

**BANKING WITH THE POOR: RURAL BANKS ENGAGED IN
MICROFINANCE IN CALABARZON**

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ESII 0**

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By

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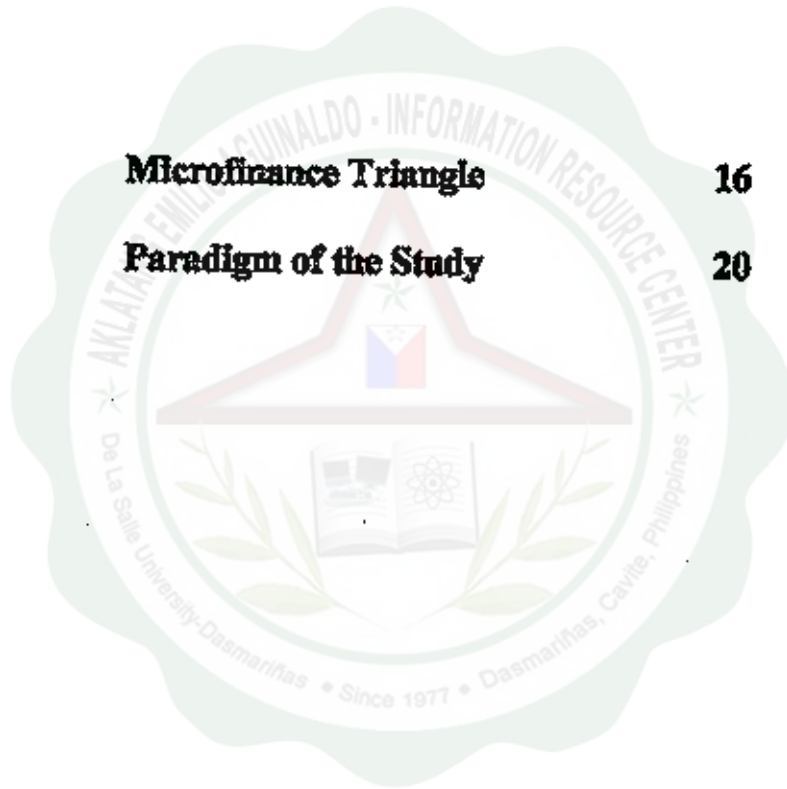
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BANKING WITH THE POOR: RURAL BANKS ENGAGED IN MICROFINANCE IN CALABARZON

RESEARCHER: AURORA C. SANTARIN

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RESEARCH METHOD: Descriptive and Qualitative

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The study gave the 22-CALABARZON Bangko Sentral Licensed-Rural Banks with Microfinance Service and their 340 three-time loan cycle borrowers a thorough look to identify the operational practices of the BSP Microfinance Service in contrast with the pioneering Bangladesh micro-credit models: the Grameen and ASA models. Only 18 were finally covered by the study after excluding two Rizal Province based rural banks which were just recently licensed to offer micro-credit and two others in Quezon Province where the researcher felt it was too risky to venture into in view of the unstable peace and order situation brought about by the constant encounters between the military and the left-wing- inspired group. Prior to these banks going into microfinance, executives of these respondent banks underwent rigorous training with MABS (Microenterprise Access to Banking Services) on micro-credit practices and philosophies.

A researcher-constructed survey questionnaire and a structured interview along with occasional qualitative observations were the principal data-gathering techniques used. Content and historical analyses were also availed. The qualitative approach was deemed significant in view of the differences in the socio-economic demographics of the seemingly well-heeled borrowers and the group leader of the cell- borrowers who were requested to participate in the studies. The economic environments and neighborhoods where the rural banks operated also warranted the use of the qualitative technique. Extremes in the lifestyles of borrowers where noted, the car riding borrowers and the seeming poor among the poorest in the other spectrum.

The salient statistical tools used were: percentage, ranking, average weighted mean, ANOVA, chi-square, t-test, and Kruskal-Wallis for the appropriate treatment and arrangement of the data consistent with the problems sought to be answered.

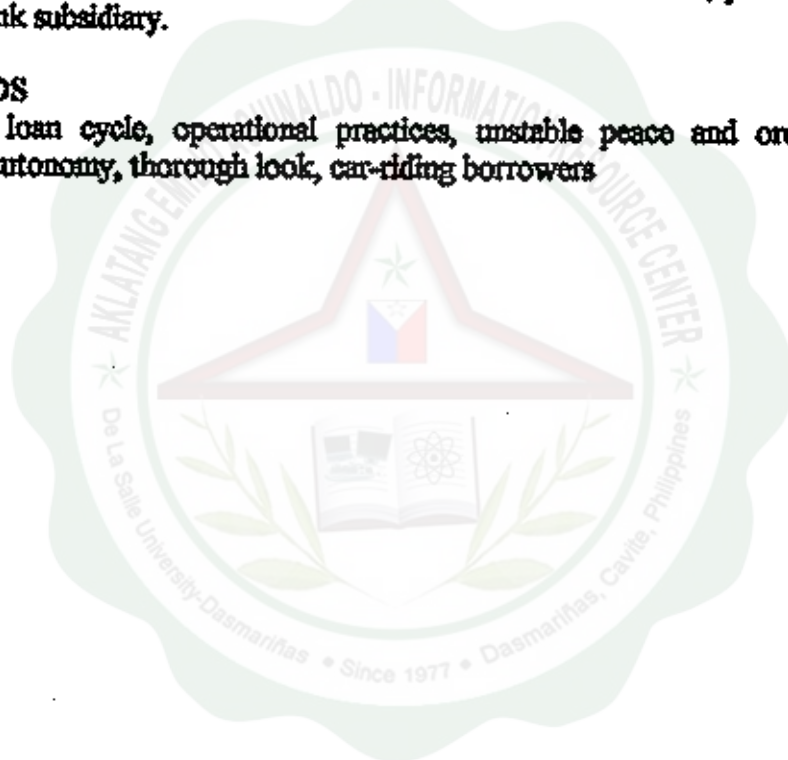
The rural bank participants exercised autonomy in the choice of micro-credit models to use, in fact, the micro-finance service is a variant of the original model and typical loan credit extended by as evidenced by varying minimum loans ranging from a (P5T high thousand figure) and a (P20 T) high two digit and for the maximum loan a minimum of (P20T) and a maximum of (P88T). These, in contrast with the their Grameen and ASA ranges, are too high, although the minimum of the minimum range when divided into a circle or group loan of eight members, would be a good approximation of the original models' minimum.

With respect to interest, prevailing interest rates are charged but noted variants in period. One bank was found charging 20% per every six month, the highest noted. While collaterals were not required, credit investigations look into land and other property holdings of borrowers, a practice necessitated by the difference in the loan requirements of the broad spectrum of borrowers. Respondent borrowers where unanimously overwhelming in claiming that the microfinance projects have bolstered their socio-economic standards of living including education and medical needs among others.

Except for the foregoing and most probably intensity of practice, most of the original features of the original micro-credit strategies found their way into the BSP Rural Bank Microfinance project. The study revealed, despite the relatively short period of time the Micro-finance project had been in existence, affirmed that the original GRAMEEN, ASA other variants could be viable rural bank service, perhaps as a function of a rural bank subsidiary.

KEY WORDS

Three time loan cycle, operational practices, unstable peace and order, well-heeled borrowers, autonomy, thorough look, car-riding borrowers



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