



HOMETOWN CORPORATION (B): Expansion Plan

Three years after Hometown started its operations in Santiago City, Captain Dennis Eclarin thought of expanding his operations to Cauayan City to test the replicability of the Hometown system in another area with a similar profile. If this became successful, Hometown intended to go nationwide. Hometown also decided to expand for entrepreneurial reasons. Captain Eclarin would like to take advantage of the opportunities offered by the rapidly progressing market of Cauayan City, even as he wondered: “Is penetrating the Cauayan City market feasible given its characteristics?”

Cauayan City: Cagayan Valley’s Industrial Center

Cauayan City¹ was located right at the center of the province² of Isabela (*see Exhibit 1 for the map and profile of Isabela province*). One of two cities in Isabela, the other one being Santiago, Cauayan was the Regional Industrial Center of Region 2.³ Before Cauayan became a city in 2000, it was one of Isabela’s 37 municipalities.⁴

¹ There were three classes of cities in the Philippines: the highly urbanized, the independent component cities which were independent of the province, and the component cities which were part of the provinces where they were located and subject to their administrative supervision. There were 117 cities in the Philippines. Cauayan City was a component city. (Source: National Statistical and Coordination Board website)

² A province was the largest unit in the political structure of the Philippines. It consisted, in varying numbers, of municipalities and, in some cases, of component cities. Its functions and duties in relation to its component cities and municipalities were generally coordinative and supervisory. There were 79 provinces in the Philippines. (Source: National Statistical and Coordination Board website)

³ A region was a sub-national administrative unit composed of several provinces having more or less homogenous characteristics, such as ethnic origin of inhabitants, dialect spoken, agricultural produce, etc. The Philippines was composed of 17 regions. (Source: National Statistical and Coordination Board website)

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The city housed a transportation hub whose arteries led to the trading municipalities. It hosted the jeep and mini bus terminals that ferried passengers to and from the neighboring towns. It was the site of the only functioning airport in Isabela.

The chartering of Cauayan into a city effected the entry of large commercial banks like Bank of the Philippine Islands, Equitable PCI Bank, Metrobank, and a host of others. Nationwide fastfood chains like Chowking had likewise set up operations in the city to take advantage of its economic vibrancy. As a result, a number of construction activities were ongoing.

Micro lenders abounded in the area. *Bombays*⁵, who were either Cauayan-based or transients from Santiago City, numbered more than 100.

In addition, the two largest microfinance-oriented banks, namely, First Isabela Cooperative Bank (FICOBANK) and the Mallig Plains Rural Bank, Inc., had been competing head on for at least five years. Interviews with one project officer of the Cagayan Valley Confederation of Cooperatives, on the other hand, confirmed that it was in Cauayan City where one of their largest operations in Region 2 was situated.

Resemblance of Cauayan City to Santiago City

Captain Eclarin enumerated the economic resemblance of Cauayan City to Santiago City as follows:

- Among the municipalities in Isabela, Cauayan City most closely resembled Santiago City in terms of population and level of urbanization. According to the National Census conducted in 2000, the population of Cauayan City was 103,952 and its total number of households was 21,143. Santiago City, on the other hand, had a population of 110,531 and its total number of households was 22,401. In terms of level of urbanization, Santiago City had about 59 percent of its population living in the 15 urban *barangays*⁶. Cauayan City had a comparable figure.

⁴ A municipality was a political corporate body which was endowed with the facilities of a municipal corporation, exercised by and through the municipal government in conformity with law. It was a subsidiary of the province which consisted of a number of barangays within its territorial boundaries, one of which was the seat of government found at the municipality proper. There were 1,500 municipalities in the Philippines. (Source: National Statistical and Coordination Board website)

⁵ See succeeding sections for a discussion on *Bombays*.

⁶ The English translation of the term “barangay” was “village.” The barangay was the most basic political unit in the Philippines. It consisted of less than 1,000 inhabitants residing within the territorial limit of a city or municipality and administered by a set of elective officials, headed by a barangay chairperson. (Source: National Statistical and Coordination Board website)

- Both cities were agricultural trading centers with clusters of distinctive trade partners. They were the economic hubs of the municipalities surrounding them.
- Both showed an increasing number of registered businesses. The two cities registered an annual increase of at least 5 percent in new businesses from 1998 to 2001.
- Due to the central geographic location and the heavy concentration of enterprises in both areas, large distribution companies such as Procter and Gamble, Unilever, and Marsman Drysdale had regional centers in either of these areas. Likewise, commercial banks like the Bank of Philippine Islands and nationwide fastfood chains like Chowking were present in both cities.

Case Study: Barangay San Fermin

Captain Eclarin conducted a study on Barangay San Fermin which was one of the barangays that Hometown planned to initially target. San Fermin, the second largest barangay in Cauayan, was the city's commercial center.

A barangay councilor gave Captain Eclarin a glimpse of the economic activities in his area. According to him, Filipino-Chinese businesspeople provided the backbone of an entrepreneurial culture. Moreover, 90 percent of the banks in the city were located in San Fermin where the city's only public market and schools like the Isabela State University which had 2,000 students were also located. Due to the concentration of microenterprises in San Fermin, there was an increasing influx of non-resident entrepreneurs who wanted to take advantage of the opportunities available in the barangay.

Per the barangay census shown in the table below, Barangay San Fermin's 1,649 households were largely entrepreneurial:

Table 1
Household Classification of Barangay San Fermin

Classification of Households	Number	Percentage
Entrepreneurs	349	21.1%
Employees	368	22.3%
Farmers	276	16.7%
Laborers, Tricycle Drivers, Welders, etc.	525	31.8%
Total	1,649	100%

Source: Barangay Data

These figures, however, did not fully reflect the true composition of the households because only the heads of the households were counted and most of the time, it was the husband's occupation that was counted. According to the barangay councilor

interviewed, the need for microfinance services was constant because the entrepreneurs always needed small loans.

Aside from the barangay councilor, Captain Eclarin also interviewed ten randomly selected microentrepreneurs from the barangay. To ensure the randomness of his sampling frame, he got one respondent from each street in the barangay, regardless of the nature of that person's business. If more than one microentrepreneur stall stood in the street, he picked the second one from the street corner.

While most of these microentrepreneurs already had existing loans from other lenders, they admitted that they paid these loans regularly so that they could access another. According to them, group lending had been present in the area for several years already. Those who were members of the group lending schemes indicated a willingness to shift if a new lender offered more flexible terms and modes of payments.

In Captain Eclarin's interview with the Program Director of FICOBANK, the competing microfinance bank based in the barangay, he found out that there was a good credit culture in Cauayan City. The program director said that even if offered larger loan sizes, borrowers would not grab these loans unless they felt sure that they could comfortably pay it. He added that clients did not hesitate to pay for their group mates who were delinquent in issuing payments.

The program director explained that the favorable credit culture was due to two factors. First, there was no dominant ethnic group among the microentrepreneurs so that no particular credit culture could dominate the rest. Second, there were only a few migrants in Cauayan City. Thus, they did not even entertain the thought of running away from their debts.

Case Study: Public Market

To further know his target market, Captain Eclarin conducted a Usage, Attitude, and Image (UAI) Survey for which respondents were obtained from the public market and its periphery since these areas were the traditional borrower base of Hometown in Santiago City. He banked on Cauayan City market vendors to sustain the initial six-month push of the new branch.

Captain Eclarin and his two assistants randomly picked 100 respondents from the market and its periphery. They interviewed the owner/microentrepreneur of every fifth stall, making sure that they got one respondent from each of the market sections. They also interviewed every fifth tricycle driver waiting in line for passengers. Captain Eclarin and his assistants also made sure that they got sample respondents from each of the terminals in the city. As for the entrepreneurs, Captain Eclarin and his assistants randomly picked businesses from the list of registered establishments at the City Mayor's Office by following this procedure: one of Captain Eclarin's assistants chose a number

from one to 46 (there were 46 names in each page of the list) after which Captain Eclarin interviewed the entrepreneur whose name coincided with the number picked.

Below were the research findings:

- Nature of borrowers. Ninety-five of the potential clients of Hometown were regular borrowers. Ninety percent of the respondents were in constant need of additional capital. They were always on the lookout for lenders who could give them lower interest rates. In the absence of such lenders, the respondents could always run to the Bombays for their credit needs.

On the average, the potential borrowers admitted that borrowing had become a habit. In fact, one respondent said that the need to pay amortizations daily gave her a sense of urgency to sell more. Being habitual borrowers, microfinance clients were shrewd enough to be able to compare the product and service features of competing lenders. They were not naïve microentrepreneurs who would blindly accept the services of any lender offering them loans.

- Regularity of borrowing. The regularity of borrowings among Hometown's target segments varied. Microentrepreneurs, of whose segment 90 percent were regular borrowers, constituted the highest; followed by tricycle drivers, 75 percent of whom were regular borrowers. Government employees were the lowest in terms of borrowing regularity.

Ninety-five percent of the interviewees declared that they would switch to another lender who could offer them lower interest rates and release loans faster.

- Desired Features of Microfinance Services. All except two respondents said that a low interest rate was the most important attribute they were looking for in a microfinance institution. They said they wanted the interest rate to be lower than the 10 percent a month charged by the Bombays.

The fast release of loans was the second most important attribute that prospective Hometown clients were looking for. They wanted to get their loans on the day they applied for it and considered the two-week processing time of Grameen replicators⁷ as slow.

The third and fourth attributes they were looking for were the release of the entire amount they applied for and the lending group's allowing individual borrowing, respectively. Captain Eclarin found out that Hometown's prospective clients disliked the group lending scheme due to the following

⁷ Microfinance institutions with services patterned after the microfinance model of the Grameen Bank of Bangladesh.

reasons: (1) Opportunity costs were too high because weekly meetings could take more than one hour. (2) Clients had to pay for the arrears of their delinquent group mates. (3) Clients preferred to pay daily because this was the mode of payment that matched their cash flows. (4) Clients wanted flexibility in choosing their loan tenor and they also wanted prepayment opportunities to be able to gain access to another loan at their convenience.

- Multiple Loans. Borrowers usually accessed multiple loan sources. For example, members of Grameen replicating rural banks in the microentrepreneur segment would also concurrently obtain loans from Bombays.
- Savings Services. The first feature that savers wanted in a financial organization was that it would allow them to deposit and withdraw any amount anytime. This was followed by trustworthiness of the financial organization. The third highest attribute was that the deposits earned interest.

Competition

A. Bombays

From the same 100 respondents, Captain Ecalarin found out that the Cauayan City microfinance market was dominated by the Bombays with their market share ranging from a low of 14 percent among the employees, to a high of 80 percent among the microentrepreneurs. The Bombays also dominated the tricycle driver market (34%) by slightly edging out the private investors who had 30 percent market share. The top three lenders to the three market segments were the following (Table 2):

Table 2
Loan Sources by Microentrepreneurs, Tricycle Drivers, and Employees

Micro-Entrepreneurs		Tricycle Drivers		Employees	
Share of mind (First mention)	Actual Patronage	Share of mind (First mention)	Actual Patronage	Share of Mind (First mention)	Actual Patronage
1. <i>Bombays</i> (67%)	1. <i>Bombays</i> (80%)	1. <i>Bombays</i> (30.43%)	1. <i>Bombays</i> (34%)	1. Lending investor (44%)	1. Lending investor (28%)
2. Lending investor (16%)	2. Friends and relatives (7.1%)	2. Rural banks (21%)	2. Friends and relatives (30%)	2. <i>Bombays</i> (33%)	2. Cooperative (28%)
3. Friends and relatives (14%)	3. Lending investor (7.1%)	3. Lending investor (21%)	3. Banks (17.3%)	3. Cooperative (11%)	3. <i>Bombays</i> (14%)

Captain Eclarin interviewed those who regularly patronized the Bombays to determine the reason behind their choice of a lender. Thereafter, he found out that the attributes they liked most about these mobile, Bombay moneylenders were the following: the fast release of loans (100 percent of respondents cited this reason); the absence of a collateral; and of extra charges.

The things they disliked most about the Bombays were the following: high interest rates (100 percent said this); lack of an added service like insurance; and lack of respect for borrowers.

From interviews with Hometown borrowers who used to patronize the Bombays, Captain Eclarin obtained the following information:

- The Bombays imposed high interest rates, a factor about which the borrowers complained but felt powerless to protest about because otherwise, nobody else would lend to them. The borrowers added that it was normal for them to borrow at 10 percent interest monthly. Only one said that she had been granted an interest rate of 8 percent per month because she was a long-time patron.
- The loan release was always quick for as long as borrowers paid on time. According to Captain Eclarin's interviewees, they were able to obtain their loan proceeds on the same day that they applied for it. They would signify their intentions in the morning and the Bombay would deliver the loan in the afternoon once he had collected for the day. If he had the money on the morning visit, he released the money right then and there.
- They collected even to the last peso.

Captain Eclarin also observed the operations of the Bombays and determined the following:

- Hardworking and efficient with their time, they started their collection rounds early in the morning and went home late. They would park their motorbikes, wait for loan payments without alighting from their bikes, and then off they would go.
- They were often abrasive with their clients. One Bombay collector whom Captain Eclarin was observing seemed frustrated with a chronically delinquent borrower. After that Bombay left, Captain Eclarin proceeded to interview the client who confessed that she was often so ashamed when the Bombay did that because all her fellow stallholders would look at them. She noted that the Bombay always picked the busiest hour of the day to collect so that there would always be witnesses to her embarrassment.

After several failed attempts, Captain Eclarin succeeded in interviewing two Bombays by convincing them that he was not from the Bureau of Immigration and Deportation (BID). The gist of the interviews was as follows:

- *Their struggle for survival.* New Indians in the Philippines were in a survival situation. In Punjabi where they generally came from, most of them were either unemployed or toiled in the farms. Largely uneducated with a majority being high school graduates only and seeing no bright future in India, they decided to come to the Philippines in search of opportunities. Most of these Indians were illegal aliens who gained entry into the country through agents. However, after paying off these agents who were often fellow Indians, these aliens had no capital to start with. Since no one, not even the established Bombay moneylenders, was willing to lend them money outright, the only concession they received were credit terms in the form of goods like mosquito nets, pitchers, spoons, and other household wares. By getting the goods at market prices but on terms as long as 120 days and then passing on these goods at two to three times their purchase prices for 60 days, the newly-arrived Indians obtained capital through the fast turnover of money and high margins.
- *The absence of a formal business organization.* While there was an umbrella Indian organization that protected the aliens from the National Bureau of Investigation and the BID, the Indians acted independently when it came to business. As there was no clear delineation of business boundaries, those based in Santiago City could go to Cauayan City without being bothered by their fellow Indian competitors.
- *Fierce competition amongst themselves.* Competition among the Indians was intensifying so that in order to develop instant clients, the newly-arrived Indians would offer credit to the best customers of the longtime Indian moneylenders. The result was that the Indians would often be fighting for the same borrowers who were just too willing to access multiple loans from them. In order to retain their customers, the veteran moneylenders would offer lower interest rates because they could afford to do so.
- *Keys to success.* Hard work and frugality were the keys to success of the Indians in the business. They would collect even at midnight, if necessary. The ones who succeeded were those who controlled their expenses and did not engage in vices like drinking and gambling. Instead, they reinvested all their profits for at least two years.
- *High past due rates.* Bad debts averaged 40 to 50 percent so that the lending business of about 10 percent of Indian moneylenders eventually folded up. Part of the justification for the high interest rates charged by the Bombays was the need to recover losses from bad debts that they had to write off because the Indians generally preferred not to go through the legal system for recourse.

B. Banks

B.1. First Isabela Cooperative Bank

The First Isabela Cooperative Bank, Inc. (FICOBANK) was a duly registered financial institution operating in the provinces of Isabela and Quirino. Five of its six branches were located in Isabela while one was in Quirino. While it had a total past-due rate amounting to 19.43 percent of its portfolio, its net income had been increasing in the last three years.

FICOBANK's expansion was geared towards the province of Nueva Vizcaya where it maintained its basic strategy of establishing operations in third, fourth, and fifth class municipalities. By end 2000, barely two years after starting its microlending operations in 1998, the bank had 3,047 clients.

Below is FICOBANK's SWOT matrix:

Table 3
FICOBANK's SWOT Matrix

	FINDINGS
STRENGTHS	<ul style="list-style-type: none"> ▪ Excellent management. FICOBANK was the recipient of numerous awards (Best Cooperative Bank for four consecutive years from the Land Bank of the Philippines) ▪ Strong bank management support for its microfinance operations ▪ Excellent staff training. As a People's Credit and Finance Corporation (PCFC) conduit, the bank could send its personnel to PCFC for free microfinance training.
WEAKNESSES	<ul style="list-style-type: none"> ▪ Product Development. The move to increase loan amounts to borrowers in order to retain them might not be the most appropriate solution for the bank's dropout rate problems. ▪ Product Development. Having accessed a loan under the PCFC's Asian Development Bank (ADB) International Fund for Agricultural Development (IFAD) program, the bank was tied to following the Grameen microfinance model.
OPPORTUNITIES FROM FICOBANK	<ul style="list-style-type: none"> ▪ The bank had 3,047 clients but they had not established loyalties to the bank.
THREATS FROM FICOBANK	<ul style="list-style-type: none"> ▪ The Head of the Microfinance Department was very much motivated to expand FICOBANK's microfinance operations and he had the local connections which he could leverage on.

Source: Bank Data

B.2. Mallig Plains Rural Bank, Inc.

The Mallig Plains Rural Bank, Inc. (MPRBI) was a duly registered financial institution operating in the provinces of Isabela, Cagayan, Kalinga, Nueva Vizcaya, Quirino, and Ifugao. Registered in 1970, the bank had eight branches all of which were located in Isabela. As of 31 July 2000, the bank had covered 20 municipalities in Isabela, two municipalities in Kalinga, and one municipality each in Nueva Vizcaya, Cagayan,

Quirino, and Ifugao. The bank's net income and net profit margin had been increasing for the past three years. As of August 31, 2000, it had a microfinance clientele base of 4,794 active borrowers. Below is MPRBI's SWOT matrix:

Table 4
MPRBI's SWOT Matrix

	FINDINGS
STRENGTHS	<ul style="list-style-type: none"> Vast experience in microfinance. MPRBI had been in microfinance for more than 10 years. Large investment credit from the PCFC where MPRBI had a PhP74.5 million credit line payable within four years at an interest rate of only 13 percent per annum. It could therefore, maintain its current relending interest rate of 24 percent per annum.
WEAKNESSES	<ul style="list-style-type: none"> Management. The founder who controlled 41.68 percent of total shareholdings was already 80 years old. While he was backed by a competent staff, he might no longer have the energy for microfinance. Product Development. MPRBI strictly adhered to the Grameen methodology, a decision that posed a disadvantage vis-à-vis more flexible players.
OPPORTUNITIES FROM MPRBI	<ul style="list-style-type: none"> The bank's dwindling membership. From a high of 10,000, it saw its microfinance outreach dip to less than 5,000 due to the inflexibility of the bank's loan products. The continued loyalty of its clientele was therefore, doubtful.
THREATS FROM MPRBI	<ul style="list-style-type: none"> With the fresh management of the bank supportive of microfinance, the bank was well positioned to regain its dominance in the Isabela microfinance market.

Source: Bank Data

C. Lending Investors

Cauayan City was host to a number of entrenched lending investors some of whom catered to the higher end of the microfinance market. Below is the list of these competing lending investors:

Table 5
Lending Investors in Cauayan City

TRADE NAME
1. Rocar's Lending Investor
2. VIP Lending Investor
3. Innovative Investor Corp
4. B. Toledo Investment and Lending Firm
5. Lending Investor
6. Allied Premier Express Credit
7. SGC Financial Express Credit
8. WACDA Lending Agency
9. Cauayan Lending Investor
10. San Mariano Lending Investor Corp

Source: Mayor's Office Data

The following table is a SWOT Matrix of Cauayan City's lending investors in general:

Table 6
SWOT Matrix of Cauayan City's Lending Investors

	FINDINGS
STRENGTHS	<ul style="list-style-type: none"> Years of market presence in Cauayan City. All of the lending investors served the microentrepreneur market. Practice of individual lending. This methodology was appreciated by the entrepreneur.
WEAKNESSES	<ul style="list-style-type: none"> Collateralized lending. More than 75 percent of the lending investors did not release loans without physical collateral. Loan Features. Clients interviewed revealed that discounted interest rates and additional charges on reloans were undesirable.
OPPORTUNITIES FROM LENDING INVESTORS	<ul style="list-style-type: none"> Clients of lending investors could switch to other lenders because Hometown offered the same terms without discounting interest rates.
THREATS FROM LENDING INVESTORS	<ul style="list-style-type: none"> The owners of the lending investors were local entrepreneurs.

Competitor's Products and Services

To further study the competition, Captain Eclarin gathered the following information about their products and services:

Table 7
Hometown Competitor's Products and Services

	<i>Bombays</i>	Lending Investors	Rural Banks with Microfinance Operations
Lending methodology	Individual	Individual	Group and individual
Target market	Market vendors, microentrepreneurs	Market vendors, teachers, tricycle drivers	Market vendors, microentrepreneurs
Interest rate	5% - 10% per month, add on	3%-5% for <i>ETC Lending Investors</i> , 2.5% – 6.25% for <i>FTC Funds, Inc</i>	2.5% per month, discounted
Loan Sizes	P2,000 – P0,000	<i>Superior Lending Investor</i> : minimum of PhP 10,000 and maximum of PhP500,000. <i>FTC Funds</i> : Minimum of PhP10,000 and maximum of PhP 1 million	PhP2,000 – PhP25,000

(Continuation)

Length of membership processing	One day	One week	One week
Waiting time for each reloan	10 minutes to three days	One day	Two weeks
Collateral required	None	Collateral required for all loans	None
Extra charges	None	Notarial fees and loan insurance fees	Notarial fees and loan insurance fees (varies with each institution)
Loan terms	30 – 60 days	30 days to six months	Six months
Modes of payment	Daily	Daily, weekly, monthly, or lump sum	Weekly
Amount of increase per reloan	Depends on evaluation of moneylender	Depends on repayment record	Depends on repayment record
Penalties for past dues	None	Additional 2% -5% per month penalty on outstanding loan	Depends (Fixed at PhP500 for each day of delay at FICOBANK)
Availability deposit or insurance services	None	None	Available

Source: Official Documents and Interviews

Potential Target Market

A. Microentrepreneurs

Hometown served both registered and unregistered businesses. Captain Eclarin's estimated number of microfinance clients in Cauayan City for the microentrepreneur segment is shown below:

Table 8
Microentrepreneurs in Cauayan City

Classification	Estimated Number
Registered with mayor's permit ⁸	750
Registered with barangay permits only ⁹	2,250
Unregistered microentrepreneurs	800

According to Captain Eclarin, the players that catered to this market were as follows: (1) Bombays with 80% of the market share; (2) friends and relatives; and (3) lending investors and other lenders.

⁸ Businesses with mayor's permits were those which were normally close to the municipality center and/or those who had gross sales exceeding PhP30,000 a year.

⁹ Businesses with barangay permits were those which had gross sales of less than PhP30,000 annually and/or whose owners did not feel the need nor have the interest to formally register with the mayor's office.

B. Tricycle Drivers

There were 2,758 tricycle drivers in Cauayan City, and 75 percent of whom were regular small loan clients. The dominant lenders to this segment were the following: (1) Bombays with 34 percent market share, approximately; (2) friends and relatives, 30 percent; and banks, 17.3 percent.

C. Employee Entrepreneurs

C.1. Government Employees

The table below shows the number of employees per government agency in Cauayan City:

Table 9
Number of Government Employees per Government Agency
in Cauayan City

Office	Number of Employees
Hospitals	106
Engineer's Office	702
Municipal Treasurer's Office	431
High Schools, Colleges, Universities	205
Philippine National Police/Bureau of Jail Management and Penology/Bureau of Fire Protection	93
National Offices/Government Corporations	1,298
Total	2,835

Source: Official GSIS Data

Mr. Bonifacio Abad, Assistant Branch Manager of the Government Service and Insurance System (GSIS) revealed that 85 to 90 percent of all government employees had loans with the GSIS. Advising Captain Eclarin to be cautious in lending to government employees, Mr. Abad presented to him the collection sheet of salary loans in GSIS-Cauayan City branch. Using the data provided by Mr. Abad, Captain Eclarin computed the average monthly installment being paid by employees to be PhP5,315. This monthly deduction accounted for a considerable portion of their government wage. Note that the government employees that Hometown targeted were not paid well as evidenced by the table below:

Table 10
Salary of Government Employees

Employee	Monthly Gross Salary (PhP)
NATIONAL GOVERNMENT: State University	
Master Teacher II	14,944
Master Teacher I	14,450
Teacher I	9,939
Security Guard	6,039
CAUAYAN CITY GOVERNMENT	
Rural Health Midwife II	7,244
Utility Worker	4,961
Driver I	6,194
Clerk IV	8,294

Source: Official GSIS Data

If one were to regard GSIS employees as representative of Cauayan City government employees, assume that the salary levels listed above were salaries typical employees in government, and then subtract the average GSIS loan balance from the average salary of the employees, the average government employee would only have PhP3,620 left for his/her other expenses, payments for other loans included, monthly.

Eventually, to estimate the potential market of Hometown among the government employees in Cauayan City, Captain Eclarin used the results of the survey he conducted whereby 25 percent of the 2,835 employees were regular borrowers from other sources besides GSIS. Applying the percentages, he came out with a potential market of 269 government employees for Hometown.

C.2. Employees in Business Establishments

There were approximately 3,977 privately-employed persons in Cauayan City. Since a survey conducted by Captain Eclarin revealed that 55 percent were regular loan borrowers, the potential microfinance market among these employees was therefore, 2,187.

As the average number of employees per employer was 16, the nature of the companies in Cauayan City could therefore be classified as mostly small to medium scale, which indicated that mostly likely, the employers would not have sufficient cash to loan. Thus, the only credit extension these employers could give their workers were advances on their salaries.

In times of need, these employees could also not run to the Social Security System (SSS) for loans because they were not qualified to do so unless their employers had religiously paid their dues for 36 continuous months. Unlike the GSIS which granted loans under less stringent requirements, i.e. 20 months on the job, the SSS was stricter and granted smaller loans to any employee regardless of rank. The loan amount was

Php24,000 for those who had paid their contributions for at least 48 consecutive months. For this reason, employees of private corporations resorted to private lenders particularly lending investors who enjoyed a 28 percent market share to this segment. Cooperatives and Bombays had market shares of 20 and 14 percent, respectively.

D. “Cluster” Municipalities

Given the “core and cluster” strategy of Hometown whereby the trading municipality was merely a jump off point for exploring the neighboring municipalities, the potential target market for Hometown Cauayan City was apparently much bigger.

The table below shows the population profiles of the municipalities in the cluster of Cauayan City that Hometown Cauayan wished to serve:

Table 11
Population of Municipalities in the Cluster of Cauayan City

Municipality	Total Population	Total Household Population	Number of Households
Alicia	57,178	57,158	11,413
Angadanan	36,788	36,788	7,106
Cabatuan	31,659	31,641	6,297
Gamu	25,901	25,860	5,169
Luna	14,581	14,541	2,965
Mallig	25,918	25,918	5,064
Naguilian	26,285	26,268	5,210
Reina Mercedes	20,353	20,353	3,759
Total	238,663	238,527	46,983

Source: National Census and Statistics Office Website

The proportion of microentrepreneurs, tricycle drivers, and employee entrepreneurs to the total population could be lower for these municipalities as compared to Cauayan City because these municipalities were primarily agricultural so that their economic activities were not so vibrant compared to Cauayan City.

Decision Point

After he finished studying the Cauayan City environment, Captain Eclarin mulled over the City’s potentials and how he could tap these potentials. A number of questions were in his mind. What were the possible threats to his business and who were his competitors? How should he position his business in Cauayan City? Who should be his target market? How should he cater to his potential customers? What changes should he make in the manner he conducted his business? How should he finance his Cauayan City venture?

[illegible]

With an aggregate land area of 10,655 square kilometers, Isabela accounted for almost 40 percent of the total land area of Region II which consisted of Cagayan, Isabela, Nueva Vizcaya, Batanes, and Quirino. Aside from having the biggest number of trading centers in Region II, it was also the most vibrant economy in this region. Provided irrigation by the Magat High Rise Dam and Hydro Electric Power Plant—the biggest dam in Asia—Isabela was the second largest rice producer in the Philippines, next only to Nueva Ecija. Besides a top producer of traditional agricultural crops like corn, tobacco, and peanuts, it was fast emerging as a major source of export quality wooden products and handicrafts.

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