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"Bridge to progress" is with MCPI

For the new year, the Microfinance Council of the Philippines, Inc. (MCPI) welcomes its newest member, Rangtay sa Pagrang-ay, Inc. (RSPI).

Rangtay sa Pagrang-ay, Inc., Ilocano for "bridge to progress", was established in Baguio City on March 1987 as a non-stock, non-profit Christian non-government organization with the mission of reaching out to the less

TURN TO PAGE 3

What's Inside

- 1 ■ "Bridge to progress" is with MCPI
 - Pricing Transparency: MFTransparency Data Launch and Regulator's Forum
- 2 ■ Non-Filipino citizens as part-owners of rural banks
- 4 ■ SEEDFINANCE: Towards Microfinance Success on Mobile Banking
 - A "plus" in microenterprise loans

Greetings

Happy 20th Anniversary,
Paglaum MPC!

For articles, suggestions and feedback, please send an email to the secretariat@microfinancecouncil.org



Pricing Transparency: MFTransparency Data Launch and Regulator's Forum

Laila Q. Deles, MicroFinance Transparency

Gathering Microfinance stakeholders to address issues on pricing transparency.

An emerging issue facing the microfinance sector is knowing and understanding the true price of a loan. The confusing pricing mechanisms employed by microfinance institutions and the lack of policies to standardize pricing have resulted in the vast majority of MFIs practicing non-transparent pricing. This is a bad situation not only for the poor but also for the entire microfinance industry.

In the Philippines, two major initiatives were launched over the recent months to better understand the prices of loans and help promote better pricing disclosure. In March 2011, the Transparent Pricing Initiative in the Philippines was launched by MicroFinance Transparency (MFTransparency). This Initiative collects product prices of all micro-loan products and reports them through a common and objective measurement system. A few months later, in July, the Bangko Sentral ng Pilipinas (BSP) released Circular 730 which revised the Truth in Lending Act to enhance loan transaction transparency.

TURN TO PAGE 2



Pricing Transparency Data Launch and Regulator's Forum

To better appreciate these two initiatives, the Microfinance Council of the Philippines, Inc. (MCPI) in partnership with MFTransparency organized two half-day workshops entitled "Measures of Transparency in Pricing: Prospects for a Robust Philippine Microfinance Industry". Attended by over 90 participants representing various stakeholders, the workshops were held last December 7 and 9 in Manila and Cagayan de Oro City.

The first part of the program was a presentation of the results of the data collection conducted by MFTransparency. Over a period of 7 months, pricing data was collected from 43 MFIs representing US\$351 million/PhP 15 billion in outstanding loan portfolio to 2 million clients. Among the findings of this Initiative is the common practice of using the flat method for computation of

interest and mandatory collections for insurance and savings deposits. This has contributed to a wide range of annual percentage rates from 17 percent to 340 percent (including interest, fees, insurance, tax and savings), across different loan amounts and types of institutions. Interestingly, there was no observed difference among the prices of NGOs, banks and cooperatives. A copy of the full report can be downloaded for free from the MFTransparency website (www.mftransparency.org).

The second part of the program was a forum with BSP representatives regarding Circular 730. Mr. Gerardo Butardo, Deputy Director, MSME Finance Specialist Group; Mr. Ed Jimenez, Microfinance Consultant; and Ms. Pia Roman-Tayag, Head, Inclusive Finance and Advocacy Staff explained the implications of the said circular. Among the salient points of this circular is the use of declining balance method for the computation of interest and use of Effective Interest Rate (EIR) to communicate prices. For most MFIs, this will mean having to disclose higher prices to clients, regulators and the public in general. Thus, financial education will be critical to explain such changes. It was further clarified that BSP is talking to the other regulatory bodies to ensure that these policies will apply not only to banks but also to NGOs and Cooperatives. The circular will take effect in July 2012.

The move towards greater pricing transparency will not be easy.

However, working together, the industry can overcome these challenges and start moving in the right direction towards a more robust, efficient and market-focused industry. ♦

Non-Filipino citizens as part-owners of rural banks

Non-Filipino citizens may purchase, acquire or own up to 40 percent of authorized capital stocks of rural banks in the Philippines; and may participate and become members of the Board of Directors according to House Bill 5360, recently passed on third and final reading by the House of Representatives. This bill seeks to amend Section 4 of Republic Act 7353 or the Rural Banks Act of 1992 that provides that only Filipino citizens shall fully own and hold, directly or indirectly, the capital stocks of rural banks. The amendment seeks to encourage new source of capital for rural banks enabling them to expand the services to various sectors that, ultimately, will promote comprehensive rural development. For the complete story, please go to <http://www.congress.gov.ph/press/details.php?pressid=5780>. ♦

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privileged and transforming their lives through Christ-centered enterprise, microfinance and community development.

On its 25th year, RSPI now has twenty-five branches in ten provinces all over Luzon. It has around 40,000 clients with a loan portfolio of PhP140 million. These figures, however, do not mean that RSPI is not without its fair share of challenges as the organization almost “closed shop” in 2004. Capacity-building and adherence to good microfinance practices by the board, management and staff have equipped them to manage risks. They were able to map out plans for RSPI’s recovery that included restructuring, and review and revision of existing services and methodology. At the end of the same year, RSPI showed operational and financial self-sustainability.

RSPI offers the following loan products for the different needs of a poor family: regular business, individual business,

agricultural development, livestock, community development, emergency, educational, and salary loans. It also encourages clients to save through its compulsory and voluntary capital build-up programs. Family protection program includes micro-insurance and mutual assistance programs.

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Transforming
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To fully realize RSPI’s mission and vision, adult learning and values education programs are designed and delivered to develop and instill Christian values in clients and staff alike. They tackle topics for spiritual development, values formation, health education and personal development.

As RSPI works to transform the lives and spiritual well-being of its clients, so does it endeavour to do its part to protect the environment. Most notable among its efforts is the integration of Environment Friendly Enterprises to its programs, where they choose to support enterprises that do not harm the environment.

Disaster Management Program is also in place in case clients and staff would be affected by calamity. In the works are the Clean Air Campaign and Waste Management Program of RSPI.

After its strategic planning in 2009, RSPI designed business development services for its clients to help them manage and expand their enterprises. This was its way of realizing its vision of poor families improving their standards of living through thriving livelihood, and growing in God’s guidance and grace. It was also during this time that social performance management (SPM), along with expansion, became part of the plan. Last year, SPM was integrated in RSPI’s business plans.

Partnerships with other institutions help jumpstart the activities developed by RSPI for its community development programs. The Community Based Enterprise Development Program, in partnership with Landbank Countryside Development Foundation, Inc. is for the indigenous people in the Mountain Province and Benguet. Still in its conceptualization stage but equally significant is the Adopt-a-Barangay program that aims to transform the chosen marginalized community and bring to the place the needed medical services, livelihood programs as well as other social services

Indeed, it has been a 25-year challenge and triumph for RSPI. Steering the organization through this journey is the six-strong Board of Trustees composed of Mr. Tolentino O. Opiniano, Ms. Fabiola F. Boseman, Mr. Henry Caluya, Dr. Linda P. Macalalag, Mr. Galo Weygan, and Engr. Benigno V. Andam; and the Executive Director, Ms. Alma M. Estolas. With capability, resilience and faith, the future looks very promising for RSPI, its management, staff, and clients.

Welcome, RSPI! ♦

A “human face” on the SPM movement in the new Imp-Act website (www.imp-act.org)

The screenshot shows the Imp-Act Consortium website. The header includes the logo and tagline "Making microfinance work for the poor and excluded". A search bar is present. The main content area features a video player with the title "Fulfilling the Promise: Managing social performance (English, Short)" and a description: "This film captures the Social Performance Management (SPM) experience of two mission-driven MFIs, SEF (South Africa) and AMK (Cambodia)." There are language selection options for English, Spanish, French, and Arabic. Below the video, there are links to "Learn more about SPM" and "Read the SPM principles".

SEEDFINANCE: Towards Microfinance Success on Mobile Banking

Adrian S. Aliwalas, SEEDFINANCE

Mobile banking (M-Banking) is a method of performing banking transactions with the use of mobile devices such as mobile phones, laptops and automated teller machines (ATMs). SEEDFINANCE Corporation continues to support its partner financial institutions (PFIs) by introducing this technology to extend innovative services and processes for the benefit of the end-clients. The company has initiated several training and advocacies to educate these organizations in the systematic utilization of mobile banking to become a part of their daily operations. Its primary purpose is to provide cooperative members, especially those in far-flung areas, with the easiest access to different financial services of their respective institutions through the simple use of their fingers and mobile devices at the lowest cost possible.

One of the PFIs of SEEDFINANCE that advocates M-Banking is First

Consolidated Cooperative Along Tanon Seaboards (FCCT) in Cebu. FCCT, as the result of two-time consolidations and three mergers of seven primary cooperatives, has grown into a large organization which covers the Visayas region. To date, it has a total of 16 active branches with regular microfinance activities. FCCT has piloted its mobile banking operations in June of 2010 in its Tuburan branch and started to use the technology on services such as money transfers, releases of loans, distribution of salaries to employees, ATM withdrawals and reloading. Ten of its branches are now actively participating to give efficient and reliable services to their members.

Through SEEDFINANCE's partnership with Smart Communications and ENCASH, FCCT has been accredited to issue Smart Money cards and establish automated teller machines, respectively. It has successfully generated 4,103 Smart Money applications of members who are currently utilizing the cards to receive loans, transfer funds to their loved ones, reload prepaid credits and manage the financial aspects of their business. The total funds released by FCCT to their clients through Smart Money has amounted

to PhP5.4 million while the total funds collected as of December 2011 has reached PhP4.5 million. It has brought convenience to both the organization and its end-clients; and has provided new business opportunities as well as new income sources, which bring them closer to progress. As a result of keeping abreast with this innovation, FCCT has also earned cash awards, good public perception and international visits of personalities who wish to see how mobile banking in the Philippines works. The institution plans to integrate mobile banking to its savings product, such as the anticipation of the "text a deposit & text a withdrawal" schemes.

SEEDFINANCE is indeed grateful to receive support from the MCPI-managed Financial Product Innovations Fund, which has been very helpful in leading the company to carry on with its goals- to spread mobile technology to all of its partner financial institutions and build cashless communities in remote islands in the country. This is only the beginning of SEEDFINANCE's advocacy towards financial inclusion in microfinance through mobile banking initiatives. ♦

Something new for the new year...

Welcome to MCPI!

www.microfinancecouncil.org

A "plus" in microenterprise loans

Recognizing microfinance as an effective tool to address the wide range of financial service needs of its market; and the microfinance loans' role in sustaining and helping enterprises grow, the Bangko Sentral ng Pilipinas (BSP) issued Circular 744 dated December 28, 2011, enhancing the definition of microfinance loans to include "microfinance plus" or the "microenterprise loans plus". The circular will address credit requirements of more than PhP150,000 by growing enterprises. For its provisions, please read Circular 744 at <http://www.bsp.gov.ph/downloads/regulations/attachments/2011/c744.pdf> or <http://www.bsp.gov.ph/regulations/regulations.asp?type=2&id=2862> ♦