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Microsavings: The Cantilan Bank Experience

As presented by Brig. Gen. Charles Y. Hotchkiss, Executive Vice President, Cantilan Bank, Inc.

Historically, microfinance institutions have focused primarily on credit services. Today, there is growing recognition that low-income households need and use a variety of financial services which include savings to reduce vulnerability of the poor clients. With savings, clients may hold on to a cushion during hard times that help them extend their financial resources without totally crumpling their business back to zero.

Cantilan Bank, Inc. (CBI), a rural bank located in a remote area of Surigao del Sur in Mindanao, embarks on microsavings program with the objective of financial inclusion or to provide financial access to unserved remote areas or communities. It aims to help the poor build their own safety net because savings provides a frontline resource to use in emergencies. Ultimately, CBI aims to build the future of its clients by starting with children at an early age on the value of savings and banking.

CBI is one of the most technologically-advanced rural banks in the country. It recently purchased its own banking software. At the moment, CBI has ATM cards and debit cards for the clients, and is pilot testing the mobile banking feature of the ATMs.

CBI began offering microfinance services in 1999. The bank introduced group loan and cash flow-based loan products for individual microentrepreneurs, with the assistance of the United States Agency for International Development (USAID)-supported Microenterprise Access to Banking Services (MABS) program. Regular savings are embedded in the amortization payment of PhP30 to PhP50 per week.

Gen. Charles Hotchkiss noted that low income clients found a safe and convenient place to save in Cantilan Bank,

thus, CBI encouraged rural folks to save for their children's education, for business, or for emergency purposes. Safety and convenience are the priority factors for the clients. The deposit service became a way to reach low income household, and it is equally important, if not more so, as credit services to them.

It was also in 1999 that the Student Savers Club (SSC) was introduced in schools by the bank, where a minimum of PhP100 deposit is involved to open an account. It is a micro-deposit product for school children up to thirteen years old. The bank provides a free lock box where the child can temporarily save some coins, which will then be collected by the bank once a month. This later on expanded to include high school students.

To promote this program, the bank uses different marketing strategies which include simple product presentation during Parents-Teachers Association meetings, as well as distribution of pamphlets in classrooms; and some giveaways and incentives. CBI also holds summer activities and performing arts workshops for the SSC account holders.

The microsavings product was later rolled out by the bank to the indigenous people (IP), group loan clients, and Conditional Cash Transfer (CCT) beneficiaries.

In 2010, CBI reached out to the IPs of Claver in Surigao del Norte, who received a share of the national wealth on account of their right to the land that was being mined by companies. As an entry point, Cantilan Bank introduced basic financial recording and budgeting to teach the IPs how to better manage the money they received. Cantilan Bank also convinced the IPs to divide their money into several accounts that will cover health savings, education,

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CBI aims to build the future of its clients by starting with children at an early age on the value of savings and banking.

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etc. Later on, CBI also extended its financial literacy efforts to the IPs of Alegria, Surigao del Norte and other mining areas in Surigao to get them to open regular savings and SSC accounts for their children as well.

SSC was also introduced to clients of the bank's group loan called MAKITA. The bank presented it during group meetings within the bank premises. It also conducted focus group discussions on the affordability, importance, and benefits of the product.

In 2011, Cantilan Bank became the distribution channel of the CCT program, the government's Pantawid Pamilyang Pilipino Program (4Ps). CBI was the first to volunteer for this program as other rural banks were quite hesitant to join. Though it required a lot of work, Cantilan Bank started the campaign with the CCT beneficiaries because it saw them as prospective clients. While some of them were microfinance clients already, a lot of them were still not.

In February 2012, the bank started savings campaign and financial literacy training for the beneficiaries. The training aimed to encourage them to save and open SSC account for their children. It focused on their financial situation and experiences as well as introduction of the basics of proper financial management. CBI is now serving 130,000 CCT beneficiaries.

For Cantilan Bank, financial literacy seminars have become a major tool for reaching the poor and distant communities. More often than not, after the seminars, the folks would open their first savings account for their children.

CBI's campaign for mobilizing microsavings is a continuous effort and requires continuous innovations. One innovation is the introduction of environmental awareness to the SSC depositors. In a project called "Banking on Waste", SSC depositors are asked to collect household garbage and sell it to scrap buyers accredited by the bank. The proceeds go directly to the children's SSC cans or their SSC accounts.

CBI acknowledges the fact that there are challenges in campaigning for microsavings in remote areas. Among the difficulties faced by the staff are traversing islands; traveling to mountainous areas; long treks on unpaved roads that are not passable by four-wheel transportations; and bearing with lack of electricity, heat and discomfort. Despite these, CBI's micro deposit accounts have grown substantially over the years from 48,401 in 2005 to 67,696 in 2011; and 72,538 as of March 2012. Then as of June 2012, the bank has already conducted financial literacy classes in 127 barangays; and has a total of 8,051 SSC accounts with deposit portfolio of PhP15.9 million and an average balance of PhP1,974. The total SSC-CCT savings account,

on the other hand, has grown to 903 accounts from all 14 branches with portfolio of PhP215,251, and average balance of PhP238.

In conclusion, Cantilan Bank is a rural bank servicing the remote areas, doing its best to reach out to poor households living in difficult areas. Moreover, Cantilan Bank brings the very poorest into the banking system by servicing CCT clients.



Principles for Investors in Inclusive Finance

The *Principles for Investors in Inclusive Finance* (PIIF) that provide a framework for responsible investment in inclusive finance, were launched in January 2011; and are housed within the *Principles for Responsible Investment* (PRI). The PIIF were designed by and for asset owners and investment managers.

Inclusive finance, which includes but is not limited to microfinance, focuses on expanding access to affordable and responsible financial products and services to those traditionally excluded. These include poor and vulnerable

populations, as well as micro and small enterprises. Inclusive finance encompasses a wide range of financial services including savings, credit, insurance, remittances, and payments to be provided by a variety of sound and sustainable institutions.

It is acknowledged that while indirect investors operate at a distance, direct investors can more directly influence adherence to the Principles. In signing the Principles, investors commit to the following:

- 1 **Range of Services.** Commitment to support retail providers to innovate and expand the range of financial services available to low income people in order to help them reduce their vulnerability, build assets, manage cash flow, and increase incomes.
- 2 **Client Protection.** Believes client protection is crucial for low income clients. Therefore client protection will be integrated in the investment policies and practices.
- 3 **Fair treatment.** Investees shall be treated fairly with appropriate financing that meets demand, clear and balanced contracts, and fair processes for resolving disputes.
- 4 **Responsible Investment.** Inclusion of environmental, social and corporate governance (ESG) issues in the investment policies and reporting.
- 5 **Transparency.** Promotion of transparency in all aspects.
- 6 **Balanced Returns.** Strive for a balanced long-term social and financial risk-adjusted return that recognizes the interests of clients, retail providers, and investors.
- 7 **Standards.** Collaboration to set harmonised investor standards that support further development of inclusive finance.



The PRI initiative is an international network of investors working together to put the principles into practice.

For the detailed discussion on the Principles for Investors in Inclusive Finance, you may access this link: <http://unpri.org/areas-of-work/principles-for-investors-in-inclusive-finance/>.

(source: <http://unpri.org/areas-of-work/implementation-support/piif-activities/>)

Financial Education: Helping Clients Make Sound Financial Decisions

As presented by Mr. Manuel Margate

Promoting financial education increases clients' awareness and understanding of the right values towards their finances by gaining the basic knowledge and skills in managing savings, income, expenses, investments, and being conscious of risks that will help them avoid over-indebtedness. Financial well-being and ultimately, a better quality of life for the client and his/her family are the results the sector hopes to achieve in providing non-financial services such as financial education. Financial education helps in reducing client vulnerability in the process.



The Negros Women for Tomorrow Foundation, Inc. (NWTF) is a non-government organization based in Bacolod City that was founded on August 9, 1984; and registered with the Securities and Exchange Commission on March 6, 1986. Currently, NWTF has a total of 58 Branches in 14 provinces in the Visayas and Palawan, with 921-strong workforce catering to 131,000 active loan clients.

Most of NWTF's clients are poor women without the capacity to pay their initial loan but have survival skills. These survival skills serve as a proxy indicator for capacity, thus, the inception of NWTF's *Income Generating Survival Skills* or IGSS. For NWTF, IGSS enable the clients to survive long years of poverty without any intervention. Financial education concretizes their crude business knowledge, experience, and skills to make sure that they earn profit from the businesses they present to NWTF for funding.

The financial education program of NWTF is customized – a result of diligent search for a program that could meet clients' need. The organization made use of available resources and references--manuscripts, publications, and training programs-- which gave way to the development of their own financial education program.

NWTF created its Client Services Department (CSD) to deliver non-financial services to clients that include, among others, financial education. CSD has qualified trainers to run financial education sessions and other courses being offered by the institution.

The operation of the CSD is treated as “incentives to clients” and considered as a fixed cost.

There were challenges in the promotion of financial education training. One of these was the complaint of clients on potential income loss. Clients did not want to leave their businesses to attend the training. To address this, NWTF provided early announcements through their loan officers (LO) to set the most convenient schedule for clients, with continuous follow-up. Another challenge was finding the appropriate tools to measure the social and financial impacts of the training they provide to clients; and the cost-benefit to the institution. Mr. Margate shared that although some of their branches saw improvements in their clients after the training, these cannot be solely attributed as the effect of the training. There was also the challenge of mobilizing the CSD trainers to capacitate NWTF's 131,000 clients. LOs cannot be trainers as their specific assignment is to look for poor people who can be potential members. Instead, CSD only has a few trainers that it sends to randomly selected areas.

Perceived Results and Measure of Success

With the desire to help clients manage their resources, NWTF staff conducts in-depth interviews and observation

by visiting clients' houses to study and ask sensitive questions like the source of their income and where they usually spend their money. Among the results that NWTf wants to see in their clients are that families are able to identify potential income sources; recognize some unnecessary family expenditures; and that families have financial plans that include savings, expenses and cash flow.

NWTf's measure of success in the context of its promotion of financial education is the change in the clients' attitude. It could be in the form of income surplus like savings or money infused to an existing business; or little amount of savings done in close intervals for an intended purpose or future use. Clients need to start saving a little now for their

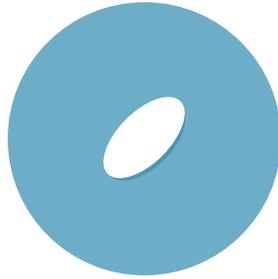
tomorrow – for their children's education, for emergency, or for vacation. When the money saved has already accumulated, then that is the time that they need to deposit it in either a bank or an MFI.

One of the things that NWTf has observed in doing financial education is better client retention. It noted that clients who have undergone the training become good performers.

NWTf believes that clients decide things including financial-related matters, and educating them through financial literacy is one way of influencing them to make better and sound judgment in handling their finances.

What's Up





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