



Trip Report: Improving Household Well-Being by Improving Access to Credit

Country: Philippines **Dates: July 29 – September 14**
By Agnes Quisumbing, IFPRI

A team from IFPRI traveled to the Philippines between July 29 and September 14, 2003 to pretest the questionnaire for the quantitative survey, draft a community questionnaire, conduct interviews of rural lenders, finalize the household questionnaire, and participate in the training of interviewers. Agnes Quisumbing (co-Principal Investigator) also gave seminars at the Asian Development Bank and the University of the Philippines. Sarah Harrower (Research Assistant) was in the Philippines from July 29-August 30, Marie Godquin (Intern, PhD student from the University of Paris, Sorbonne) from July 29-September 14, Agnes Quisumbing from July 29-August 29, and Dan Gilligan (Postdoctoral Fellow) from August 5-12. (After the Philippines, Dan proceeded to Durban, South Africa, to attend the Technical Committee meeting).

We were joined by a RIMCU team consisting of co-Principal Investigator Linda Burton, Chona Echavez, Lourdes Wong, Mediatrix (Jhat) Palma, Vicky Regidor, Prospercora (Tata) Vega and Dodong Obial. I would like to thank RIMCU for its excellent cooperation and collaboration (both substantive and logistic) during this trip. Since different members of the team were in the field at different times, this report will provide a summary of the activities, by time period.

The main products from this trip were the final versions of the English and Cebuano questionnaires, an interviewer's manual, and a draft community questionnaire. All the team members, including Manohar Sharma, who was unable to participate in the pretest, worked together to draft the survey modules; Sarah Harrower did the bulk of the work on identifying data sources for the community questionnaire. Annex A shows the list of modules to be fielded as part of the survey; the complete questionnaires and the interviewer's manual are attached as zip files.

1. Preparation for the pretest (July 29-August 6)

Sarah and Marie arrived in Cagayan de Oro on July 31 . On August 1, they and Jhat visited regional government offices in Cagayan de Oro to discuss the availability of secondary data sources for reconstructing a time line of community changes for the 29 sample barangays. They visited the Regional Planning and Development Office, who provided the team with Socio-economic profiles for the Province of Bukidnon from several years since 1984. These documents did not have data disaggregated to a suitable level and the team was directed to contact offices in the Provincial capital of Malaybalay to get adequate *barangay* level data (the *barangay* is the smallest political unit in the Philippines). On August 4, Sarah and Marie traveled with Linda Montillo-Burton, Chona Echavez, and Linda's assistant to Malaybalay to visit provincial government offices. They visited the Provincial Planning and Development Office, and the Department of Trade and Investment. The PPDO also provided some document sources, but at the municipality level. Again they directed the team to meet with Municipal level officials to get detailed information at the *barangay* level. Marie also used this week to design the social capital block in consultation with Chona and to design the interview guide for the lenders.

2. Pretest of survey modules (August 7-12)

Agnes and Dan arrived in Cagayan de Oro on August 6. On August 7, the IFPRI and RIMCU teams went to Bukidnon to begin the pretest, which took place from August 8-12. We were based in Malaybalay and traveled for an hour and a half to the pretest sites each day. We did not pretest in our survey area (to avoid contamination of the sample), but in nearby municipalities with similar cropping patterns. Our strategy was to pretest a set of modules each day. We began the day by reviewing the modules with our RIMCU colleagues, making sure that the Visayan questions accurately reflected the intent of the English questions. We would then break up into teams, pretest the modules, and revise and print them in the evening, so that we would be working with the revised modules the next day. We devoted a lot of time to pretesting the agricultural production modules, as they were complicated due to the amount of detail on tenure arrangements, production stages, and labor contracts. The rest of the modules were simpler though long.

We pretested the modules according to the following schedule:

August 8: parcels, agricultural production, other income

August 9: agricultural production, assets, education, shocks

August 10: credit, saving, lending, food and nonfood consumption, backyard production

August 11: migration, inheritance, social capital, morbidity, and reproductive history

In the meantime, on August 11, Dan and Linda Montillo-Burton left for Cagayan de Oro and South Africa to attend the TC meetings. Before leaving for Cagayan, Dan and Lourdes went to the local market to visit small eateries and find out what kinds of food were typically eaten away from home. On August 12, the rest of the team did a review of the modules, brought Sarah and Marie to their respective *barangays* for their home stays, and returned to Cagayan de Oro. On August 13, Agnes met with Dr. Eduardo Canlas, chair of the Department of Economics of Xavier University, as well as a few faculty members, to discuss training and capacity strengthening activities for the Department's faculty. They were interested in training modules that focused on applied microeconomics. Dr. Canlas also suggested opening the training—to be held in one of the Xavier residential facilities--to other schools in Mindanao in order to maximize its potential impact. We tentatively scheduled the training for January or February 2004, with dates to be finalized later this year. Agnes returned to Manila on August 13, and gave a seminar on the Bukidnon project at the Asian Development Bank on August 14.

3. Home stays in the Barangays

Because this was Sarah and Marie's first time in the Philippines, RIMCU arranged for them to stay with host families in the *poblacion* (town center) of two of the survey municipalities. Sarah's main objective was to track down data sources and to pretest the draft community questionnaire; Marie's aim was to interview different types of lenders.

3.1 Don Carlos (August 12-16)

From August 12 to 16th Sarah stayed with the family of Segundo and Doris Absuelo in Don Carlos Sur, Don Carlos. Segundo is a councilman for the municipality of Don Carlos and is from a prominent sugar and corn growing and trading family in the area. While Sarah was staying with the Absuelos she visited local government officials and key community members to get a sense of the document sources that are available to reconstruct a time-line of community changes that have occurred since 1984 for our sample *barangays*. She visited the Municipal Planning and Development office where the Development officer provided her with Barangay Profile documents that were periodically published since 1984. The data contained in these documents were quite detailed and could be used to reconstruct time-lines for infrastructure construction and basic statistics on use of some services. She also visited the Department of Agricultural Reform and discussed changes in the *barangays* with the agricultural extension officer for Calao-Calao. This officer was able to provide information on the types of seeds and fertilizers used in the area, and when they were first used widely.

Sarah also visited the Department of Public Works and Housing (DPWH), which provided information on the road infrastructure and water systems mainly used in the *barangays*. Water services are not provided to most of the *barangays* and it was apparent that discussing such infrastructure with *barangay* officials would provide the most accurate source for the community questionnaire. Roads connecting the sample *barangays* to their local municipal center had existed since before the baseline survey. This road, while paved in sections and extensively upgraded, is still gravel in most areas. Timelines for construction on the main road connecting these *barangays* were provided and would appear to be easily available from these sources in each of the Municipalities. Sarah also visited the Rural Health Clinic and discussed the data available at this Municipal Health Center with the coordinator and interviewed the *barangay* midwives of four of the sample *barangays*. Documents on the top ten causes of morbidity and mortality rates for the municipality exist for the past 10 years.

3.2 Quezon (August 12-18, August 24-28)

Marie Godquin spent two weeks in Quezon, one of the survey municipalities, to collect information on the different types of lenders operating in the survey area and their lending methodologies. RIMCU chose to send Marie to the municipality of Quezon because it is the center of our research area and also is the municipality where the BUSCO sugar mill is located. The majority of her respondents were the lenders themselves but she also interviewed some clients who informed her about the presence of different types of lenders (lending firms, microfinance NGOs) unknown to her contacts in the municipality. This work was made possible with the collaboration of the municipality of Quezon. Marie was introduced by RIMCU to the mayor and to Engineer Joel Ilar, Municipal Planning Development Officer of Quezon. Engineer Ilar offered his motorcycle for her different interviews and requested the help of Demetrio Llagas, a municipal employee in charge of the cooperative organization (and former teacher of the BUSCO academy) to drive her and translate her interviews into Cebuano.

Regarding the lending methodology (and consequent credit needs that each lender could address), Marie focused on the determination of loan size, collateral requirement, interest rate, duration of the loan, timing of repayment, processing fees (including capital build-up requirement, mandatory savings, and regularization expenditures for land) and consequences of delayed repayment. Other questions on the selection of the clientele, number of similar lenders operating in the area and size of the operations (number of borrowers) were more focused on the availability of the credit services. She also collected information on competition and information sharing among competitors. Details are provided in Marie's own trip report (Annex B).

4. Questionnaire Mini-retreat (August 19-21)

Four members of the RIMCU team (Lourdes Wong, Vicky Regidor, Tata Vega, and Dodong Obial) joined Agnes, Sarah, and Marie for a mini-retreat on the island of Camiguin from August 19-21. Owing

to the length of the questionnaire, they worked at shortening the modules based on the pretest. The teams also checked the consistency of the Cebuano translation. The team returned to Cagayan de Oro on August 21. Agnes met with Marilou Tabor, business manager of RIMCU, to discuss financial arrangements and logistics for the next year of the study. Agnes returned to Manila via Cebu on August 22.

5. Visits to provincial offices, pretesting of entire questionnaire, and visit to the survey area (August 25-29)

On August 25, Sarah visited the Provincial offices of the National Statistics Office (NSO), PAGASA (National Weather Service Office), the First Bukidnon Electric Company (FIBECO) and the Southern Telecommunications Company (SOTELCO) in Malaybalay. The purpose of these visits was to get population, rainfall series, electrification and telephone installation data for each of the *barangays*. She was able to obtain population data as well as an incomplete series of rainfall data for the single rainfall station in Bukidnon. A time line of land line telephone installation was developed for those *barangays* that had access to this service. The informant at FIBECO directed Sarah to contact the office in Maramag as that office dealt solely with *barangays* in the Southern part of the province.

The full original household questionnaire was pre-tested by Linda Montillo-Burton, Mediatrix Palma, Vicky Regidor, Tata Vega, Lourdes Wong and Sarah Harrower on August 26-27 in Bismartz, Don Carlos. On the first day the first team pretested the Roster, Inheritance, Migration, Shocks, and Food Consumption modules. The interviews lasted roughly 3.5 hours although interview time will be shortened as enumerators become more familiar with the questionnaire and inconsistencies between the Cebuano and English versions (in terms of instructions and content of questions) are eliminated. The team interviewed the *kagawad* (councilor) of the *barangay* who was also a sugar farmer, a laborer, an unmarried sugar farmer, and a corn farmer. On the second day the rest of the questionnaire was fielded with the exception of the Savings, Lending, Credit, Anthropometry and Morbidity sections. The same individuals were interviewed, and an older corn/ sugar farmer was also interviewed. This interview lasted approximately 6 hours, and was not completed as the respondents were harvesting their corn at that time and had to return to work.

Sarah left Cagayan to resume her graduate studies at the University of British Columbia in Vancouver on August 30.

On August 29, one week before the training of enumerators, Marie visited all the survey *barangays* with the RIMCU team (Jaht, Lourdes, Vicky, Tata and Dodong). The purpose of the visit was twofold: first to have an idea of the number of original households that were still living there (and thus determine the number of enumerators RIMCU should hire) and second to inform the *barangay* officials that a team of interviewers would visit their *barangay* at the end of September. The *barangay* officials were able to identify 350 original households still living in the area. Some households that were not present in 1992 were back. The *purok* (residential area, smaller than a *barangay*) numbers of our respondents were also updated. Most of the households that were missing had migrated, mostly to Manila or abroad (Korea or to Saudi Arabia). Some of our *barangays* are really remote and some are in upland areas.

5. Visit to Manila (August 25-29, September 2-7)

On August 27, Agnes gave a seminar at the University of the Philippines School of Economics drawing from our preliminary work on the 1984/84 data. This was based on the draft paper by Harrower et al. (2003), "Direct Questions or Consumption Insurance? A simple test of credit constraints using data from Bukidnon, Philippines." Agnes returned to the US on August 29.

Marie Godquin spent September 2-7 in Manila to meet some of the key researchers and practitioners on rural finance in the Philippines: Piedad Geron (Chief of Party, Credit Policy and Improvement Program), Emmanuel Esguerra (Associate Professor, Economic Research center, School of Economics, University

of the Philippines), Mario Lamberte (President of the Philippine Institute for Development Studies), Gilbert Llanto (Vice-President of the Philippine Institute for Development Studies), Eduardo Jimenez (BSP consultant on microfinance) and Joselito Almario (National Credit Council).

They confirmed two findings from the field on microfinance: (1) microfinance was far from widespread for the moment even though there is a lot of discussion at the policy level; (2) microfinance does not usually include agricultural loans in the Philippines. It is largely associated with business or off farm activities that allow daily or weekly collection of the repayment. They also discussed the implementation of the Grameen methodology in the Philippines. It appears that the PCFC is providing loans to Grameen replication activities only because it is a condition of the ADB. However, they allow for adaptations from the Grameen methodology and usually the microfinance programs have a methodology that is a mix of the Grameen and ASA methodology (all the group members borrow at the same time). While it is clear that the Grameen Bank has done a lot for microfinance, restricting microfinance to this methodology in the Philippines is an impediment for innovation and expansion of microfinance. The association of microfinance with weekly repayment makes it difficult for microfinance practitioners to conceive that microfinance programs could also cater to agricultural loans (and not only off farm activities for agricultural households). However Agnes mentioned in her February trip report that “the new ADB loan would look into different approaches, not only Grameen-style approaches, as well as different products such as housing, tree crop, etc. One of the important components of this loan would be designing incentive systems for bank to lend to the agricultural sector, replacing direct credit programs.” Participants in weekly meetings also say that it is a drain on their time (this probably reflects the low opportunity cost of time of women participants in Bangladesh, which is certainly not the case in the Philippines where women are involved in many off-farm activities).

6. Training of enumerators, September 7- September 12

Marie returned to Cagayan de Oro to participate in the first week of training of the enumerators. The team is composed of 12 enumerators, all women, 2 of whom were already enumerators in the previous surveys in 1984 and 1992. While these two enumerators seemed to have greater difficulty adjusting to the format of the questionnaire (it uses a spreadsheet, unlike the original questionnaire, and has detailed skip patterns), their presence was really valuable: they live in the survey area and gave useful explanations and examples of labor contacts, steps in crop production, etc. to the rest of the team who are mostly urban residents. The enumerators must at least have a college degree and for this study they had to have participated in at least one or two survey before. Vicky and Tata will be the supervisors for this team. A second team of enumerators with one supervisor will be hired and trained at the end of September. This second team will be responsible for 5 modules: Food consumption, 24 Hours recall, Diet diversity, Reproductive health, Morbidity and Anthropometry.

The training for the first team of enumerators lasted for two weeks (it has just been completed). During the first week, the team went through the whole questionnaire (except for the 5 modules to be conducted by the second team). The second week was used to prepare the questionnaire and to conduct mock interviews, both at RIMCU and in Bukidnon. After participating in the first week of training, Marie returned to the US on September 14.

ANNEX A. LIST OF MODULES FOR ORIGINAL AND RURAL SPLITS INTERVIEWS

	Module	Visit	Original	Rural splits	Restriction to some HH members	Additional sheets required	Respondent
A	Roster	1	YES	YES all rural splits			H, W
B	Inheritance	1	YES	NO	For married children or children living away.		H,W
C	Migration	1	YES	NO	For all children living away from the HH		H, W
D	Education--short	1	YES	NO	For the children of the original HH still living in the HH		W
E	Education— long	1	YES	YES all rural splits	Schooling history: Original HH: only for the coresident children, split HH: only for the split child and his spouse		Original HHs: For schooling history, try to interview the person concerned Rural splits: For schooling history, ask only husband and wife
F	Shocks	1	YES	YES all rural splits	For original HH: since 84, for split HH: since they left their parent's house		H, W
J	Nonfood consumption	1	YES	YES all rural splits			W
K	Parcels	2	YES	YES all rural splits			H
L	Production record	2	YES	YES all rural splits		Yes, one page per parcel per season	H
M	Major crop production	2	YES	YES all rural splits		Yes, one page per parcel per season	H
N	Agricultural wage labor	2	YES	YES all rural splits		Possible if the HH had a lot of different labor contracts in the past year	H

O	Other sources of income	2	YES	YES all rural splits			H,W
P	Backyard production	2	YES	YES all rural splits			W
Q	Assets	3	YES	YES all rural splits			H or W
R	Social capital	3	YES	YES all rural splits			H or W
S	Savings	3	YES	YES all rural splits			H
T	Credit	3	YES	YES all rural splits			H, W
U	Lending	3	YES	YES all rural splits			H
G	Food Consumption and food away from home	1	YES	YES all rural splits		Section C: one page per HH member that consumed food away from home	W and other household members
H	24-hour recall	1	NO	YES but only (500 HHs with preschooler)		One set per visit (2 visits)	All household members (key: wife)
I	Diet diversity	1	NO	YES but only (500 HHs with preschooler)		One page per HH member	All household members (key: wife)
V	Reproductive History and Child Health	3	YES	YES all rural splits		Section B: one page per mother living in the HH wether the father lives in the HH or not.	All women 15-50/ Mothers
W	Anthropometry and morbidity	3	YES	YES all rural splits			All household members

Annex B.

Bukidnon 2003 IFPRI-RIMCU Resurvey
Trip report, Philippines : July 29-September 14
Marie Godquin

Visit to the survey area August 29.

One week before the training and just after the last pretest, I visited all our survey barangays with the RIMCU team (Jaht, Lourdes, Vicky, Tata and Dodong). The purpose of the visit was twofold: first to have an idea of the number of original households that were still living there (and thus determine the number of enumerators RIMCU should hire) and second to inform the barangay officials that a team of interviewers would visit their barangay at the end of September. The barangay officials were able to identify 350 original households still living in the area. Some households that were not present in 1992 were back. The purok numbers of our respondents were also updated. Most of the households that were missing had migrated, mostly to Manila or abroad (Korea or Saudi Arabia). Some of our barangays are really remote and some are in upland areas.

Training, September 7- September 12

The team of enumerators:

The team is composed of 12 enumerators, all women, 2 of whom were already enumerators in the previous surveys of 1984 and 1992. While those two enumerators seemed to have more difficulty with the format of the questionnaire, their presence was really valuable: they live in the survey area and gave useful explanations and examples on the labor contacts, steps in crop production, etc. . to the rest of the team who are mostly urban residents. The enumerators must at least have a college degree and for this study they had to have participated in at least one or two previous surveys . Vicky and Tata will be the supervisors for this team.

A second team of enumerators with one supervisor will be hired and trained at the end of September. This second team will be responsible for 5 modules: Food consumption, 24 Hours recall, Diet diversity, Reproductive health, Morbidity and Anthropometry.

Organization of the training:

The duration of the training for the first team was of two weeks. During the first week, we went through the whole questionnaire (except the 5 modules to be conducted by the second team). The second week will be used for the preparation of the questionnaire and the mock interviews, at the RIMCU and in the field, in Bukidnon.

Details on the first week of the training:

Monday morning was used for the introduction to the survey. After an introduction and words of welcome by Chona, Lourdes organized games to help the enumerators get to know each other. I then gave an overview of the project. Jhat closed the morning with information on field organization and roles.

We started the overview of the first modules in the afternoon. Jhat, Tata, Vicky and Lourdes were responsible for different modules and presented alternatively their modules to the group.

After reading the interviewer manual and reading the questions in the module, the enumerators were given time to do a small mock interview and to ask questions.

The change in speakers for each module and the participation of everybody (the enumerators, Chona, Jhat, Lourdes, Vicky and Tata) in the discussions of the modules made the training lively and full of questions.

A number of small points had to be clarified (the meaning of different questions, interpretation of codes and instructions).

The enumerators helped modify some codes so as to add relevant codes and delete irrelevant ones.

At the end of the week, we had a closing meeting where I gave final instructions. We also discussed the enumerators' impressions on the questionnaire. They reported that, on the first day, they had difficulty getting used to the format of the questionnaire (skip patterns) because it was the first time they used such a questionnaire. They also clarified that they were already comfortable with it the second day.

According to the team, the Production record and Credit modules are the most difficult ones. One of the enumerators also mentioned that, at the beginning, she found it difficult to get used to all the agricultural terms. We had to change the original order of presentation of the modules to adapt to the latest changes in the questionnaire and consequent delays in the modifications of the Cebuano questionnaire and Xeroxing.

Credit availability and lending methodologies, insight from the Municipality of Quezon, Bukidnon.

I spent two weeks in Quezon, one of the survey municipalities, to collect information on the different types of lenders operating in the survey area and their lending methodologies. RIMCU chose to send me to the municipality of Quezon because it is the center of our research area and also is the municipality where the BUSCO sugar mill is located. During the first week (Aug 12- Aug 18) I stayed at the Makabaya pension house and the second week (Aug 24- Aug 28) I have been kindly accommodated by Ms Baldoman, the municipal accountant. I would like to acknowledge the substantial help and information provided by my two hosts and by all the employees of the municipality of Quezon.

The majority of my respondents were the lenders themselves but I also interviewed some clients who informed me about the presence of different types of lenders (lending firms, microfinance NGOs) unknown to my contacts in the municipality. This work was made possible with the collaboration of the municipality of Quezon. Marie was introduced by RIMCU to the mayor and to Engineer Joel Ilar, Municipal Planning Development Officer of Quezon. Engineer Ilar offered his motorcycle for my different interviews and requested the help of Demetrio Llagas, a municipal employee in charge of the cooperative organization (and former teacher of the BUSCO academy) to drive me and translate my interviews into Cebuano. I will not detail here all the information that I collected. I transcribed all my interviews and my notes are available upon request.

Lenders in the municipality of Quezon

Regarding the lending methodology (and consequent credit needs that each lender could address), I focused on the determination of loan size, collateral requirement, interest rate, duration of the loan, timing of repayment, processing fees (including capital build-up requirement, mandatory savings, and regularization expenditures for land) and consequences of delay in repayment. Other questions on the selection of the clientele, number of similar lenders operating in the area and size of the operations (number of borrowers) were more focused on the availability of the credit services. Additional information was collected on competition and information sharing among competitors. The list of persons I interviewed together with their organization and date of interviews is in Annex I. The table on Lending Methodology in Annex II summarizes the principal characteristics of the different lenders I interviewed.

General comments:

- The credit market appeared to be really segmented by the type of loan of the lender and by their clientele.
- Coverage of microfinance programs is minimal. Those programs cater to small income generating activities that generate daily or weekly income. There is no microfinance program in agriculture.
- Agricultural loans seem to be mostly provided by cooperatives and municipal programs. Other banks provide agricultural credit that requires hard collateral. The credit provided by the cooperatives and municipal programs do not seem to be sufficient to cover credit needs for production. Is the remaining part covered by self-financing or by costly local credit? Is the entry cost (usually in terms of capital build up or shares) of these cooperatives affordable for all farmers? Is there a lot of interlinked credit?
- *Availability of credit for small non-agricultural income generating activities.* The lending firms mostly cover the credit needs for these activities. Those lending firms are interesting institutions:

moneylenders organized like banks but engaged in small and character loans only (see figure 1, annex III for the organization of one of those lending firms). It is also the type of credit that the microfinance programs are interested in but as of now the coverage of microfinance programs is really limited. Regular loans of financial institutions and cooperatives based on capital shares or salary can also be used to finance business activities.

- *Durable goods*: Some vendors provide the buyer with installment programs. Regular loans based on capital shares in financial associations or cooperatives or on salary can also be used to acquire durable goods. Paluwagan (local term for ROSCAs) even if they don't seem to be really important can also be used to finance durable goods.
- *Fiesta*: There seems to be a lot of financial associations organized to finance the fiesta. Those organizations sometimes even pressure their members to borrow.
- *Other loan needs (education, food, shocks...)*: No specific program or lender for those loans. Regular loans from cooperatives, pawnshops, collateral loan from individual lenders might be used.

All in all, credit seems accessible for production and small business activity. For small businesses the prevailing interest rates remain high. For agricultural loans, the amount granted by the cooperatives and municipal programs seems insufficient to cover all the production needs.

It seems really difficult to obtain an emergency loan or a loan to start a new activity without hard collateral. Despite their low interest rate compared to individual lenders or lending firms, formal and semi-formal lender have a limited coverage of the poor households, select their borrowers and entail a lot of paperwork, assessment (and sometime long meetings) that make them less competitive than the lending firms.

People seem to borrow frequently but savings seems to be neglected. As of now, only banks are accredited to collect savings. NGOs cannot have savings in excess of the loan amount of one their clients.

Notes on other lenders that I didn't have time to interview:

Intermediaries (fertilizer and seeds seller or crop buyers): Neither the municipal employees nor my first respondents were aware of any intermediary extending credit. One name emerged but when I visited the person, she had already stopped giving loans some years ago. Most of the small farmers seemed to rely on cooperatives and municipal programs for credit. Two days before I left I was given two new names of intermediaries that could extend interlinked credit. It was explained that those people were very busy and that they wouldn't have time to speak with me before I leave. The quantitative data might be useful to check whether interlinked credit is really infrequent in Quezon and in the other municipalities. Agnes mentioned in her February trip report that loans from regular source (suki) is one of the prevalent ways to get production credit. The contract she was told about was loans with a 10% monthly interest rate from the corn buyer. Agnes gave another example of a corn tenant who obtained fertilizer on credit from the Mayor L. at P500 per sack (cash price: P430), three months to pay. If interlinked contracts are more frequent for corn, the dominance of sugarcane in Quezon might explain the apparently low frequency of intermediaries' loans.

Land Bank: The farmers' cooperatives that I met reported that they borrowed in bulk from the Land Bank. The nearest Land Bank branch from Quezon is the Land Bank from Maramag. Agnes mentioned that only 2 000 of the 7 000 cooperatives were accredited and eligible to borrow from the Land Bank. The information that I reported in Annex I come from the web site of the Land Bank. Maybe Venboy can provide us with more details on the loan sizes, eligibly conditions for the cooperatives.

Rural Bank: There was no rural bank in Quezon. During the discussion on the codes for the source of the loans with the enumerators, it appeared that it was important to differentiate rural banks from the commercial banks since they were providing lower interest rates.

Sari-sari stores: I didn't have the time to interview a typical sari-sari store in Quezon and have no information on the maximum advance that they allow, occurrence of problems of payment...

Dodong, who is a member of the RIMCU team, has a sari-sari store in Don Carlos, one of our municipalities. He told me that usually people pay when they receive their salary (every two weeks for municipal or government employees, weekly or daily for laborers). He doesn't allow farmers to avail of credit for a longer period.

BUSCO: Agnes mentioned in her February trip report that BUSCO extended credit to the sugarcane planters close to harvest at a monthly interest rate of 3%. This credit isn't provided by BUSCO itself but by the DCDB thrift bank that is next to BUSCO.

Stores that provide installment credit for appliances.

Manila: September 2-7.

In Manila, I met some of the key researchers and practitioners on rural finance in the Philippines: Piedad Geron (Chief of Party, Credit Policy and Improvement Program), Emmanuel Esguerra (Associate Professor, Economic Research Center, School of Economics, University of the Philippines), Mario Lamberte (President of the Philippines Institute for Development Studies), Gilbert Llanto (Vice-President of the Philippines Institute for Development Studies), Eduardo Jimenez (BSP consultant on microfinance) and Joselito Almario (National Credit Council).

They confirmed two findings from the field on microfinance:

1. Microfinance was far from widespread for the moment even though there is a lot of discussion at the policy level.
 2. Microfinance does not usually include agricultural loans in the Philippines. Microfinance is largely associated with business or off farm activities that allow daily or weekly collection of the repayment.
- They advised me to have a look at the examples of CARD¹ bank and of the Rural Bank Santo Tomas (from Davao).

CARD NGO tested a modified Grameen Bank scheme for close to eight years before establishing a rural bank, **CARD Rural Bank**, in 1997.

Almost all of CARD's clients live below the poverty line in rural parts of the country. As of December 2001, about 20% of the client-base is in agriculture, 60% in commerce, 15% in manufacturing and 5% in services.

CARD provides initial membership training, including value formation and leadership development training.

There are five loan products, all with weekly installments: *regular loans*, increasing from a first loan of P2,000 to a fourth loan of P10,000; *asset acquisition loans* up to P50,000; *housing loans* up to P20,000; *short-term, multi-purpose loans* up to P5,000; and *prime-borrower loans* up to P100,000. Maturity ranges from 12-75 weeks; but most are 50 weeks. Interest rates are a flat 20 per cent, plus an upfront service fee of 4 per cent. Effective annual interest rates are approximately 45.6 - 53.8 per cent.

Upon loan disbursement, 5% compulsory savings is deducted which is recorded for individual members. In addition, group members save US\$0.50 per week.

As of December 2001, CARD had 70,138 active clients/members, 71% of which were women. All of CARD's clients are savers and 49,887 are borrowers. The average loan size was about US\$110 equivalent. CARD reported 0% portfolio at risk as of 30 days.

CARD also provides microinsurance to its clients; the Members Mutual Fund (MMF) covers death, disability and pension benefits.

¹ CARD stand for Centre for Agriculture and Rural Development

The **Rural Bank Santo Tomas** is the only example they know of a microfinance program engaged in agricultural lending. It provides market interlinkage with the seeds dealers and irrigators associations in the line of the Masagana 99. The rural bank provides a list of accredited dealers. The number of dealers is large enough to promote competition. The only difference with the Masagana 99 is that the traders will issue the revenue of the farmer to the bank (so that the farmer cannot cheat on his revenue when time of repayment comes).

- On the implementation of the Grameen methodology in the Philippines:

The PCFC is providing loans to Grameen replicators only because it is a condition of the ADB. However, they allow for adaptations from the Grameen methodology and usually the microfinance programs have a methodology that is a mix of the Grameen and ASA methodology (all the group members borrow at the same time). While it is clear that the Grameen Bank has done a lot for microfinance, restricting microfinance to this methodology in the Philippines is an impediment for innovation and expansion of microfinance. The association of microfinance with weekly repayment makes it difficult for microfinance practitioners to conceive that microfinance programs could also provide agricultural loans (and not only off farm activity for agricultural households).

But Agnes mentioned in her trip report that “the new ADB loan would look into different approaches, not only Grameen-style approaches, as well as different products such as housing, tree crop, etc. One of the important components of this loan would be designing incentive systems for bank to lend to the agricultural sector, replacing direct credit programs.”

- I was given two documents:

1. *Presentation of the policy and operational framework for microfinance in agrarian reform areas.* This document includes: National strategy for microfinance; Policy and operational framework for microfinance in agrarian reform areas. (Paper); Philippine credit policy and microfinance institutions: Some lessons from the Latin American experience. (PIDS policy notes); Microfinance policy initiatives in the Philippines (PowerPoint presentation); Policy and operational framework for microfinance in agrarian reform areas (PowerPoint presentation).
2. *Performance standards for all types of microfinance institutions in the Philippines.*

Mario Lamberte also mentioned me 3 recent Discussion Papers of the PIDS on rural finance:

- Poverty and access to microfinance with gender dimension.
- Efficiency and expense preference in the Philippines’ cooperative rural banks.
- Integrating gender perspectives in evaluating the efficiency of COFI: The case of credit cooperatives in the Philippines.

- On Friday, August 5, I was invited to attend a **seminar on microfinance** organized by Eduardo Jimenez and the Bangko Sentral ng Philipinas. The purpose of the seminar was to provide information on microfinance to rural banks so that they would engage themselves in microfinance. There were around 130 participants.

Talks of the day:

1. *Opening remarks*, Fe B. Barin, Monetary Board Member
2. *Introduction to Microfinance*, Eduardo C. Jimenez
3. *National Strategy for Microfinance*, Joselito Almarino and Piedad Geron
4. *BSP initiatives and BSP circulars*, Ricardo P. Lirio, SEII BSP Managing Director
5. *Practitioner’s presentation: Group methodology*, Josaias dela Cruz, Opportunity Microfinance Bank, President and COO
6. *Practitioner’s presentation: Individual methodology*, Ellen Metica, Bangko Kabayan, Assistant Manager Loans Dept.

During the open forums, there were some interesting questions on what is/ isn’t considered as microfinance. Rural banks were actually highly interested in the possibility to extend “unsecured” loans to some of their clients. Questions have also been raised on the “recommended” methodologies that must be followed to qualify as a microfinance practitioner; as well as a question on the possible adaptation of the repayment schedule to allow for agricultural loans, which are typically of longer duration.

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