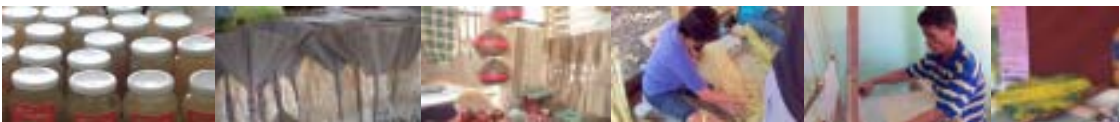
Published: 1989, Paperback, 28 pages.

This document summarizes the most significant methodological aspects of *ACCION*'s work with microenterprise development. It discusses issues that are significant to professionals who work with the informal sector and suggests various approaches based on lessons drawn from experience.

The Hidden Beast: Delinquency in Microenterprise Credit Programs Katherine Stearns

Published: 1991, Paperback, 59 pages.

Though delinquency is an important measure of a microfinance program's success, the absence of a universal definition makes it difficult to interpret delinquency rates. This paper identifies the weaknesses of the current treatment of delinquency and encourages the use of appropriate and clearly-established measures of portfolio quality. It discusses the many definitions and formulas presently employed to report on delinquency and portfolio quality, and argues that microenterprise programs control their own levels of delinquency.



Exposing Interest Rates: Their True Significance for Microentrepreneurs and Credit Programs

Carlos Castello, Katherine Stearns, Robert Peck Christen Published: 1991, Paperback, 46 pages.

This document analyzes the impact of interest rates on microentrepreneurs and on credit programs. Experiences of institutions in Chile, Colombia and the Dominican Republic prove that efficient microenterprise programs can charge interest rates that reflect the cost of lending and foster self-sufficiency, without impeding the borrowers' ability to increase incomes and profits. This paper also explores the shift in interest rate policy from subsidized credit by MFIs to higher, unsubsidized rates of interest.

Leverage or Loss? Guarantee Funds and Microenterprise Katherine Stearns Published: 1993, Paperback, 100 pages.

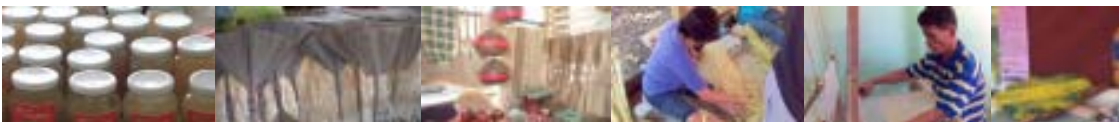
Guarantee fund mechanisms can potentially increase financing for microentrepreneurs in developing countries beyond the funding levels available from donors. Three distinct guarantee fund models are proposed here based on the experiences of small enterprise guarantee programs. ACCION International's own guarantee program, as well as case studies from Ecuador and Colombia, illustrate the positive effects that guarantee funds can have.



What Makes Them Tick? Exploring the Anatomy of Major Microenterprise Institutions Elisabeth Rhyne, Linda Rotblatt *Published: 1994, Paperback, 117 pages.*

This monograph analyzes institutional strengths such as financial structure, staff productivity and the types of services provided by several of the most highly regarded microfinance organizations. Case studies include Bank Rakyat Indonesia, BancoSol in Bolivia and Grameen Bank in Bangladesh. The authors identify those elements that enable institutions to become self-sufficient, attain significant scale and continue to grow.

- C. ***The MicroBanking Bulletin***, Premier source of microfinance benchmarks, published by The MIX www.themix.org
- D. **The World Bank Publications** books@worldbank.org
- E. **The WWW Virtual Library on Microcredit and Microfinance** www.gdrc.org The Virtual Library on Microcredit is a repository of information on alternative, non-conventional financial systems and microfinance/microcredit issues.
- F. **Journal of Microfinance**, transitioned to ESR Review, www.lib.byu.edu, is a forum for practitioners in microfinance and



microenterprise development to exchange information and ideas

- G. **2005 Year of Microcredit**, www.yearofmicrocredit.org. The year of Microcredit 2005 calls for building inclusive financial sectors and strengthening the powerful, but often untapped, entrepreneurial spirit existing in communities around the world.
- H. **Centre for Micro Finance Research**, www.microfinance.up.ac.za, researching rigorously the links between access to financial services and participation of the poor in the larger economy.
- I. **Directory of Development Organizations**, www.devdir.org a comprehensive listing of development organizations dedicated to good governance, sustainable development and poverty reduction; microfinance is highlighted.
- J. Several books on this topic are available and are listed on Amazon www.amazon.com under the title “**Start Your Own Microcredit.**”
- II. Microcredit or Microfinance Institutions
Accion International www.accion.org, a large network of microfinance institutions working in Asia, Latin America, and Africa



Freedom from Hunger, www.freedomfromhunger.org a large network of microfinance institutions focused on the very poor in Asia, Latin America and Africa. Freedom from Hunger is a pioneer for sustainably integrating education with microfinance. The Organization is currently exploring new models for increased scale **under its Reach initiative** and new innovations to integrate health and microfinance

Grameen Foundation www.grameenfoundation.org, replicating the Grameen Bank model around the world

Grameen Bank www.grameen.org, generally regarded as the originator of the microcredit movement in finance

Kiva, www.kiva.org the only peer-to-peer Microfinance gateway, using the power of the internet to facilitate micro-lending. Allows anyone to participate in Microfinance with as little as a \$25 loan.

Microfinance Information Exchange, Inc. (MIX), www.themix.org. The world's leading business information provider for the microfinance industry.



The **MIX Market**, www.mixmarket.org. The global information exchange for the microfinance industry

OCTOPUS, www.octopusnetwork.org an open source information system for the MFI

Opportunity International, www.opportunity.org a large microfinance network focusing on giving the poor around the world a working chance. Also a pioneer in using microfinance to fight HIV/AIDS in Africa.

ProCredit Holding- www.procredit-holding.com The ProCredit group consists of 19 different banks in developing countries. The core business of the banks is lending to micro and small enterprises.

Pro Mujer www.promujer.org Programs dedicated to women's development through provision of credit.

SafeSave www.safesave.org pioneers basic banking services (not just microcredit) for very poor people

TrickleUp. www.trickleup.org gives small grants to emerging entrepreneurs among the very poor. Currently operating in 14 countries including USA. Offers business training to the



poor and encourages savings groups among the entrepreneurs. Started by Millie Leets and her husband 27 year ago, it has helped over 130,000 poor start their own businesses, gain self esteem and join savings groups.

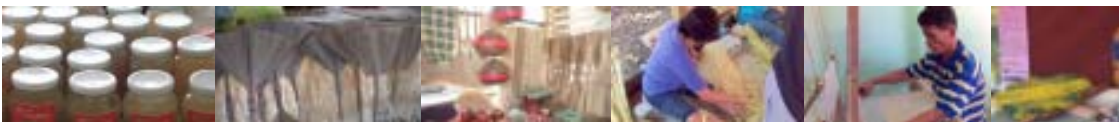
Unitus, www.unitus.com a global microfinance accelerator, acting as a social venture capital investor for the microfinance industry. Also, they have launched a **blog** which discusses microfinance and microcredit topics.

III. Humanitarian Organizations Supporting Microfinance

Orangi Pilot Project (OPP) www.oppinstitution.org. A poverty alleviation project started by Dr. Akhter Hameed Khan in 1980

CARE International www.care.org. CARE - Empowering the vulnerable.

Self Help Development International www.shdi.org. SHDI is an Irish agency engaged in promoting long term sustainable development projects in Africa. The organisation promotes micro-finance as a means of income diversification as part of its integrated development programmes.



PlaNNet Finance, www.planetfinance.org.
PlaNNet Finance is an international non-profit organisation dedicated to the development of microfinance as a tool to alleviate poverty in the world.

World Relief www.worldrelief.org Working with, for and from the Church to relieve human suffering, poverty and hunger worldwide.

WorldVision www.worldvision.org, runs and finances microcredit programs through the world.

Coady International www.coady.stfx.ca. The Institute provides educational program and technical support in community-based microfinance.

HOPE International www.hopeinternational.org HOPE International is a global, faith-based, non-profit organization focused on poverty alleviation through microenterprise development.

The Whole Planet Foundation www.wholeplanetfoundation.org, founded by Whole Foods Market in collaboration with the Grameen Trust, Food for All, any many others, is a nonprofit organization that works to fight



poverty in developing countries using microcredit.

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