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## GREEN BANK

# Defining Success in Rural Banking and Microfinance Provision

**JUNE 20, 2006**

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

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## Defining Success in Rural Banking and Microfinance Provision

### Final Report

USAID/PHILIPPINES MICROENTERPRISE ACCESS TO BANKING SERVICES

Contract No.: 492-C-00-98-00008-00

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



# EXECUTIVE SUMMARY

Green Bank has become a model for rural banking and microfinance lending in the Philippines. Though many banks have seized upon market opportunities for microfinance lending, few have demonstrated as strong a commitment and willingness to embrace new technologies and best practices. Green Bank's investment in microfinance is an integral part of its growth and development as a sound financial institution. The principles of the MABS program have permeated nearly every department of the institution through training and the adoption of best practices, and led management to establish indicators to measure performance and benchmarks for portfolio quality.

This report examines the underlying factors of Green Bank's success and growth as an institution, the impact of the MABS program on its operations, various aspects of the bank's successful initiatives including its innovative marketing approaches, comprehensive outreach and expansion plans, management information systems, strategic partnerships, leadership and vision for the future. The study is meant to highlight the bank's best practices and provide a basis for comparison with other rural banks, focusing on Green Bank's innovation, its adoption of proven methods for microfinance lending, and its operational planning and management.

Green Bank leadership's main goal has been to manage the bank's rapid growth prudently and effectively, harnessing the earning potential of microfinance and reinvesting profits back into the institution. Using regional branch expansion as the means to growth and outreach, Green Bank follows a clustered approach to training and management as a vital cost saving measure, which also facilitates closer monitoring of branches. These regional clusters also serve as stepping off points for further outreach via small kiosks and field offices.

Being the first to offer microfinance services in previously underserved areas has enabled Green Bank to create a solid brand identity with a customer base in the lower income tiers of rural and peri-urban areas. The professional development of employees and fostering their stake in the bank's success has also been a key aspect of senior management's focus, as part of their strategy for the advancement and profitability of the institution. With strong leadership and a singular vision for growth, the Andaya family has utilized the MABS program to help them realize their mission of making Green Bank the preeminent rural financial institution in the Philippines.

# INTRODUCTION

Green Bank is a successful rural bank in the Philippines which has achieved impressive growth by being responsive to client needs, developing a diversified, high quality portfolio, and maintaining sound management. Green Bank's success is due in part to its commitment to and investment in microfinance as an integral part of the institution, and investment in staff and organizational development. From the start, the leadership of Green Bank has incorporated the best practices of the MABS program into nearly every aspect of the bank's operations - learning quickly from its mistakes and adopting approaches to streamline procedures, expand outreach and monitor performance to achieve maximum growth.

Green Bank continually reinvests resources into sustaining this growth and maintaining client satisfaction. For example, Green Bank develops employees by sending them to recurring MABS training events, and by adopting and adapting MABS best practices into its operations and lending programs. The Bank has also continued to expand its marketing and research and development departments, and is consistently updating its hardware, software and management information systems (MIS). In addition, Green Bank has developed a comprehensive outreach and expansion plan, creating new opportunities for growth through the acquisition of branch licenses, developing new products and adapting existing ones based on market research and client feedback, and engaging consulting firms and external partners to produce innovative business solutions. Perhaps the single most important factor in Green Bank's continued success is the strength and commitment of its leadership, and its singular vision to become one of the largest rural banks in the Philippines.

The following profile of Green Bank is divided into sections that focus on the various aspects of the bank's successful initiatives and growth; these include information on its background and development, the impact of the MABS program, human resource policies, emphasis on training, marketing strategies, management information systems, capabilities in marketing and new product development, outreach planning and strategy, external partnerships, and the overall leadership and vision of the bank.

# Background

## *The Creation of Green Bank*

Originally founded as the Rural Bank of Nasipit in 1975, Green Bank began as a small but prosperous rural bank in Agusan del Norte in northern Mindanao. The town of Nasipit was known throughout the Philippines and South East Asia as a center for logging and timber, and the employees of the lumber mill represented a large part of the Rural Bank of Nasipit's customers and board members. In the late 1970s and early 1980s a number of circumstances negatively affected the bank's assets and reputation. First, wood resources and prices began to decline during this time, causing the town's lumber mill to slow production and eventually close. This severely affected the local economy and subsequently the customer base of the bank. Second, a number of employees and senior managers of both the failing lumber mill and the Rural Bank of Nasipit had taken out millions of pesos in personal loans from the bank. Third, the Rural Bank of Nasipit had its own debt of approximately 15 million pesos owed to the Bangko Sentral ng Pilipinas (BSP). Compounding these local circumstances was the national government's loan program at the time, called Masagana 99, which disbursed loans to the rural areas without proper controls, training or orientation of borrowers. This resulted in large amount of delinquent loans and poor repayment among rural borrowers.

During the difficulties of the late 1970s, Mr. Ismael Andaya of Butuan became involved in the activities of the bank, eventually taking formal control. Though he only owned one share of the bank, he was determined to bring the bank back from the brink of ruin to avert the disastrous impact its failure would have on depositors. His strategy early on was to focus on collection and repayment of delinquent accounts. This strategy saved the bank, with Mr. Andaya initiating collection proceedings on over 4,900 clients between 1980 and 1986. At this same time, bank personnel was cut from 22 to 9 trusted officers, with Mr. Andaya redistributing the additional salaries to the remaining employees as a reward for their dedication to the bank and its survival.

Mr. Andaya's reputation as a successful businessman grew throughout Nasipit as he collected monies from those responsible for the early threats to the bank's financial health. However, there was reluctance to reinvest in the bank, with only Mr. Andaya and one other stockholder investing capital into the bank after the crisis. Mr. Andaya himself invested more than one million pesos to secure the bank's ownership. In 1989, Mr. Andaya was receiving a salary of only 300 pesos a month as president of the bank, and he traveled daily from his home in Butuan City to Nasipit to attend to the bank's management. During the late 1980s, Mr. Andaya began additional lending and management operations of the bank out of his home in Butuan city. Various operations of the bank were run out of bedrooms, the dining room and the kitchen, while loans were dispersed from a space under the stairs! Eventually, Mr. Andaya officially moved the bank's headquarters to Butuan to better serve his interests and enable closer monitoring of bank activities.

In 1997, Mr. Andaya decided that the time had come to change the name of the Rural Bank of Nasipit to something more reflective of his vision of growth and prosperity. Mr. Andaya chose the name "Green Bank" to reflect his personnel connection to nature, rural farming and the environment. To him the name articulated his goal of expansion and growth for his own success, in concert with that of the countryside. Soon after the renaming, Mr. Andaya adopted the slogan "Everything We Touch Grows" as the motto of the new Green Bank of Caraga. Throughout the 1990s, Green Bank targeted clients who were new to banking or were reluctant to engage commercial banks for formal financial services. Green Bank's product offerings included pension loans, simple savings programs, and lending products to small and medium sized enterprises throughout Butuan and the surrounding towns.

## Green Bank and the MABS Program

Green Bank was not selected as part of the first rollout of banks under the Microfinance Access to Banking Services (MABS) program, but successfully reapplied in November 1999 to become part of the second rollout of banks to receive technical assistance and training. The MABS program was piloted in Green Bank's Bayugan branch due to its relatively large and diversified microenterprise sector and an established client base (having opened in 1996). Additionally, while Green Bank had already begun implementing a modified Grameen group lending program in two of its branches, this had not been introduced in the Bayugan branch. The necessary systems and human resources were developed and staff were trained to enable them to roll out the MABS program quickly in this pilot phase.

Though initially skeptical of the required investment in the MABS program, Mr. Andaya devoted the resources necessary to implement the individual lending approach MABS was delivering, stating "We intend to commit the number of field personnel necessary to do the job..." Throughout implementation, Green Bank was systematic in executing the MABS approach: undertaking market research, analyzing results to inform decision-making, performing the required financial projections, training staff and focusing on individual lending products and portfolio quality.

Eventually, the MABS program was installed in other Green Bank branches, with the MABS staff visiting up to three times a month in the initial three to four months of the program to provide training to the account officers and supervisors. Green Bank's approach was to hire and train new account officers in branches with established microfinance units. Once these staff were fully trained in the MABS lending technology they were sent to newly formed branches to begin individual lending programs. The continuous transfer of personnel, and the rotation and clustering of training would play a large role in Green Bank's successful expansion from 2000 onwards. Green Bank's growth in relation to its peer banks within the MABS program's 2<sup>nd</sup> rollout is shown below in Table 1.1. Compared to other institutions receiving MABS technical assistance at about the same time, Green Bank's growth in participating branches and personnel for microfinance lending operations is quite high. And contrary to what might be expected with such rapid growth, Green Banks' account officer productivity is significantly higher and Portfolio at Risk (PAR) over 30 days is actually lower in 2004 and 2005 than the banks with much slower growth.

**Table 1.1: MABS Peer Rollout Bank Comparison**

PEFORMANCE SUMMARY	GREEN BANK				PEER ROLLOUT BANKS (Average/Bank)			
	2002	2003	2004	2005	2002	2003	2004	2005
Number of participating branches	12	19	25	29	2	3	3	4
Number of active borrowers	4,497	5,109	7,522	14,971	682	722	993	550
Loan portfolio balance (US dollars)	863,478	1,033,563	1,436,090	1,707,130	83,732	103,461	137,579	90,708
Change in number of deposit accounts	53,356	69,285	62,495	90,137	2,707	3,429	4,239	4,185
Number of microfinance field staff	69	53	54	75	8	9	10	7
Number of loans disbursed per month	1,178	1,375	1,987	3,606	252	194	267	85
Cumulative number of loans disbursed	25,691	41,884	59,712	87,926	4,441	7,247	10,239	12,039
Loan Portfolio Balance per AO	12,514	19,501	26,594	22,761	9,968	11,495	14,331	13,339
Number of Accounts per AO	65	96	139	200	81	80	103	81
Portfolio at risk over 30 days (%)	4.10	3.49	3.14	4.13	3.25	3.19	3.83	5.11

# Successful Practices

## *Human Resources and Incentives*

Omar Andaya, son of Ismael Andaya, became President and Chairman of Green Bank in 1999. It was during this time that the bank began expanding its branches to match Ismael's initial goal of aggressive growth.

By 2000, in addition to the main branch in Butuan City, Green Bank had established branches in the towns of Nasipit, Bayugan, Ampayon, San Francisco and Magallanes, and had applications pending at the BSP for an additional three branches. Green Bank's successful merger with the failing Bank of Alegria in 2000 enabled the bank to control five new branches - putting Green Bank up to a total of eleven branches. Today, new branches are added annually - 13 branches a year in 2004 and 2005. This growth is also reflected in the number of staff, with just 69 employees in 2000, Green Bank has over 500 employees today. The human resource department has had to develop an aggressive recruitment and training program to feed this rapid expansion.

One of the human resources department's strategies is to seek out young candidates from top universities and colleges who are between the ages of 20 and 24. With fewer attachments, these younger and more educated candidates enable the bank to transfer personnel more easily between branches to meet staffing needs quickly. The recruitment department performs a thorough screening process, questioning candidates on their banking and finance experience, reviewing transcripts, performing background checks, and seeking references from previous employers. Preferring newer graduates, many of Green Bank's trainees are actually referred to them by school career centers prior to graduation.

Following the initial screening and hiring process, trainees are given a two week orientation into all aspects of banking and Green Bank operations. The trainees are then placed into an extensive and rigorous nine-month training program composed of both on-the-job training and classroom instruction. Trainees are coached by more senior account officers, tellers and cashiers and are evaluated every three months using written and practical exams, and facilitated discussions and interviews conducted by a core group of trainers within the bank. Only after they complete the required nine-month course are they allowed to handle existing accounts under the mentorship of senior account officers and bank personnel.

Green Bank's training program typically loses between three and four percent of its candidates per month, and this attrition rate increases for candidates placed in field positions. However, Green Bank strives to minimize dropouts by quickly rewarding good performance with promotions to supervisory positions. An important element of their strategy, and highly encouraged by the MABS program, is the implementation of a generous incentive program for microfinance unit employees. Microfinance account officers are rewarded for building loan portfolios over one million pesos with less than two percent Portfolio-At-Risk (PAR) rates; these rewards include professional awards, promotions and further incentives for performance. Since microfinance unit employees are put through a more rigorous training regimen both within the bank and through the MABS program, they are subsequently promoted into supervisory roles more quickly and with greater success than non-microfinance unit employees. Unfortunately, this has created some resentment among other employees who receive no incentives for their work and fewer promotions. It has also increased the requests for transfers to microfinance operations.



## ***Training via branch expansion and regional outreach***

Green Bank's expansion has followed a geographic rationale, spreading from town to town with multiple branches opening consecutively within a city or a region to access previously underserved urban and peri-urban areas. The established urban center branches act as training centers for human resource development, supporting the bank's regional outreach and expansion. This allows Green Bank to minimize transportation costs for training, and maximize management supervision and internal controls. Green Bank's expansion into Cebu and Cebu City provides an excellent example of its efficiencies in regionally clustered growth.

In anticipation of its application for branches in Cebu, Green Bank hired a large number of new administrative staff, account officers and supervisors. Before assuming responsibility, these staff first served as trainees in the original Butuan branch under close supervision of the microfinance unit and its head, Gerald Guillen. This enabled the new staff to experience first hand the challenges of managing an established microfinance portfolio, handling client issues and learning from senior account officers the important techniques and strategies for balancing portfolio growth with quality. After completing training in Butuan, the new staff, along with several senior account officers, were transferred to establish the new branch in Cebu. Following the establishment of the branch in Cebu, additional branches were formed in the surrounding countryside and within Cebu City itself. The original Cebu branch served as the training ground for bank staff in the extended Cebu area, and the starting point for branch expansion, training and outreach throughout the Visayas.

Green Bank employees transfer frequently between branches, and those employees that are performing particularly well are transferred most often to utilize their skills in branches where problems exist in portfolio quality, or where employees are not as vested in the microfinance program. Top performing employees are expected to motivate other staff, provide training and encourage best practices within the branch. For example, an employee who began her career in the Butuan branch as a cashier was transferred to the Libertad branch as head cashier due to her exceptional performance. After a short period she was transferred back to the Butuan branch to begin manager training, and soon after earned the temporary title of "officer in charge," and was eventually named the official branch manager for the Nasipit branch.

This strategic transitioning of employees ensures high quality training and mentorship through exposure to more experienced employees. Strategic placement of senior account officers, branch managers and regional supervisors effectively creates a decentralized management cadre well-schooled in principles of accountability and performance. By staging regionally clustered trainings, Green Bank lowers transportation costs and decentralizes training to regional areas for the Visayas, Cebu, and northern Mindanao. Green Bank was also quick to commit to pilot testing the MABS distance-learning program for online training. Green Bank maintains many rural branches with employees who are less exposed to MABS formal training, but most areas have internet access that would enable front line and middle management employees to access MABS training modules from their desks— allowing the bank to maintain its quality of staff development while cutting costs.

## ***Management Information Systems***

Through its substantial investment in the MicroBanker software, Green Bank is able to monitor its account officers' performance, develop basic reports and make decisions based on sound financial data. The Management Information Systems (MIS) department, originally composed of only two trained personnel, has grown to eleven full-time employees. The MIS department is working actively to upgrade its hardware, software and network structures using more robust servers, and Voice-Over Internet Protocol (VOIP) to improve communications and reporting, and handle the increased number of clients from new branches. Although the current information technology infrastructure within the bank is somewhat decentralized, more than 80 percent of branches are hardwired to the Butuan head office; those branches in more remote areas are using cellular connections and fax for reporting and communications.

Embracing the increased speed and security of cellular and VOIP communications, Green Bank is meeting the exigencies of rapid expansion and growth. For example, it has laid out a plan for the use of hand held Personal Digital Assistants or PDAs. The use of PDAs will connect field personnel to the bank's main offices, improving internal control, monitoring, problem solving and program support. Hand held PDAs and cell phones enable both individual and group lending account officers to track loan applications and approvals, client repayment, and increase their performance to meet their targets for new borrowers and improved portfolio quality. On another front, the MIS department has responded to the demands of new product development in both group and individual lending by adapting systems and reports to monitor and track their performance.

The MIS department of Green Bank has attempted to eliminate errors in branch reporting by uploading data directly from sent emails using Microsoft Excel, which are then converted to reports in MicroBanker for financial tracking and senior management decision making. However, Green Bank's MIS systems are still one of the factors most limiting its successful growth, monitoring and evaluation. Recognizing this, the limited capabilities of the current system are being addressed by the bank's top management, foreshadowing a near term upgrade of the MIS systems to adequately handle Green Banks' continued growth and more complex requirements for automation and report generation.

### ***Marketing and new product development***

Green Bank's Marketing Department encompasses the Research & Development unit, as well as the Advertising, Public Relations and Promotions, Training and Product Development groups. Advertising and Promotions actively engage the local media through radio ads, billboards and tarpaulins outside branch offices. The Product Development group was created to collaborate with the training department to successfully roll out new products and adapt existing ones. The Marketing Department works collaboratively with the Microfinance Unit to conduct strategic marketing initiatives for new products based on focus group discussions, market research and impact studies specifically targeting market segments of lower income clients. This department has grown from just three junior staff members to nine full time employees who focus on creating targeted branding, advertising, new product development and marketing for the bank.

The bank's leadership has invested heavily in developing an image of honesty and integrity among local communities. To promote this image effectively Green Bank utilizes a comprehensive marketing effort referenced above and utilizes focus group discussions with customers to garner feedback on their existing product offerings, refining and adapting the products accordingly. The leadership of Green Bank has been proactive in utilizing the MABS Approach Tools for market research and product development and has embraced new product innovations promoted under the MABS program, including the Micro Agri-Loan and individual lending products.

Bank president Omar Andaya plans to develop a complete rice production value chain financing product for input suppliers, rice producers and wholesalers and traders. The marketing department developed a survey to analyze the potential for this new product, and concluded that more than 60 percent of potential clients or their spouses are already accessing Green Bank's group lending programs. Their previous exposure to Green Bank's products and services comprises an existing client base ready and willing to graduate to larger, more collateral-based lending products. In line with Green Bank's motto of "everything we touch grows," Green Bank offers products such as the TREES loan product tailored for microentrepreneurs, and TREES Plus loans for high performing clients and small business owners, as well as the SEED savings product for microdepositors. These products were developed using the MABS steps in market research for new product development, followed by pilot testing and launching of the product to targeted market segments for maximum impact and penetration into the consumer base.

Further developing their marketing strategies and brand recognition, Green Bank emblazons their logo on t-shirts, coffee mugs, pens and calendars for promotions and frequent giveaways. Green Bank's logo is also displayed on the front of nearly every branch including market kiosks and stalls. Periodically,

clients availing of BULAK group loans gather for a special event called BULAK Day in which special prizes, talent contests, and cash awards are given out to the best performing groups. Goods produced by the microentrepreneurs are on display, helping to promote the image of Green Bank within communities by encouraging the pride of participation and showcasing the economic benefits of entrepreneurship and timely repayment.

### *Outreach planning and strategy*

Green Bank's process for moving into new markets involves all of its various departments. Initially, bank management meets with local leaders, the Rotary and Lions clubs, the mayor, the Social Security Administration (for pension loans) and other relevant social, political and economic leaders. The marketing department distributes flyers and leaflets, puts up banners and tarpaulins, converses with potential customers, develops promotions, and conducts market research and surveys following the MABS Approach.

As in the case of Cebu, Green Bank continuously seeks out opportunities and licenses for new branches, anticipates the potential of new areas for expansion and takes the requisite steps to roll out their products and services successfully in new areas. Following the BSP guidelines to open new branches within six months of approval, Green Bank leverages their cadre of existing account officers for microfinance to launch new branches. Microfinance loans are some of the first products to be offered in new areas, allowing Green Bank greater outreach within geographic areas by building a client base from lower income, previously underserved markets. Even in areas with existing rural and thrift banks, Green Bank is able to effectively target a niche clientele of microentrepreneurs, marketing its products successfully to capture these lower income customers.

One example of such market penetration is a series of kiosks Green Bank set up in the main public markets of Butuan, Cebu and Cagayan d'Oro to serve small depositors and borrowers, and offer products tailored to the immediate needs of day laborers and small traders. A "next day" loan product called Buhi-Buhi (literally "little by little") is offered at a four percent interest rate to enable traders to take advantage of unique market opportunities. These "business opportunity" loans enable traders and laborers to buy and sell goods on a daily basis; one typical example is trading in fresh fish. Clients are able to access a line of credit based on an existing CIBI (Credit Investigation/Background Investigation), which is completed at the main branch nearby. Clients are then approved for loan terms of one day, one week or one month, with daily repayments that borrowers bring to the kiosk located within easy reach.

To date Green Bank has over 90 clients in Butuan accessing the Buhi-Buhi loan product, utilizing the kiosk for loan repayment and also deposits, with total PAR averaging around ten percent. Though these PAR rates are relatively high, this is a function of the daily repayment and short term of the loans. Account officers are able to collect repayments easily within the market due to the proximity of the clients, and the kiosk is hard-wired directly to the main branch allowing immediate updating and relaying of client account information. These outlets enable Green Bank to reach out to their customers directly and conveniently, lowering the transactions costs for the client, and demonstrating the bank's commitment to the lowest tiers of the microfinance market.

Green Bank has also recently installed a number of ATM machines throughout their branches to improve client services and outreach. They currently have over twelve machines in their own branches, with plans to link these machines to other banks using existing networks such as BancNet or Megalink. Though ATM machines are expensive and costly to set up, this initiative is reflective of the bank's practice of reinvestment and its overall strategy for steady growth and outreach.

## ***External Partnerships***

MABS was instrumental in transferring the techniques and technology to monitor loan processing, approval, disbursement and collection to Green Bank. Initially, MABS' introduction of the concept of loans to small clients was met with skepticism by the management of Green Bank. This was perhaps due in part to the bank's experiences with government-run credit programs in the 1980s. The poor repayment and planning of these programs badly affected receptiveness of many Philippine rural banks to microfinance.

Before long, however, Mr. Ismael Andaya recognized the potential impact the MABS program could have on Green Bank's operations and growth via the program's rigorous training regimen, knowledgeable consultants and proven approaches to microlending. Beginning with only one branch in Bayugan in April of 2000, with just 50 active borrowers and a loan portfolio of 460,000 pesos, Green Bank has now installed a microfinance unit into each of its 32 branches, with a current total of over 27,600 active borrowers and a total microfinance loan portfolio of over 146 million pesos, and over 220 million pesos in additional micro-deposits. The uptake and expansion of their microfinance products have certainly contributed to Green Bank's steady growth.

Green Bank has participated in nearly every pilot test and rollout of MABS technical assistance programs, product innovations and trainings. Green Bank was selected as one of the first banks to pilot test the new Text-A-Payment system utilizing Globe's G-Cash technology. Though currently only a small number of clients are using this to access their accounts and perform transactions, the bank's leadership sees ample opportunity to use the technology for other financial services and intermediation. Green Bank was also one of the first banks to pilot test the micro agri-loan product in November 2004. It now has more than 564 active borrowers, and has disbursed over 1.1 million pesos from seven branches. In addition, the bank has taken full advantage of the MABS technical assistance and training program, piloting the new middle management courses recently developed by MABS.

The impact of the MABS program, and more importantly the imparted mentality for improvement and innovation, is central to what separates Green Bank from its competitors. Embracing the MABS Approach, Green Bank has invested heavily to adopt its techniques, including using the CIBI for all of its lending products including loans to retired people who receive their pensions from the social security system (pension loans), group lending, TREES and TREES Plus small business loans. The MABS techniques for cash flow analysis, new product development, marketing, and performance monitoring and evaluation have been applied throughout the bank to its full range of products and services. The influence of the MABS consultants and microfinance specialists is palpable, with loan officers, branch managers and more senior management attesting to the influence the MABS program has had on the bank's operations. Green Bank's senior management recognizes the importance of their partnership with the MABS program, quickly integrating information passed on by employees returning from MABS-sponsored technical assistance and training courses, and continuously seeking the advice of MABS consultants. They also solicit guidance from other firms to assist them in streamlining their operations.

Green Bank has developed a strong relationship with Grant Thornton Business Consulting in the Philippines on a number of initiatives, including tax compliance, standardized processes for audit and internal control, financial analysis and MIS. In addition, Green Bank has entered into a partnership with Innovations for Poverty Action (IPA), a U.S. based non-governmental organization specializing in research, evaluation and replication of innovative solutions to development. With IPA, Green Bank is developing a model for credit scoring for multiple product lines, as well as marketing strategies for savings products.

## ***Leadership and Vision***

Another key element to the success of Green Bank's growth is its effective leadership. Both the senior Mr. Ismael Andaya, as well as his son Omar, are fully committed to the success of their institution. Establishing a reputation for honesty and integrity in the communities in which Green Bank operates,

the Andaya family has nurtured the trust of its clients, as well as the loyalty and commitment of its employees.

The Andaya family has a long tradition of investment in the Butuan community and the success of Green Bank. The family has strategically placed family members in various bank operations, from the recently expanded Internal Control Center with more than 20 employees, to the management of the Treasury Department. However, as Omar Andaya stated, “We are all employees and we will be judged on our performance. If I’m not doing an effective job as President and CEO, then I should be replaced.” While Omar Andaya is very active in day-to-day bank operations, he has delegated the control of the microfinance unit—the most profitable part of the bank—to Mr. Gerald Gullien and a team of senior employees.

Many rural bank presidents have a diversified portfolio of investments in multiple enterprises. However, with the exception of acquiring real estate and continuing their fishpond farming business, the Andayas have devoted the bulk of their resources to developing Green Bank into the second largest rural bank in Mindanao. When he took over from his father as President and Chairman of the Board, Omar Andaya had been focusing exclusively on fishponds with almost no background in banking. However, he quickly educated himself in the details of rural banking and took advantage of multiple opportunities for training offered under the MABS program. The senior Ismael Andaya continues to take an active role in running the bank by helping to develop new ideas for products, attending MABS related events and keeping in close communication with the head office employees and various departments.

Ismael Andaya recognized early on the potential impact the MABS program could have on his bank. In late 1999 Mr. Andaya declared to his staff that he saw Green Bank reaching one billion pesos in assets by the end of 2002. At that time the bank’s assets totaled 175 million pesos, with a loan portfolio of less than 140 million pesos and deposits barely reaching 100 million pesos. Implementing the strategies described above, Green Bank reached its target of one billion peso in assets in March of 2003. By the end of 2005, in nominal terms, total assets had reached 1.54 billion pesos, or more than eight times the 1999 level; the aggregated loan portfolio was at 987 million pesos or seven times the 1999 benchmark, and deposits had reached 965 million pesos or ten times the 1999 level. About 15 percent of the total loan portfolio is micro-loans, which generated 21 percent of the total gross income of the bank in 2005. Thus microfinance has become a mainstream business activity of Green Bank. With the market for microfinance becoming more competitive, and a sharper focus on portfolio quality becoming essential, the bank’s management team has its work cut out if it is to continue the trajectory of growth it has set for itself.

## *Conclusion*

As Green Bank has rapidly expanded its operations, the challenge for its leadership has been on managing this growth successfully and prudently. Green Bank continues to train its employees through the MABS program, and steadily incorporate MABS best practices into its operations and lending programs. Through strategic partnerships Green Bank seeks out advice and insight from outside experts to gain fresh ideas on new product development, marketing and business solutions to overcome the inevitable problems of rapid growth and to reach deeper into its customer base in an increasingly competitive market. Following a comprehensive outreach and expansion plan, Green Bank continues to pursue opportunities to acquire additional branch licenses, focusing on cost effective regional expansion and market penetration. With visionary leadership and a singular focus on growth, Green Bank’s senior management has demonstrated a commitment not only to the advancement and profitability of the bank, but to rural development and poverty alleviation throughout the Philippines.