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RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

TRAINING PROGRAM REPORT

Provided by

BILL PENDLETON

Submitted by:

**Chemonics International, Inc.
Davao City, Mindanao, Philippines**

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MABS-M PROGRAM⇒
MICROENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO
•Chemonics International, Incorporated
•United States Agency For International Development (USAID)

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September 30, 1998

WHY DOES MABS-M NEED A TRAINING PROGRAM?

A comprehensive bank training program is the foremost management tool for expanding productivity, increasing capacity, and improving communication in the region of Mindanao. In the event the current financial crises deepens, implementing a sound bank training program, will enable the participant bank professionals to be better able to react to those economic conditions.

In the more likely event the economy will improve over the next two years, the value of the currency increase to other world currency markets, and vast employment opportunities will be the result. Through a structured training program, the Rural Banking community in Mindanao will be in a position to serve the credit demands and deposit needs of this worthy microenterprise community.

Support in the form of formal and outreach seminars will play an integral role in the ultimate success of the Participating Rural Banks and their efforts to underwrite microenterprise loans and capture new deposit growth. Participating bankers sharing both success and problem areas with other participating bankers is one of the steps in the process toward success. Target borrowers will be small in comparison to middle and upper markets, a majority of whom have never experienced bank credit approval. Therefore it is essential that the MABS-M project work diligently with the Participating Bankers to enlighten prospective micro entrepreneurs of the credit application process.

As organizations and microenterprises recover from the economic down turn of the recent past, grow, adapt and change, the most effective means to motivate banking staff is to provide the tools and models which will allow them to take advantage of their own innovative methods for addressing client needs in an entrepreneurial manner. In many ways management's most important obligation is the creation of a culture of continuous learning. Successful organizations, particularly Rural Banks, are those which:

- Accept Change
- Listen To Customers
- Define Vision and Shared Mission
- Communicate, Self Monitor, and Self Evaluate
- Control Costs

- Hire Carefully
- Know Weaknesses
- Reward Curiosity and Innovation
- Teach and Learn Continuously
- Aggressively Market Liability and Loan Products
- Network thoughts and ideas with other bankers (Common solutions to common problems)
- Establish prudent loan policies and procedures

The optimal method to ensure that training program meets these criteria is to include learner-centered training initiatives in the strategic planning process, the integration of training programs into every aspect of the Participating Rural Bank's activities. These are the foundation for the development, design, and delivery of the MABS-M Training Program.

In addition to the cover page of this report, "Training Strategy," the MABS-M Program is committed to the economic vitalization of the micro business sectors in Mindanao and the consistent, increased growth and profitability of the participating Rural Banks

The importance of the MABS-M training programs is reflected in the scope of work for the project. Technical assistance to Mindanao Rural Banks is necessary to strengthening institutional investment in microenterprise loans, and to monitor and evaluate the ultimate success of the program.

WHAT ARE THE RESOURCES AVAILABLE TO THE MABS-M TRAINING GROUP?

Multi-Day Training:

- MABS-M Program
- The Rural Bankers Association of the Philippines
- The Rural Bankers Research and Development Foundation, Inc.
- Land Bank of the Philippines
- Ateneo-BAB Institute of Banking
- CEFÉ Entrepreneur Training (Countryside Entrepreneur Development Program)
- Participating Rural Bankers

Executive Seminars and Workshops: A series of executive seminars will be sponsored with the following contributing time and staff.

- Philippine Deposit Insurance Corporation
- The Central Bank of the Philippines
- Center for Agriculture and Research Development (CARD)
- Participating Rural Bankers

WHAT HAS BEEN ACCOMPLISHED?

- Complete and thorough MABS-M diagnostic examinations of candidate pilot Rural Banks, their management structure, quality of assets, liquidity and governance.
- Cash Flow Lending and Loan Pricing Seminars (two of five completed on schedule)
- Information gathered from the diagnostic team reveals the need to implement the following training structure and menu:
 - Additional Bank Training Workshops
 - In House MIS, Policy, Procedure, and Bank Governance Training
 - Formal, Multi-Day Seminars Throughout the Mindanao Region
 - Participant Bank Training
 - Public Outreach Seminars
 - Central Bank Monitoring and Evaluation Report
- The MABS-M course, "Loan Repayment Management Workshop," was conducted during the week of September 14, 1998 in Davao. Sixteen professionals attended, representing the first MABS-M participant banks.
- Global Best Practices in Microfinance Seminar was conducted on April 18, 1998.
- Product Development Workshop was conducted from June 3 to June 5, 1998.

- The Rural Bankers Research and Development Foundation, Inc. has developed the following one day courses:

Course Title	Course Description	Duration
Rural Bank Branching and Controls	The course provides requisites and steps in branching. It also suggests certain aspects on financial monitoring of branches.	1
Products for Rural Banks' Small Clients	The course provides the how to's in the packaging and marketing end products to small clients like farmers, market vendors, etc.	1
Human Resource Development (Performance Appraisal System for Rural Bank Personnel	The course zeroes in on some of the important factors affecting performance, the individual and team efforts mix. Finally and the most essential the course empowers the rural banker to design and formulate an appropriate appraisal form.	1+
System of Internal Control	The course enables the rural banker to identify common fraudulent practices in banking transactions, some tips in countering the said practices as well as develop a general plan on internal controls.	1
Financial Analysis	The course demonstrates the techniques in analyzing financial statements	1
Team Building and Attitudinal Change Workshop	The course presents three (3) important knowledge based ingredients to build teams successfully. It also enables the rural banker to conduct team building.	1+
Product Development and Management Workshop for Rural Bankers	Review and analyze the present practices and recommended better procedures in product development.	1
Rural Finance Course	Introduces the rural banker to the rural finance system and suggests some critical rural financial intermediary roles.	1

Additional courses currently being developed by the Rural Bankers Research and Development Foundation, Inc. include: Collection Management, Corporate Preparedness, Credit Appraisal, Branch Accounting, Financial Management, Internal Control System for Branches, and Problem Solving and Decision Making.

WHAT ARE THE RECOMMENDATIONS FOR THE NEXT 12 MONTHS?

A. IN HOUSE BANK TRAINING

Banking professionals from within and without the Mindanao area should provide direct advice and experience with participating Rural Bank employees in the following areas:

1. Loan Administration and Loan File Maintenance

To reduce the current non performing loan portfolio to more manageable standards, in-house training and implementation of effective loan monitoring systems, systematic procedures must be in place and implemented. Lack of action on problem loans actually encourages a borrower to think the bank is not concerned. The procedures must include accurate and timely past due account reports, monitored by the bank's board of directors. A well designed monitoring procedure for problem loans will improve the possibility of collection or restructure.

2. Credit Review Procedures

Routine visits to Participating Rural Banks, with a specific agenda to evaluate the bank's procedures, will provide an opportunity to discuss the banks credit review procedures and make suggestions for improving the loan administration process.

3. Loan Policy

Using the MABS-M template from the course "Loan Repayment Management" course, the Participant Banks can develop their own loan policy, including new policy for microloans, assuring that each employee has a complete understanding of the policy and loan procedures.

4. Internal Controls

The MABS-M program can be most effective in sharing internal control systems with Participant Rural Banks who have not adopted these procedures. This can be accomplished by reviewing participant banks who have established these procedures and sharing the information with the others.

5. MIS Systems

Y2K Compliance Workshop will prepare Rural Bankers for problems and solutions with regard to the "millenium bug." Computer Operations and the MFI Environment workshop will review basic computer literacy. MABS-M follow-up meetings directly with the Rural Bank staff members responsible for in-house MIS systems will reinforce this training and provide a monitoring measure.

6. Bank Services Marketing

MABS-M can be instrumental in assisting the Participating Rural Banks with their generation of deposit goals by paying routine visits to each bank after formal seminars and workshops. This will reassure the participant banks that the MABS-M professionals intend for the banks to be successful in its lending and deposit generation activities.

7. Customer Training

Resources should be allocated to prepare low income groups for the credit process. This would include encouraging and assisting the Participant Rural Banks to provide training to prospect customers in the areas of preparation of modest business plans, completion of financial statements, and cash flow budget.

B. FORMAL AND MULTI-DAY:

- 1. Loan Repayment Management**
- 2. Financial and Income Statement Analysis**
- 3. Bank Asset and Liability Management**
- 4. Marketing of Bank Services and Products**
- 5. International Bank Accounting Standards**
- 6. MIS Systems**
- 7. Employee Performance Measures and Value Formation**
- 8. Improving Service Quality Through Customer Satisfaction**
- 9. Basic Credit Course**

C. EXECUTIVE BANKING WORKSHOPS:

These one-half and day-long Banking Workshops could be held on Saturdays in the various communities within Mindanao. Rural Banking experts from all over the region would facilitate the workshops, bankers learning from each other, sharing information with regard to the successful micro-finance activities (lending and deposit strengthening) in the following areas:

1. **Types of Financing:**
 - **Produce Farming**
 - **Used Cars, Trucks, Tractors, Scooters, Tricycles**
 - **Food Production**
 - **Production Equipment**
 - **Other "Home Based" Loans**

2. **Types of Funding Sources and Generation of Deposits:**
 - **Vendors**
 - **Schools, teachers, and pupils**
 - **Municipalities**
 - **Other Service Groups**
 - **Individuals**

3. **Break Even Analysis**
4. **Mark Up Versus Gross Profit Margin**
5. **Loan Covenants and loan policy**
6. **Deposit Marketing Techniques**
7. **Vision Statement**
8. **Bank Business Plan**
9. **Other Bank Management Policies and Procedures**
10. **Product Lending Exercises**

Executive Experience Seminars

Thorough bank diagnostic reviews were completed during the months of July, August and September, 1998. These diagnostic reviews, in connection with the MABS-M Workshop held from September 14 - 17, 1998, reveal the following banks and bankers have internal controls and credit expertise in the following key areas.

NAME OF BANK	NAME OF BANKER	EXCEPTIONAL PRODUCT KNOWLEDGE
Rural Bank of Digos Sarangani Rural Bank	I. (Billy) Abasolo Jenerose Melanio	3 & 4 Wheel Motor Cycles
Rural Bank of Digos	I. (Billy) Abasolo	Aqua Culture
Sarangani Rural Bank Rural Bank of Sto. Thomas	Arsenia Della Cruz Rosele Solis	Crops: Corn, Rice, Coco Crops: Rice, Banana
Sarangani Rural Bank	Arsenia Della Cruz	Furniture/Rattan Furniture
Rural Bank of Sto. Tomas	Marilou Pineda	Internal Controls
Saragani Rural Bank	Arsenia Della Cruz	Livestock
Rural Bank of Digos Sarangani Rural Bank Rural Bank of Sto. Tomas	I. (Billy) Abasolo Arsenia Della Cruz Rosele Solis	Salary Loans
Trubank Sarangani Rural Bank Rural Bank of Sto. Tomas	Eric C. Bucod Jenerose Melanio Rosele Solis	Sari-Sari Stores

It is suggested that these bank professionals be invited to conduct one day seminars and share the specific procedures which makes their banks stand out in the given areas of accomplishment and problems encountered.

The survey also included the following selection of possible bank activities which none of the participant banks responded:

Canning	Handicrafts	Packaging
Contract Growing	Irrigation	Patis Making
Deposit Base Growth	Light Manufacturing	Peanut Production/Dist
Embroidery	Loam Weaving	Plantation Projects
Evaluation Technology	Manufacturing	Produce Lending
Of Microfinance Collateral	Meat Curing	Rice Milling
Farm Mechanization	MIS Systems	Sasa Making
Field Milling	Oil Milling	Textiles/Garments
		Weaving

The Executive Experience Seminars or Workshops will be planned to accommodate bankers in the exchange of information, successful experiences as well as problem issues.

D. Public Outreach Seminars

In the various venues throughout Mindanao, Public Outreach Seminars sponsored by MABS-M and the local participant bank(s) will assist in marketing banking services, creating public awareness of the benefits of depositing funds in the local banks and promote the bank's lending products. Sources available for these seminars include:

- The MABS-Team and COP to explain the MABS-M program and to introduce speakers.
- Philippine Deposit Insurance Corporation (PDIC) to provide a brief history of the PDIC and explain the significant protection to individual depositors by the PDIC.
- Local Participating Rural Bankers explaining bank services, introducing market deposit services, include signature cards and receipt of deposits at the seminar.

These public outreach seminars will be scheduled on selected Friday afternoons or on Saturdays in order to reach the maximum target group of prospect customers. The participant banks will be responsible for inviting appropriate and desired customer prospects (from 25 to 100 at each seminar, based on venue size).

E. Training Potential Customers

During the diagnostic examinations, several participant bankers suggested that the MABS-M Program consider sponsoring a series of "Training Customer" seminars (or How to Finance and Manage a Microenterprise Business seminars). A limited budget aside, this approach is logical. After all, bankers like to work with customers who generally have a written business plan, a brief Financial Performance (budget will do), and necessary expertise and reputation to assure the microenterprise is successful. Also, during the course of the diagnostic reviews, we met with a representative of the CEFE or the Countryside Entrepreneurship Development Program. This program appears to be capable of conducting a series of workshops for potential customers as recommended by the MABS-M Participating banks, NGO's, and other public sources. The program stresses the development of evaluation, monitoring, finance, organization and governance, idea selection and generation and microenterprise management for success. Again, it is important for the MABS-M program to support bankers in their efforts to educate uninformed customers, or borrowers who are not familiar with doing business with banks. This effort can be supported by the Public Outreach seminars.

Needed Seminar and Outreach Deliverables From:

1. **MABS-M Chief of Party:**
 - Open and preside over the seminars, explain the purpose of the MABS-M project and introduce each presenter
 - Provide suitable refreshments for the participants
 - Provide for the cost of the seminar facility

2. **Local Participant Rural Bank(s)**
 - Recommend public seminar facility to MABS-M COP or Office Manager or Training Director
 - Provide the attendees a complete overview of loan and deposit products at the bank
 - Promote the savings and demand accounts of the bank by making available new account applications at the seminars
 - Follow-up with prospective clients in the ensuing days after the seminar

3. **Philippine Deposit Insurance Corporation (PDIC):**
 - Provide the attendees the history of the PDIC
 - Promote the integrity of the PDIC
 - Provide the attendees an understanding of the safeness and soundness of their deposits in PDIC member banks

4. **Seminar facilitator:**
 - Experienced Rural Bankers
 - Experienced contract trainers³
 - Ateneo-BAP Institute of Banking³
 - Bankers Administration Institute³
 - Development Academy of the Philippines³
 - Rural Bankers Research and Development Foundation, Inc.

³ Template statements of work attached

MABS-M PROGRAMS TRAINING ACTION PLAN

Strategic Initiatives	Actions	Implementation
<p>1. Cash Flow Lending and Loan Pricing Workshops: 1998 Sept. 18 - Davao City Sept 19 - General Santos City Oct 9 - Butuan City Oct 10 - Cagayan de Oro City Nov 8 - Dipolog</p>	<p>A series of five (5) workshop seminars developed to train Rural Bankers loan pricing and asset evaluation techniques. Components include break even module, loan classification and interest suspension guideline, cash flow lending, loan pricing, projecting the banks' expenses, dangers of only collateral based lending, and credit evaluation. This workshop can be expanded into multi-day workshops which would provide complete materials to assist and accommodate participating banks to adopt new loan pricing and loan evaluations policies and procedures.</p>	<p>MABS-M COP, Chairman of the Management Board, Training Specialist, Participating Rural Banks, and MABS-M Staff Members.</p>
<p>2. Loan Repayment Management seminars: September 14 - 17 - Davao City</p> <p>(Others To Be Planned by MABS-M Operations and Training Specialist once new banks are added to the pilot group)</p> <p>Frequency: At least 3 times</p>	<p>A five day workshop, initially designed as a pilot for the original MABS-M candidate banks, which evaluates financial measures and tools. The course covers critical areas of loan management and includes: techniques on meeting with the customer, loan covenants, cash flow crises, protecting the bank, strategy on administering problem loans, break even analysis, skills of a lending officer, ratio interpretation, indicators of problem loans, asset risk rating, variance reporting and financial analysis. The course also provides the Rural Bank participants an opportunity to evaluate the work shop effectiveness in adopting and implementing loan collection policies and provide the participants a facility to develop a loan target market, implement a microloan customer base and prepare to administer the collection process.</p>	<p>MABS-M Training Specialist, COP and Staff Members, and Participating Rural Banks.</p> <p>Data File: SOW2</p>
<p>3. Public Outreach and Awareness seminars: Frequency: Continuous</p> <p>Nov 14,: Digos Nov 19: TruBank Nov 27: Sto. Tomas Nov 28: Sarangi</p>	<p>A series of 1/2 day, Friday or Saturday, seminars designed to create public awareness of the safety and integrity of the participating Rural Bank as a depository of personal and business funds. The participating banks are responsible for inviting desired customers and being prepared to provide an overview of the bank's services and deposit products. The participating banks should have available required signature cards and deposit tickets for individuals prepared to open deposit accounts as a result of these seminars. The MABS-M COP should act as master of ceremonies and introduce each speaker and presenter. The professional of the PDIC will report and explain the integrity and safety of the PDIC agency and the security of depositing funds in a member bank.</p>	<p>MABS-M COP and Staff, Participating Rural Banks, Invited Prospective Customers and a Senior Professional with the Philippine Deposit Insurance Corporation.</p>

Strategic Initiatives	Actions	Implementation
<p>4. Executive Banking Workshops:</p> <p>Frequency: At least 3 times</p> <p>To be scheduled for January, 1999.</p>	<p>This series of 1/2 day Friday or Saturday workshops will include a presentation by MABS-M participating Rural Bankers to all Participant Rural Bankers of practices which have proven successful, a "best practices" series. The workshops will include the presentation of specific success of participating bankers in loan products or loan types: agriculture (production, processing and distribution), textiles, furniture production, handicrafts, sari sari store financing, weaving, etc. Other subjects will include a Rural Banks success in obtaining and maintaining core deposits, marketing efforts and strategy. For the purpose of this series "best practices" will be discussed regarding quality MIS systems, policy preparation and procedural management. Either MABS-M COP or Operations and Training Specialist to act as Master of Ceremonies.</p>	<p>MABS-M COP, Operations and Training Specialist, "Best Practices" Rural Bankers and all Rural Bankers.</p>
<p>5. Marketing of Bank Services and Products seminar:</p> <p>Frequency: At least 5 times</p> <p>To be scheduled for February, 1999.</p>	<p>To be conducted by an experience Marketing Director from an existing small to medium sized financial institution, this 3- 4 day seminar is scheduled to train participants in the area of bank marketing techniques. The Scope of Work requires that the training specialist will provide effective techniques in the areas of advertisement, business promotion, public outreach programs, bank staff training procedures, etc. The seminar will be conducted at least two times in strategic areas of Mindanao. The course will also provide the Rural Bank participants an opportunity to evaluate the course effectiveness in adopting and implementing core deposit growth strategy.</p>	<p>MABS-M COP, Operations and Training Specialist, a qualified Bank Marketing Specialist and the participating Rural Bankers Data File: SOW5 Request Chemonics, International assist in locating a qualified instructor.</p>
<p>6 Basic Credit Course:</p> <p>Frequency: At least 3 times</p> <p>Week of December 7, 1998</p>	<p>This course is designed to introduce the participants to the basics of credit and the credit process. A variety of credit products will be discussed to assist the participant in identifying credit risks and in structuring loan modification proposals. The five day course to be conducted by the Ateneo-BAP Institute of Banking (Mr. Larry Marasigan), the Rural Bankers Research and Development Foundation, Inc. or other qualified training enterprise.</p> <p>Estimated fees: \$200 per person week.</p>	<p>Qualified training enterprise to be selected by: MABS-M COP, based on suggestions of the Operations and Training Specialist Data File: SOW6 In coordination with Ateneo-BAB Institute of Banking</p>
<p>7. Asset/Liability Management or Risk Management</p> <p>Frequency: At least 2 times (To be scheduled by the MABS-M Operations and Training Specialist for March, 1999 Delivery)</p>	<p>With a target group of executive level Participating bankers, this top level course will establish the foundation of knowledge which will accommodate Rural Banks to manage critical issues involving risks associated with the market oriented environment, rate sensitivity, governance management, etc. The five day course to be conducted by the Ateneo-BAP Institute of Banking (Mr. Larry Marasigan), the Rural Bankers Research and Development Foundation, Inc. or other qualified training enterprise.</p>	<p>Qualified training enterprise to be selected by: MABS-M COP, based on suggestions of the Operations and Training Specialist Data File: SOW7 In coordination with Ateneo-BAB Institute of Banking</p>

Strategic Initiatives	Actions	Implementation
<p>8. Employee Performance Measures And Value Formation</p> <p>Frequency: One 2 day Seminar</p> <p>(To be scheduled by the MABS-M Operations and Training Specialist for April, 1999 delivery)</p>	<p>A one to two day course providing Participant Rural Banks measures for employee performance. Course to include the development of job descriptions, position work statements and performance measures. The course will include exercises in the proper evaluation techniques, and management tools necessary to prescribe to employees expected job performance.</p> <p>The Value Formation portion of the course will include the delivery of a standard "Code of Conduct" and performance measure awareness of each of the other positions within the bank.</p> <p>This course will enhance the Participating bank's awareness and need for written job descriptions, communicating clearly to each employee job expectations, and provide participants the skill necessary to respect and support other key operation areas of the bank.</p>	<p>MABS-M COP, Operations and Training Specialist, a qualified bank Personnel Director Specialist and the participating Rural Bankers.</p> <p>Data File: SOW8 Two sources of possible implementation:</p> <ol style="list-style-type: none"> 1. Ateneo-BAP Institute of Banking 2. Bankers Administration Institute
<p>9. Y2K Compliance Workshop</p> <p>Frequency: One Day, One Time</p> <p>To Be Scheduled 4th week of November, 1998.</p>	<p>A one day seminar/workshop developed to inform Rural Bankers on the problems and solutions to the imminent problems caused by the "millenium bug."</p>	<p>Expert Consultant on Y2K MABS-M COP MIS Specialists, Training Specialist Participating Rural Banks</p> <p>Data File: SOW9</p>
<p>10. Computer Operations: MFI Environment</p> <p>Frequency: Two Days</p> <p>To Be Scheduled 3rd week of November, 1998.</p>	<p>A two day workshop designed for the pilot participant banks which will address the basic computer literacy of bank staff, specifically those in the microfinance unit. The course covers the basic use of information derived from computers and computer applications.</p>	<p>Expert I.T. Trainer MABS-M COP Training Specialist MIS Specialists Participating Rural Banks Data File: SOW9</p>
<p>11. Advanced Microbanker Operations</p> <p>Frequency: Five Days</p> <p>To Be Scheduled 2nd week of November, 1998.</p>	<p>A five day workshop to improve the participating bank staff in MicroBanker, particularly the MF Unit. The course will cover the existing and the new features and functionality of MicroBanker.</p>	<p>Expert MicroBanker Consultant MABS-M COP Training Specialist MIS Specialists Participating Rural Banks Data File: SOW9</p>

Strategic Initiatives	Actions	Implementation
<p>12. Improving Service Quality Through Customer Satisfaction Management</p> <p>Frequency: One, 3 day Seminar</p> <p>(To be scheduled by the MABS-M Operations and Training Specialist for March, 1999 delivery)</p>	<p>The MABS-M program, in order to better support and encourage deposit generation of the Participant Rural Banks, requires specialized instruction with regard to meeting deposit customer needs and responding to objections and concerns of the banking industry. This course will include topics related to productivity, quality concepts, introduction to service quality, a broad overview on customer satisfaction, strategies and measuring customer satisfaction.</p> <p>A large part of a banker's work is public relations and maintaining a persona of integrity, honesty and reliability. This course will reinforce these important banking values.</p> <p>The Development Academy of the Philippines, a local government agency, has experience broad success in sponsoring this seminar.</p>	<p>MABS-M COP, Operations and Training Specialist, a qualified bank Personnel Director Specialist and the participating Rural Bankers.</p> <p>Coordinated with the Development Academy of the Philippines.</p> <p>Data File: SOW12</p>
<p>13. Market Identification Capture New Markets</p> <p>Frequency: Multi-Day</p> <p>To Be Reviewed and Scheduled by MABS-M Operations and Training Specialist</p>	<p>A continuous and one-on-one advisory to Participating Banks on best methods in approaching microborrowers and small investors, understanding their loan needs and marketing the bank's deposit services. The target customer group are those small enterprises who have traditionally borrowed funds from pawn brokers.</p> <p>The Ateneo-BAP Institute of Banking has developed a comprehensive marketing approach to the micro borrower and depositor. One day seminars will be followed by support in house and in the banks' market areas. One approach would be for the MABS-M Operations and Training Specialist to meet with the Institute and gain an appreciation for the systems and approach for this training. A statement of work can be developed which would concentrate on one selected bank. The process then could be adopted with MABS-M professionals, and perhaps a short term consultant, working with the remaining Participant Rural Banks. It is suggested that the MABS-M COP and Operations and Training Specialist meet with the director of the Institute, Mr. Larry Marasigan, to determine future development opportunities of this program. Mr. Marasigan can be reached in Manila at 632-818-4087 or 815-1710.</p>	<p>MABS-M COP, Operations and Training Specialist, a qualified bank Marketing Director Specialist and the participating Rural Bankers.</p> <p>Implementation: Ateneo-BAP Institute of Banking</p> <p>Data File: SOW13</p>

GENERAL ECONOMIC CONDITIONS:

The PhP currently has a US dollar exchange rate of PhP 43.7 to \$1.00. In 1996 the exchange rate was PhP 27.30 to \$1.00. A stronger, more stable, local currency will revitalize the economy, assist the country to emerge from the recession, and encourage lending at all levels, including unsecured loans to microenterprises.

Rural Banks should focus a part of their marketing outreach and call programs to the low income groups now in order to establish and maintain a core base of consistently growing microenterprises. One major source of customers in this economic range includes those individuals and very small companies transacting capital needs with pawnbrokers or "Five for Six" lenders. It is estimated that non-bank financial institutions, such as pawnbrokers, account for over 50% of all the financial institutions in the Philippines.¹ Therefore, it is critical for Rural Banks to understand that there exists a wealth of core deposit and borrowing clients who currently access non-bank financial institutions, or informal credit, for working capital needs. Along this line it is revealed that there exists a broad lack of knowledge by prospective microenterprise individuals on how to access Rural Bank loan and deposit products. The MABS-M team has met with many microenterprise professionals who feel intimidated about meeting with a bank in a bank. They feel the bank is non-approachable for their needs. This attitude would prescribe the bankers going out into the various communities and actually meeting with prospective customers to hold periodic outreach bank workshops; to detail the services provided by the bank, and to share the bank's lending philosophy and loan policy. Given the fact that Rural Banks have a practical relationship with private enterprise and establish their own local bank policy, the banks have better prospects for recruiting and sustaining microenterprise clients than their counterpart commercial banks.

The Asian financial markets, including banking enterprises in the Philippines, have experienced severe liquidity and earnings downturns in 1998. This has been caused largely by the short term devaluation in the area "hard currency," the Japanese Yen. Devaluation of the yen has had a negative impact on the Philippine base currency, the Peso. Since June, 1998, the Peso has declined in value to the US dollar by 18% (a decline from 38:1 in June to near 45:1 in September). The slow down in the sale of consumer goods, high interest rates, and downturn in real estate prices have added to the recession formula. All this has resulted in commercial banks retreating from historical secured lending practices to focus on loan restructure and compromise of previously funded and secured loans.

However, the Rural Banks of Mindanao have largely been sheltered from the broader markets in the area. Rural Banks historically lend funds, both secured and unsecured, to local enterprises, small shops, farmers and trade customers. The repayment from these sources are generally slow, but reliable.

¹ "Country Study - The Financial Study of the Philippines" by Dr. Peter Hartig, Gabriela Sprodofski, 1996

Efforts to increase microlending practices among the Participant Rural Banks and generate deposit growth should result in higher earnings for the banks and not affect earnings by recording continuous loan losses.

New Loan Products:

The MABS-M program will assist the candidate pilot Rural Banks regarding loan administration, credit analysis and other microfinance methodologies. The program will also assist in credit delivery systems for the target microenterprises by providing short term experts to work on the design and implementation of these products, preparation of product manuals, training of credit staff and coordinating the testing and roll out of these products. Enterprise profiles should be prepared by the project's long term professionals to assure that the lending products meet the needs and expectations of the target microenterprises.

New Savings and Demand Deposit Products:

The MABS-M program can provide development and testing concepts on innovative savings products by deploying a short term expert, as well as the project's long term staff, to work with the candidate pilot Rural Banks in designing new savings and demand account products, preparing a product and marketing manual, developing marketing strategy, designing promotional materials and coordinating the market testing and eventual deployment of the source of funds products.

Other Training Strategies:

As the MABS-M project gains momentum and approaches 10-15 participant banks, the project professionals may want to consider the addition of training workshops and seminars to meet a broader range of Rural Bank needs. Some of these may include:

- Branch Operations, Controls and Reporting (Ateneo-BAP Institute of Banking)²
- Managing Branch Sales (Ateneo-BAP Institute of Banking)
- Branch Lending Course (Ateneo-BAP Institute of Banking)
- Branch Lending: Prospecting and Pre-Qualifying (Ateneo-BAP Institute of Banking)
- Principals of Bank Operations (Ateneo-BAP Institute of Banking)
- Credit Administration (Operative Contractor)
- Fundamentals of Bank Accounting (Operative Contractor)
- Financial Forecasting (Ateneo-BAP Institute of Banking)
- Small Account Management for Rural Banks (Ateneo-BAP Institute of Banking)
- Risk Management in Banking Operations (Ateneo-BAP Institute of Banking)

² Ateneo-BAP Institute of Banking has developed these courses from a Rural Bank perspective.

"Education is not for knowing more, but for behaving differently." Ruskin

Training Programs Support: MABS-M Vitalization

As Mindanao Rural Bankers emerge into expanded microlending practices, microenterprises must transform themselves. This transition must focus on customer service --bold, fast, innovative, and customized. These ingredients are the new strategic imperatives for growing organizations. These changes will profoundly affect the way a small business manages itself, markets products, hires staff, and designs policies and processes. To be successful, by whatever measure used, small business must move closer to the customers and better understand customer needs. For many microenterprises, this may mean a complete transformation in the way they conduct business: listening to the banker's advice, responding to financial document requests, holding to production and quality values, and focusing on customer needs and service.

These changes will require new methods, new tools, new thinking: "a way of behaving differently." To support the Participating Banks, microenterprises, business owners and staff they serve, MABS-M has formed a team dedicated to providing training programs for Rural Bankers to address several key components of successful business enterprises; marketing, production management, strategic planning, financial management, quality standards, and organizational development. Microenterprises must develop a mind set to support their local Rural Banks by encouraging others to place deposits and use the banks' various financial services.

Our objective is to establish a training outreach program which will improve Rural Banks' microenterprise loan portfolios, increase core deposits and create a public awareness to borrowing opportunities for qualified microenterprises. These programs will take several forms:

- Bank Outreach
- Loan Pricing and Asset Evaluation Seminars
- Executive Banking Workshops
- Formal Loan Repayment and Management Seminars
- Marketing of Bank Services Seminars
- Basic Credit Seminars
- Asset and Liability Management Seminars
- Public Outreach Awareness Seminars

These programs are a resource which all Participating Rural Banks in Mindanao will benefit from, with long range goals in mind. For further information, please contact MABS-M Program Operations and Training Specialist Mr. Eduardo de Castro at (082) 299-0856.

Bill Pendleton, Bank Analyst and Training Advisor