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VESSEL FOR CHANGE AND GROWTH: MICROFINANCE FOR WOMEN

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Nemfa Pajo, area manager
of MILAMDEC Foundation's
Tibod sa Barangay

The daylong festivities marking the 12th year anniversary of the “Tibod sa Barangay” project of MILAMDEC Foundation in Cagayan de Oro included the awarding of a plaque of recognition to Canada Fund for Local Initiatives (CFLI). CFLI was cited for its support to the microfinance project in its pioneering years in 1993-1994.

MILAMDEC was organized to reach out to the disadvantaged sectors and contribute to the national and global poverty alleviation efforts, specifically among the entrepreneurial poor women in the rural areas in Mindanao, who comprise a large chunk of the country's informal sector cut off from the formal banking system. It initiated Tibod sa Barangay in 1992 to replicate the Grameen Bank. The goal was to increase the rural poor's incomes through the delivery of cost-effective financial services, including credit and savings. From the loans available for the capitalisation of livelihood activities, members could improve their quality of life, which can be measured in terms of the quality and quantity of their food intake, housing and amenities, the extent of their children's schooling, health, as well as the money they are able to save and additional assets acquired from

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the proceeds of their livelihood projects and improved skills and capacities.

Initially implemented for Lumbia, a district of Cagayan de Oro, today, the project has 14 branches spread over 60 municipalities and four cities in eight of Mindanao's 25 provinces.

Tibod sa Barangay also plans to diversify to insurance, in response to the members' needs and demands. Supplemental but equally important to the goal of empowerment and livelihood viability is the project's investments on gender seminars and livelihood training to members.

Tibod sa Barangay attests not only to the validity of the concept of microfinance as a poverty alleviation tool but also to its potential for sustainability. The project has a loan portfolio of PhP58 million (Cdn\$1.45 million) to over 14,000 members, one of the biggest micro-lending endeavours in Mindanao. MILAMDEC does not confine itself to being a "voluntary savings and loan institution." Last year, its subsidiaries in Pangantucan in Bukidnon and Salay in Misamis Oriental were phased out and absorbed by the rural banks in the areas, of which MILAMDEC is the majority stockholder.

The successful graduation of borrowers into the formal savings and credit system marks MILAMDEC's rigorous search for the best formula to tap into the poor's "bankability" as a way of alleviating their poverty. The foundation did not stick to established models, adjusting policies and systems along the way. For example, what was initially a plan patterned after the renowned Grameen Bank in Bangladesh, which is premised on group accountability, was eventually combined with the ASA (Association for Social Advancement, also in Bangladesh) model, which, on the other hand, is premised on individual accountability. "Some areas do not lend themselves to the Grameen Bank model," explains MILAMDEC staff Nemfa Pajo, "because the homes are too far way from each other, or the neighbourhood is not that close."

MILAMDEC's flexibility responded not only to the physical context of Mindanao but also to the people's common cause of resistance to group-based microfinance initiatives — that they are also penalised for someone else's lapses. Under the original scheme, five members formed one cell, and if a member defaulted on her loan obligation, the four others had to shoulder this. MILAMDEC adapted to the resistance to this scheme, and subsequently treated loans as an individual member's obligation.

Today, the members are still grouped, from five to



Project members are expected to know by heart the Tibod sa Barangay pledge.

Melanie, Pelagia,
Madeline, Tibod sa
Barangay members from
Bukidnon province



10 each, but only for easier administration. The group leader helps the project staff manage the group.

For women only

An underlying objective of the project is to contribute to women's empowerment. Linda May Lunaan, a staff of MILAMDEC, attributes the sustainability of Tibod Sa Barangay to the women's determination to fend for their families. Because the women are in charge of the family budget, they are the ones primarily responsible for stretching this to meet the household's basic needs. The project beneficiaries are exclusively women, who usually venture into retailing (cooked food, vegetables, fruits, other farm produce).

For the rural women, the multiple burden has become more and more difficult to bear. The vendors, for example, have to be in the market as early as three o' clock in the morning, then return home three hours after to send their children to school, then resume their selling activities in the afternoon until early evening. In the market, they experience all forms of rent, including the usurious loan interests charged by money lenders.

Others members are engaged in livestock raising (swine or poultry), small-scale manufacture of footwear and clothing, and the culture of seaweeds, which are dried and then sold to buyers from Cebu.

"We don't want to lend to men, they will just use the money to buy liquor or cigarettes, or as ante for cockfights," Linda teased. She drops the smile and turns serious. "The women have really shown themselves to be dependable," she said, referring to the women's multiple burden of fending for the family, managing the household and contributing to the family income. "And we can also depend on their social skills to discipline

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Joharry Mundo, the branch officer in Opol and a member review her loan application carefully.



each other, remind one another of their obligations and responsibilities as members.”

One Friday afternoon in May, a cluster of women is seated outside the branch office in Opol municipality, beside Cagayan de Oro City. All first-time borrowers, Melanie, Pelagia, Madeline belong to one cell. Melanie is married to a plumber employed as a casual in construction projects. The sari-sari store she runs therefore sometimes supplements the family income, but more often, it serves as the major source of the family’s income. Pelagia sells pork on Sundays, the market day, and is looking to raise more pigs to boost the family income. Madeline’s husband is a carpenter earning PhP200 (Cdn\$5) daily, but because the work is seasonal, she has to devise assorted ways and means to meet the family’s needs. In the cold months leading up to Christmas, she buys cartons of imported fruits and sells these in the market. In the hot months, she makes rice cakes and fried bananas, and sells these house-to-house.

Stringent requirements

Melanie, Pelagia and Madeline are the women determined to provide their families a better life that Tibod sa Barangay seeks to serve. But the membership requirements are stringent. First, applicants go through a “trial period” of two months when they are expected to save and deposit regularly to their accounts. The rationale behind this is to encourage savings. Apart from the orientation training for seven Saturdays, the members take an oral test to verify their understanding of the policies governing loans.

MILAMDEC’s hard-nosed approach to loan applications in part explains Tibod sa Barangay’s success. A loan application entails a detailed business plan in the member’s own handwriting, and must

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The branch officer then reviews the plan with the applicant meticulously, line per line, until he or she is convinced that the budget is realistic and the proposal is viable as a whole. Given the number of applications the branch officers have to review, they are already familiar with the costings of practically every kind of livelihood venture the members plan to pursue, and can easily spot any “overpricing.”

On the actual release of the loan, the member first raises her right hand and recites the Tibod sa Barangay pledge, which she should have learned by heart from the start.

But the persistence has its sweet reward in the form of credit for livelihood ventures at a minimal interest of 3.3 percent. This is no paltry prize, for credit from informal sources in Mindanao comes at excessive interest, reaching as much as 240 percent per annum, and, in case of defaults, notoriously steep penalties.

The loans now start at PhP2,000 (Cdn\$50), from PhP1,000 (Cdn\$25) when the project began; then, PhP3,000 (Cdn\$75); then PhP4,000 (Cdn\$100), depending on the applicant’s actual capital needs. The loans are payable in six months, and theoretically, a member can borrow for an unlimited number of times as long as she settles her dues promptly.

The staff are key to the project’s longevity. Most of those assigned to fieldwork are young. “We don’t require you to have finished college, but you have to be really committed to helping the poor,” Linda said. The majority of the senior staff, she added, started from the ranks and have stayed on.

One also has to have inordinate pluck to cope with the tension that comes with the job. The staff soon learn



A member in front of her eatery capitalised by a loan from Tibod sa Barangay.

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how to deal with an irate and drunk husband demanding to know why they are forcing the wife to settle her past dues when there really is no money to cough up. Nemfa recalls being confronted by a rampaging husband while she was hunched over paperwork. It took a while before she could find her voice, but she managed to ferret out the problem with the man.

The incident took place 11 years ago, when Nemfa was just a few months on the job. Today, she supervises the project branches, and is the longest-staying staff of Tibod sa Barangay.

Basin of hope

Valeriana was an ambulant vendor of garlic when she became a Tibod sa Barangay member five years ago. She was able to add onions and sweet (bell) pepper to her product line over the years. Now looking to her seventh loan, she has a small stall offering an almost complete line-up of spices and vegetables. She hopes she will be able to borrow as much as Php20,000 (Cdn\$500) so she can get another stall in the market, this time to sell meat. “It’s okay if I don’t get the Php20,000 I’m hoping for, but next year, it’s a must that I raise the money for that stall,” she said.

The eldest will enter high school next year, she explained, and the financial requirements, she is certain, will grow exponentially.

Valeriana herself was the school’s valedictorian, which automatically qualified her for a scholarship in the state college. But she married before she could finish her course in Math education. “I’d probably still be in business had I managed to finish my college education,” she said, “but maybe wearing fancier clothes.”

When all three children finish schooling, Valeriana said, she can plan for their own house with a toilet and bath, and running water. “That is something you should work for,” Linda encouraged her.

The phenomenal growth of Tibod sa Barangay and the absorption of two of its branches into rural banks, challenges the mindset of the conventional banking system, proving that the poor, particularly women, are credit-worthy. Given the chance, they can use credit productively and develop the ability to save. While microfinance alone can not eliminate poverty, it is a powerful tool for mobilising the poor themselves to work for its eradication. Rigorously managed, microfinance is a vessel brimming with hope.