

Impact of Micro-credit on the Livelihood of the Poor: The Center for Agriculture and Rural Development in the Philippines



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Introduction

Microfinance is a relatively new field of finance in which savings, insurance, microcredit loans, and other financial services are aimed at low-income individuals. Specifically, microcredit loans are small loans which are taken by borrowers with no credit and no collateral. By paying back small loans, borrowers are able to build a credit history and acquire more assets. More importantly, borrowers use their loans to establish businesses which ensure financial stability in the future.

The founder of microcredit, Dr. Muhammad Yunus, was a professor of economics at Chittagong University in Bangladesh when he established Grameen Bank in 1977. By lending small amounts of money to rural farmers and small-business owners in his community and requiring repayment in weekly installments, Yunus created a system that greatly interrupted the cycle of poverty in rural Bangladesh. Soon, his program had spread to the other regions of Bangladesh, and similar programs were being founded all over the world, all modeled after Grameen Bank. The Center for Agriculture and Rural Development (CARD) Bank of the Philippines is one such program.

The CARD Bank of the Philippines was founded in 1986 by Dr. Jaime Aristotle Alip. In 1989, the CARD Bank pilot-tested a microfinance institution modeled after Grameen Bank but tailored to fit the needs of the Philippines. In 1990, the Landless People's Development Fund (LPDF) was established, which eventually developed into the CARD microfinance program. Currently, the CARD nongovernmental organization (CARD NGO) is associated with CARD Bank, CARD Mutual Benefit Association, and CARD Mutually Reinforcing Institutions (CARD MRI).

At the end of 2004, CARD NGO had over eighty thousand members. Ninety-nine percent of these members were women, following a pattern begun by Grameen Bank in Bangladesh. This is because CARD NGO targets landless poor women who do not earn more

than PHP 1,500 each month (about USD 30). CARD Bank has the same high percentage of women members.

For this case study, ten rural women were interviewed about their experiences with the CARD Bank of the Philippines. All ten women had been interviewed ten years ago on the same subject by the International Rice Research Institute (IRRI). This study was conducted to determine if and how the women's lives had changed because of the microcredit provided by CARD Bank.

All ten women were selected from two villages, Pinak and Tranca, near IRRI. Eight women are current members of CARD Bank; two have resigned since the last interview. These women were chosen because they had been previously interviewed by IRRI, had progressed through CARD Bank, and had experiences with CARD Bank which are representative of many members' experiences.

For purposes of this report, three women were chosen whose experiences were illustrative of the experiences of the women who were surveyed for the IRRI case study. The names of the women interviewed have been changed for this case study.

Topics discussed in the interviews included early life, education, family, and business ventures financed by CARD Bank loans. Also discussed were the current financial situation of each borrower and how the CARD Bank microcredit program had contributed to the overall financial circumstances of her family. Each woman has had a different experience with the CARD Bank microcredit program, so each case study added to the broader picture of the typical rural member of CARD Bank.

Christina



I spoke with Christina near her home in Tranca, Bay, Laguna, where she lives with her husband. Christina is the second woman I interviewed who had resigned from CARD Bank.

Christina was born in Tranca on October 2, 1952. Her parents, Mercy and Donald, had ten other children. Mercy was a laundrywoman who worked out of her home, and Donald was a rice farmer. He also managed a coconut buy and sell. Both Christina's parents had elementary school educations. Most of Christina's siblings have at least a high school education: one brother has a degree in agriculture; a sister has a degree in industrial engineering; Christina



completed three years of high school; one sibling is disabled; and the rest have finished two years of college. The whole family lived in a small house made of leaves, similar to that in which Christina now lives with her husband.

In 1975, when Christina was 23 years old, she married Niall. Niall has an elementary school education and works as a rice farmer and agricultural worker, loading and unloading coconuts. Working five days a week, he receives P450 daily for his coconut work.

Since her marriage, Christina has had many jobs. Besides working in her home, she used to work in a local canteen and as a laundrywoman. Christina said, "The salary of my husband was weekly, so I got the installment from his salary. I rented space in the elementary school

canteen, where I sold barbecue, soft drinks, juice, and biscuits. With the income, I paid the other household expenses.” In addition, Christina now raises hogs in her backyard.

Christina and Niall have three children. Spencer is 28 years old and works at Pepsi Co. in the Philippines. He has a degree in accounting and sends his parents P5,000 each month to finance the education of his younger brother Ron. Geoffrey is 26 years old and is a high school graduate. He is unmarried and works in an animal feed store. Ron, the youngest son, is 24 years old and is in his third year of college.



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Christina originally heard of the CARD Bank microcredit program because the founder of CARD Bank is married to the sister of Tranca’s mayor. She decided to join the program because she wanted the financial help.



Her first project loan was P1,000. With the loan, Christina bought materials and ingredients for making banana-cue to sell. Her second loan was P10,000, which was used to buy a horse, which cost P6,000, and two piglets. Her husband uses the horse to transport coconuts.

In all, Christina took out about nine loans, mostly enterprise loans. She said she always paid her installments on time, and was never absent from the weekly meetings. Christina also got some educational loans for her sons’ tuition. Her first son, Spencer, was a provincial scholar, so he got a scholarship for his tuition. At the time Christina was a CARD Bank member, the emergency loan was not yet in existence. She did not need a housing loan; she eventually built her own home after she had resigned from the bank, without CARD Bank loans.

Christina decided to resign from CARD Bank in 1999, after Spencer’s college graduation. She had decided that her income was enough to live on, and she did not need the

CARD Bank loans anymore. She said it was hard to pay back the loan every week, and, as she said, she wanted “to rest.” She said the resignation process was drawn out because CARD Bank does not like people to resign and always encourages them to rejoin. Christina said she had to fill out a resignation paper, surrender her passbook and identification card, and pay back the balance of her loans.

Even after resigning, Christina said there were many advantages to being a member of CARD Bank. She said, “I learned self-discipline. In the community, we volunteered for community services, like cleaning the streets or Youth Council Action Program (YCAP).” Also, she is grateful for the seminars CARD Bank provided for its members. “Every two months, we had seminars,” she said. “CARD Bank gave me a calf. I took care of it, and when it gave birth, I kept the new calf, and the mother was given to someone else.”

The only disadvantage that Christina saw in her experience was that it was sometimes very difficult to pay the weekly installment. A 100 percent repayment rate was required, she said, so sometimes it was a problem to pay weekly.

When I asked if she regretted joining CARD Bank, she said, “No, I owe gratitude because of the help CARD gave us financially. We can’t take a loan from others without collateral, but with CARD, you just turn in a project proposal.”

Christina does not regret resigning from CARD Bank. She did not feel like she needed the loans anymore; she had achieved financial independence, with the help of the CARD Bank loans and with her own hard work. Christina said, “I’m the only person who resigned and has no intention of joining again. Nine years is enough.”

Laura



I found Laura washing clothes in a river about 300 meters away from her home in Tranca. She took time to sit with me at a neighbor's house to talk about her experiences as a member of CARD Bank's microcredit program.

Laura was born in Limao, Calauan, Laguna on July 30, 1956. Her mother, Marie, and her father, Francis, both worked nearby at the Hidden Valley Resort. Both of Laura's parents completed elementary school before leaving. While Laura and her siblings were growing up, Francis worked as a police officer. He was able to do this because, in past years, policemen did not have a minimum education requirement for their job.

There are ten children, eight girls and two boys, in Laura's family. Five sisters and one brother are graduates of high school. Laura and the rest of her siblings finished only elementary school. The family home had three rooms and was made of concrete. Laura's parents were able to afford this because two of the daughters worked abroad and sent money home to their parents.

Laura was married on December 5, 1975, to Michael. Michael had an elementary education and worked as a rice farmer on his father-in-law's farm. More recently, he also worked as a transport worker at a thermal electric plant. Laura and Michael had been married nearly 30 years when Michael died suddenly of a heart attack in 2005.

Laura and Michael had five children together. Thomas, at 29 years old, is the eldest and is a high school graduate. He is married with one child and works as the driver of his father-in-law's jeepney, a large taxi-bus. Andrew is 27 years old and has three years of high school education. He is married with two children and works as the driver of his father-in-law's tricycle. Edward is Laura's third son and is 24 years old. He has two years of high school education and is unmarried. He lives with his family and drives the family tricycle. Because the tricycle belongs to Laura, Edward gives her a "boundary payment" of P100 to P150 each day. Shawn is 21 years old and has an elementary education. He is unemployed and lives with his family. Laura's youngest child is Elizabeth, who is eight years old and in second grade.

Laura first heard of the CARD Bank microcredit program from a neighbor, Flora, who worked at CARD Bank. She decided to join because she wanted to use the loans to renovate her sari-sari store. She used her first loan of P2,000 to buy new merchandise for the store. Eventually, however, Laura closed her store because of the pressure of competition.

Soon after, Laura used a P10,000 project loan to buy a horse, which cost P8,000. The rest of the loan was used to buy baskets for the horse to carry. These were used by her husband in his transport work. When her husband died, Laura sold the horse and baskets and bought the tricycle, as her sons advised her.

Laura also took a P10,000 housing loan to make additions to her home. Emergency loans were also taken to buy medicine for sick children and to pay the electric and water bills. However, Laura has never taken an educational loan.

Laura's most recent loans were a project loan of P5,000 and a multi-purpose loan (MPL) of P4,000. The project loan was used to start a buy-and-sell of coconuts. Laura stopped selling coconuts because of competition, but is planning to start a buy-and-sell of lazones when they come into season. The MPL of P4,000 was used for a family emergency. These two loans have a combined weekly installment of P425, which also includes P40 for her savings account and

P20 for her insurance. Because of this insurance, Laura says her family will receive P50,000 when she dies. She was not sure of the exact interest rate of her loans but thinks it is about 10 percent.

Laura admits it was sometimes hard to pay the weekly installments. However, now she can access her savings to pay the installment, so it is not so difficult. Aside from the money earned by her son driving the family tricycle, Laura does her aunt's laundry almost every day. For this service, she receives P600 each month.



Laura said, “It was a problem to pay the installments after my husband died. I got P6,000 from CARD and P32,000 from the Social Security System (SSS), a private insurance.”

The CARD Bank center in Tranca to which Laura belongs meets each month for one hour. The center began to hold monthly meetings about two years ago. About the same time, Laura and her fellow group members started paying individually at the bank three times each month, with the fourth payment made at the meeting.

When asked the advantages of belonging to CARD Bank, Laura replied, “We are poor. CARD is helpful because I can borrow money. In our locale, even if you need P100, you can't just find someone to help.” Laura also says that she has gained many friends through CARD Bank. Now, she said, “I have learned interpersonal skills.” However, Laura says that she is at nearly the same financial stage as ten years ago, when she was last interviewed by the International Rice Research Institute.

The only disadvantage of CARD Bank Laura mentioned was that it was sometimes hard to keep up with the policy changes, but added that the changes are always for the better. She said she has never thought about resigning, but also said, “I took a two month rest from taking loans because I had to pay a big weekly installment when my husband got sick, and it was hard, so I stopped.”

With CARD Bank's help, Laura has recovered from the financial problems brought on by the death of her husband. She has profited from several enterprises financed with the help of CARD Bank. Laura said, "I won't marry again, because if I do, my next husband might be a problem." Fortunately, with the loans provided by CARD Bank, Laura is able to provide for her family without the additional income of a husband.



Martha



I sat with Martha in her sari-sari store, which is testament to the success she has achieved with the help of CARD Bank. Her family sat nearby, sorting vegetables and fixing a tricycle. With all the employment financed by CARD Bank loans, I wanted to hear more about Martha's experiences with CARD Bank.

Martha was born in Santa Rosa, Laguna, on May 8, 1949, to Samuel and Stephanie. Samuel had left school after second grade and was at the time a fisherman and rice farmer. Stephanie had had no education and helped her husband with his farming and fishing. Besides Martha, Stephanie and Samuel had three other daughters and five sons. As she was growing up,

Martha's parents were able to acquire about one and a half hectares of land through a government land reform program. Samuel still farms this land, with the help of his sons and grandsons. Some relatives also come to help the family during harvest time.

Martha said her parents borrowed some money from a commercial bank when she was growing up, but she did not remember the loan amount or the rate of interest. The money was used to buy ducks to raise and sell.

Martha has only a first-grade education. She said she stopped going to school because she was not interested in studying. She wanted to spend more time with her grandmother, who took her to church and other places around town during school hours. Only one of Martha's siblings finished school. This sister, the youngest child, now works as a midwife in Los Baños.

Martha has never married. When I asked why she decided not to marry, she said it was "the will of God." She said she had had a few suitors when she was younger, but never saw anyone seriously, because "I looked up to my kind father, and I wasn't sure whether the men would be like my father."

Now, Martha raises vegetables and lives at the family home. Her family raises eggplant and pechai. The family also owns a fishing boat, but one of Martha's nieces usually fishes.



Martha first heard of CARD Bank when a CARD official came and surveyed her barangay and asked Martha and her neighbors if they wanted to join the program.

In 1991, Martha decided to join the CARD Bank microcredit program. She said she made this decision because she wanted the loans to buy farming equipment. She said, "We have rice land; usually the fish activity doesn't make enough, especially during the dry season, so we have a problem buying the farm materials."

Many of Martha's friends and neighbors joined at the same time, and Martha says she knew most of the center members when she joined. She says that it is advantageous to know her fellow members, because, as she said, "If we don't know our group members, every time they fail to repay the loan, we have the burden of repaying it for the default member."

Over the years, Martha has taken out so many loans that she cannot remember the exact number, but says she started with a loan for P1,000, then P5,000, and has now worked her way up to P90,000. She took several project loans, originally for vegetable farming. Later she became a dressmaker and opened up a business selling ready-to-wear dresses, made possible by CARD Bank loans. She has also taken housing and emergency loans in the past, but no educational loans, as she has no children.

Martha's most recent loan was a project loan for P90, 000 taken in June 2006. She plans to buy a tricycle with the money. She said, "I already have two tricycles, and I'll buy a third; all these tricycles have been purchased with loans." Martha has always been able to pay her weekly installments. She uses the income from the tricycles, fishing, and her sari-sari store to pay the installments. Her younger sister, the midwife, also helps out with installments. Martha said that her sister manages the income from the tricycles, and is helping to pay off her most recent loans.



Martha's center meets every Thursday for about half an hour; in the past, they have met for as long as ninety minutes. Martha says she is now a "graduate." As she explained it, this means that she still belongs to a group, but she does not have to attend meetings anymore and she goes to the bank to pay her weekly installment. She says she is glad she does not have to attend the weekly meetings, because she is able to devote the extra time to her sari-sari store.

Although she has had the chance, Martha has not yet taken a position of authority in her CARD Bank center. She says she does not like the responsibility but adds that her lack of

education is not a factor holding her back. CARD Bank offers its members the opportunity to take authority in the center.

Another advantage has come from “graduating.” According to Martha, she now lends less money to her fellow group members. “Before I graduated, when I attended meetings, I would lend to group mates. That’s the beauty of not attending meetings anymore. At the meeting, our records are open, and people can see my savings, so I can’t refuse and say I don’t have the money. Now, I can keep my savings secret.”

She said there are other advantages to belonging to a CARD Bank center. Now, she said, “I have a chance to socialize. Before, I was too shy.” Martha also said she has learned self-discipline: “We borrow [money], and at the same time we repay the loan.”

I asked her if she was ever apprehensive about taking such large loans from CARD Bank. She replied, “If I was the only one with the responsibility of repaying the loan, I would be very afraid. But I have a sister and nieces who are very supportive, so I’m not bothered.”

Martha’s only regret is not finishing her education. She does not regret not getting married, because she is able to help her parents and family, but says her lack of education limits the help she can give them.

About joining CARD Bank, however, Martha has no regrets. She said, “CARD is good. We all benefit.”

Martha said she works hard despite not having a husband or children. “I’m aware that because of the poverty in our country, we must unite and help each other. I will never give up getting loans. There are many people helping me. Why would I stop?”

Synthesis

After conducting this case study, several factors in the women's experiences were found to be most conducive to success in the CARD Bank micro-credit program. Those factors were the opportunity for education, the availability of support, the ability to choose the preferred financial activity, and autonomy. Other benefits from membership in the program included socialization and increased self-discipline and confidence.

First, the chance to pursue an education was a significant factor. Most of the women had at least an elementary education. Martha, the woman in this study with the least education, had only a year of elementary school.

Formal education, however, is not a "make or break" factor in success with CARD Bank. Many of the members have little formal education, and find that it does not hinder them in succeeding through CARD Bank. Still, Martha regrets not finishing her education, as she feels it would enable her to better help her family. CARD Bank understands these regrets of its members, and so seeks to continually educate them. Through seminars on business management, livestock-raising, and cooking, CARD Bank provides many opportunities for its members to succeed in business.

In addition, CARD Bank also encourages its members to take out educational loans to pay their children's school tuitions. In this way, CARD Bank is helping poor families ensure that their children will have better jobs and futures.

Strong support is also a crucial cause of success. Financially and emotionally, women who are helped by spouses, children, and fellow members are more likely to successfully achieve their financial goals. Many of the women interviewed for this study used the incomes of their husbands and children to help pay weekly installments until their own businesses began to generate profits. Some of the women had family members who belonged to the same CARD Bank center. These support systems allow the women to take chances in order to make their

businesses, and their profits, grow. As one woman remarked, “If I were the only one with the responsibility to repay the loan, I would be very afraid. But I have a sister . . . who is very supportive, so I am not bothered anymore.”

The choice of financial activity was also very important to CARD members’ future success. The women interviewed had to choose an enterprise which was unique in their barangay and which had the ability to grow and expand. For example, one woman made ready-to-wear dresses in her home. No one else in her barangay offered this service, so she received all the business of the barangay.

Many of the women used their first loans from CARD Bank to finance their husbands’ businesses. Some of the loans were used to buy fishing boats and nets, or a tricycle for the husband to drive. A few of the women used their loans to expand their sari-sari stores or buy and sell businesses. Because these women did not have to build a business from scratch, they were better able to use their loans to help their income grow immediately. They were better able to repay the loan, because they did not have to wait for a brand-new business to start making profits.

For the women who started a new business venture, it was important that they chose a good or service that was not already available in their barangay. One woman had a difficult time in the beginning of her membership because she chose to open a sari-sari store similar to other stores in her village. She was forced to close this store because she was put out of business by the competition. However, the businesses that filled a particular need in the barangay grew and thrived. They were able to make swift returns on their loans and, then take out educational and housing loans to help their families.

The size of the loan taken is also important to take into consideration. Most of the women interviewed took an initial loan of one or two thousand pesos. Subsequent loans were much larger. One woman reported that some of the members in her center had loans of up to

fifty thousand pesos. Starting with small loans which eventually grow larger, women are able to expand their businesses and gain self-confidence when dealing with large amounts of money.

Finally, nearly all of the women reported increased self-confidence, self-discipline, and independence as a result of the CARD Bank micro-credit program. These women realized that it was their responsibility to repay their loan. Not only did they take full responsibility for their loans, but many of the women interviewed said they had taken leadership roles in their center. Two have been center chiefs; others are in charge of insurance claims and project proposals.

Especially after CARD Bank did away with the five-member groups in the village centers, the women who were surveyed were able to take full accountability for their business practices and profits. Although most received some kind of financial support from a spouse or working children, all the women used the micro-loans to expand a financial enterprise and generate increased income for their families.

Once the women had been in the program for a number of years and had consistently followed the guidelines of CARD Bank, they were given the chance to “graduate” from the program. “Graduates” are, essentially, individual borrowers. These members are allowed to take very large loans from CARD Bank and do not have to attend weekly meetings. Instead, they pay individually at the bank each week and are allowed more independence with their finances. Becoming a graduate from CARD Bank means that a member has successfully achieved her financial goals.

The women in this study mentioned several advantages to membership in CARD Bank. Most women said that they originally decided to join because they wanted to start their own businesses. However, most reported that they were most grateful to CARD Bank for enabling them to build good houses or to educate their children. Others declared that they were most pleased with their new savings accounts or the MBA insurance provided by CARD Bank. Some

even said that they felt they had more influence in their barangay because they were CARD members and managed their own businesses.

Overall, all the members had good experiences when dealing with CARD Bank staff and officials. A few of the women said that if they had concerns with a CARD Bank policy, the CARD Bank staff was easy to approach and took their questions into consideration when deciding new policies. No one felt that CARD Bank officials were profiting unfairly from their members' hard work, or that they were being taken advantage of. One woman said, "It's possible that CARD workers are getting richer, but it's because they manage good centers and they work hard. I'm happy for them."

Although not all the women reported that their financial situations had improved since they were last interviewed ten years ago, none of the women said that they were now in worse circumstances. Even the members who had resigned were grateful to CARD Bank for helping them get where they are today.

All of these factors contributed to the overall success of the women interviewed in the CARD Bank micro-credit program. Each is important in ensuring increased profits, increased independence, and general success in "graduating" from the CARD Bank program.