Development Transformation Experienced by Marginalized Beneficiaries of a Government Sponsored Microfinance Program

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Abstract - A microfinance program involves livelihood access through borrowed capital to capacitate women in marginalized communities to improve their quality of life. The study elicited the perceptions of beneficiaries on the transformation in their lives as a result of their availment of microfinance program of the City Social Welfare and Development Office of Butuan City. The study utilized descriptive method adopting qualitative research technique by means of focused group discussion, personal interview and on-site observations. The study revealed that technology acquisition was the most appreciated area of development because it enabled them to start their projects efficiently and handle them effectively as compared to doing things by their common sense. They realized the need to pay their loan on time for use by others rather than delving on dole-
out-mentality. They understood that aving money in the bank is a form of investment rather than hiding it in any part of their house with no future benefit. They learned how to absorb instruction, clarify matters and comply with the needed output. The study concludes that the beneficiaries affirmed the tangible benefits translated to development of their greater capacity to access capital, utilize the same productively and support their socio-economic needs.

INTRODUCTION

Microfinance has been the cornerstone strategy of most third world countries which people are mostly poor, about half of their population. However, local and international researches revealed that its economic gain did not significantly improve the lives of all beneficiaries for various reasons. Like in the Philippines, poverty incidence continue to rise. As a proof to it, CARAGA region where the study was conducted has a poverty incidence of as high as 39.6% in 2010.

It is in this context that the inner necessity to investigate the development transformation being experienced by the beneficiaries has cropped-up inorder to help government find for any significance of microfinance program and use it as the reason for the continuance of the implementation. Basically, many people are already bias to government programs due to lack of knowledge and actual immersion in the countryside where the poor people are situated. Much have been heard about what the government has been doing but only very few dared to explore any outcome because of the tough job like being exposed to heat, rain, rugged terrains, risks of dog or snake bites.

Microfinance would still be the best strategy in reducing poverty problem in the country. What is just needed is to help government document its worth and for the field workers to be given due recognition for their painstaking effort towards the achievement of the goals of the program. It is a fact that there were deterrent factors in the implementation of the program like very minimal amount of financing with short-term repayment period which deprived the beneficiaries to roll the earnings and capital and sometimes inavailability of funds for immediate re-availment to sustain business needs.
Development transformation (DT) has been added to the USAID Program/Project Management Training (PPMT) Indefinite Quantity Contract (IQC) held in International Resources Group (IRG). DT provides training, management and advisory services to USAID for the design, development and subsequent delivery of a series of courses that encompasses strategic planning, program/project management, monitoring and evaluation and the tools associated with using this knowledge. DT’s focus included training related to stabilization and interagency cooperation (Westphal, 2008).

Transformation is a qualitative change and change involves a process. This is being supported by the concept of Kurt Lewin, a social psychologist in his three-stage planned change model which explained how to initiate, manage, and stabilize change; and the stages are unfreezing, changing, and refreezing (cited by Kreitner and Kinicki, 2007). Lewin stated that change process involves learning something new, as well as discontinuing current attitudes, behaviors, or practices. Considering Lewin’s and Westphal’s perspective, this framework was considered in the pursuit of this study, “that development transformation of microfinance beneficiaries is a function of wholehearted joint efforts of the beneficiaries themselves and the implementors in processing the inputs to produce an outcome” which is simply expressed as the input-process-outcome model of development transformation. This model was also conceptualized by DR Fuqua and DJ Kurpius (1993) and DA Nadler and ML Tushman (1989) and adapted by Kreitner and Kinicki (2007). Their model considered inputs, strategic plans, target elements of change, and outputs as components of the system which were designed for organizational change process. Inputs were represented by mission, vision, internal strengths and weaknesses, external opportunities and threats; strategic plans were represented by strategies and goals; target elements of change were represented by organizational arrangements, people, methods, and social factors; and outputs by organizational, department/group, and individual level results.

Considering the perspective as development transformation in the lives of the people, particularly the microfinance beneficiaries, input is viewed as the seminar/trainings given by the implementor to the beneficiaries; process is how the beneficiaries and implementors work together to achieve transformation; and outcome is what happened after the introduction of
the inputs and application of the different processes. There were two sets of processes observed. The first set involved the cognitive, affective, and active aspects of learning which were carried out by the beneficiaries. The cognitive aspect was manifested by knowing and understanding; affective by valuing, and active by acting on what has been taught by the implementors. Meanwhile, the second set involved management and support carried out by the microfinance program implementor. Management was manifested by monitoring and supervision while support is represented by feedback giving. The outcome was based on on-site observations and expressions of transformation like realization, adoption, awakening and ensuing languages.

Hatum (2006) cited that the roots of Argentina’s success do not date back the 1990’s but long before, in their thinking ahead about ways of improving technology, scale and cost-effective measures – a trio of decisions that would prove to be right combination for survival and success.

On the other hand, Lidgerwood (1998) stated that the sounding principles of the microfinance movement is a belief in the inherent nobility of humankind – of the integrity innate capacities and commitment of the resource-poor to work hard, take responsibility for their own lives, and repay credit. From those principles and from other essential spiritual values like trust and self-reliance, the methodologies of successful microfinance programs have emerged (cited by Sharma, 2004). A number of private, public and non-governmental institutions have been claiming their contribution in the field of microfinance by showing their high repayment rate (Journal of Nepales Business Studies).

In many cases, small grants, infrastructure improvements, employment and training programs, and other non-financial services may be more appropriate tools for poverty alleviation. Wherever possible, such non-financial services should be coupled with building savings (Asian Development Bank, 1998). Depending on their circumstances, poor people need not only credit, but also savings, cash transfers, and insurance (ADB, 1997).

In order to develop favorable environment for microfinance environment, create suitable financial base and give proper attention for institution development (Thapa, 2001). Microfinance institutions need to adopt strategic approaches in order to address these management challenges as supportive policy with one door controlling and monitoring mechanism, effort to linkage formal and informal financial sectors involved in micro-financing program and flexibility in financial management regulation. Additionally, financial
institutions themselves need to develop business planning practice and efficient management of human resources within the institution (Sharma, 2004).

OBJECTIVES OF THE STUDY

The study aimed to 1) identify development transformation in the lives of the beneficiaries of a government-sponsored microfinance program; 2) understand how the transformation took place; and 3) know the outcome of the transformation.

MATERIALS AND METHODS

The study utilized the descriptive research design with qualitative techniques such as triangulation and comparison. The data were gathered through focused group discussions, personal interviews, and on-site observations. Analysis and interpretation of the data were done adopting the input-process-outcome approach.

RESULTS AND DISCUSSION

There were four variables considered in studying the development transformation: 1) technology acquisition; 2) loan payment; 3) saving in the bank; and 4) document literacy.

Technology acquisition. Figure 1 shows how technology was being appreciated, adopted and imbibed in the hearts of the beneficiaries. Before microfinance program was introduced, the farmers perform farm activities using the old way of doing it based on their common sense like preparing the land with the use of pick muttock and/or carabao if it is in the uplands while only carabao if it is in the lowlands with water. Likewise, when the farmers plant rice, they just put the seedling in any direction with the thought that it can thrive and still bear fruit as long as there is water and fertilizer. With the new inputs in the form of seminars and trainings on Project Development, Business Operation and Management, and Simple Bookkeeping, the farmers learned and understood the importance of the new technology. As part of the inputting stage, the farmers were made to observe other farmers using the tractor to see the difference in terms of time, effort and quality of land preparation. Seeing the big difference, the farmers tend to value the
knowledge learned and acted on it in the next farming activity. After doing the hands-on, they realized that the new way of doing farm activity enabled them to start their projects efficiently and handle them effectively because they were able to finish the activity on time with less effort but more time to prepare for the next phase of the production cycle.

**Technology Acquisition.** Although farmers were already given seminars on technological changes in farming by the Department of Agriculture and even the National Irrigation Administration, yet, they persisted on their old way of doing things because of some reasons like they do not have money to pay for the rental of farm implements, their farm areas are just little, and they have many members in the family who can constitute their farm labor. However, when microfinance was implemented to help alleviate the poverty of the country in which the farmers are among the poor sectors, interested farmers were made to attend three months preparation period which included varied seminars and trainings. Few of the seminars given were Project Development and Management, Business Operation and Management, and Simple Bookkeeping. After the inputting, the farmers were made to do the hands-on and exposed to the field for observation on the actual performance by other people. The processes of knowing, understanding, valuing and acting took

![Figure 1. Development Transformation for Technology Acquisition](image-url)
place on the part of the beneficiaries and monitoring, evaluating and feedback giving on the part of the implementer also took place. Beneficiary-farmers were awakened that adopting modern technology can save their resources like money, time and effort. They were able to start their projects efficiently and handle them effectively which resulted to improved production due to proper land preparation and timely execution of the subsequent phases of production. The old way of doing farm activities like using pick mattock and carabao in cultivating the land was changed to using tractor on rental basis; and planting at any direction was changed to using a furrower or field liner.

![Figure 2: Development Transformation for Payment of Loan](image)

**Payment of Loan.** Basically, community folks believed that government assisted projects need not be paid because government has the obligation to put-up projects for the welfare of its people and it is also the way to return to the people part of their paid taxes. This dole-out-mentality has been the deterrent factor in the implementation of previous government programs like “Masaganang Maisan”, “Biyaying Dagat”, “Kilusang Kabuhayan at Kaunlaran”, and other livelihood programs. Because of this mentality, most of the beneficiaries did not pay back the government which resulted to the discontinuance of the program due to mounting of collectibles and the funding agency suffered from very low repayment rate and field officers
lacked the motivation to sustain the monitoring of the projects because they were also affected in their performance rating. Orientation seminar on Psycho-social Requirements and Program Sustainability were inputted to the beneficiaries to correct the dole-out-mentality. As the processes of knowing, understanding, and valuing continued to work in the minds of the beneficiaries, they realized the need to pay their loan on time for their re-availment or use by other new beneficiaries. They also realized that government has very limited resources and is suffering from debt burden and budget deficit. As a result, they started to pay their loan on time to the designated bank or direct to the collecting agency whichever is nearer in proximity.

Figure 3. Development Transformation Saving Money in the Bank

**Saving in the Bank.** Before, It was the practice of most people in the countryside to save their money in the piggy bank and hide it inside the padlocked cabinets or wrap the money with handkerchief and hide it under the bed or inside the pillow case. Such practices resulted to losses due to stealing of the money by other family members or other unscrupulous people who had the knowledge about the savings which resulted to interpersonal conflicts due to unfounded suspicion. As part of the savings mobilization program of
the microfinance implementer, seminars on Savings as a Form of Investment, Theft and Robbery, and “AkyatBahay” Gang Modus Operandi were given to the beneficiaries as input for the planned change from piggy bank and the like to saving in the bank. While the processes of knowing, understanding, and valuing were taking place in the minds of the beneficiaries, they were convinced that indeed putting up of their hard earned money in the bank will provide them additional income, full security against losses and allow them to maintain harmony among family members. As a result, beneficiaries started to inquire about the requirements in depositing their money in the nearby bank or other financial institutions. Some of them had really started savings in their chosen depository bank either via passbook or ATM card.

**Document Literacy**. One of the pressing problems in the implementation of any program is the ability of the beneficiaries to submit required documents on time. However, during the past years, the beneficiaries lacked this ability, instead, they relied upon the help of other people outside of their grouping which was in turn annoying on the part of the person concerned because his/her personal chores were deferred and no monetary incentive was given as an exchange of the effort and time extended for the group.
Looking at this deficiency, the microfinance implementer provided seminars and trainings on Leading, Communicating, Feedback System, and Business Letter Writing. While the processes of knowing, understanding, and valuing were internalized, the beneficiaries gradually felt the stimulation within themselves to work on their own the documentary requirements. They tried to visit internet café where they can encode their documents considering that this kind of establishment is mushrooming in the countryside. With the constant practice, they developed the confidence and felt already empowered. They learned how to clarify information and tried to submit requirements on time.

**CONCLUSION**

The beneficiaries affirmed the tangible benefits as 1) imbibing the technological know-how for efficient and effective business management; 2) getting rid of dole-out-mentality and ensuing loan payment; 3) putting money in the bank for future benefits; and 4) confidence in doing paper works which translated to their greater capacity to access capital, utilize the same productively and support their socio-economic needs.
RECOMMENDATION

Based on the findings and conclusions, the following recommendations are offered for consideration:

1. That microfinance program implementer of the government shall submit proposal to the Department of Social Welfare and Development Office regarding the conduct of a related study in sample municipalities of the country to document other transformational experiences of the beneficiaries for streamlining of budget for seminars and trainings necessary for their capability building aside from increased economic gains.

2. That the Secretary of the Department of Social Welfare and Development Office shall give plaques of appreciation to field workers for recognition of their untiring effort in carrying out the implementation of the microfinance program components.

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