



Significant Observations in the MFI Survey

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Microfinance Unit

National Anti-Poverty Commission Secretariat

3/F, DA-Agricultural Training Institute Bldg.

Elliptical Road, Diliman, Quezon City

www.napc.gov.ph

Topic Outline



- **Conclusions and Recommendations**
- **Significant Observations in the Key Aspects of the Survey**
- **Training Needs of MFIs**



Main Aspects of the Survey

- **Areas of Operation**
- **Client Profile and Expansion Plans**
- **Microfinance Products and Practices**
- **Financial Performance**
- **Financial Management**
- **Efficiency and Sustainability**
- **Governance**



Conclusions and Recommendations

Significant Survey Findings



- **NGOs seem to have the most extensive outreach.**
- **NGOs are more inclined to target women than Cooperatives and RBs.**
- **NGOs have the greater breadth and depth of the client outreach.**
- **NGOs are more committed to reach the most number of people belonging to the poorer segments of the population**

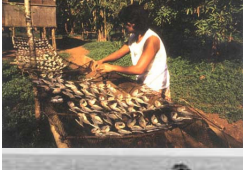


Outstanding Gaps

- Unwillingness of some MFIs to provide finance services to a greater number of poor clients.
- Perception of *risks, high transaction costs* and *low profitability of dealing with poor clients* and certain external factors such as *infrastructure, peace and order problems*, hinder the outreach and portfolio expansion plans of MFIs



Significant Observations in the Key Aspects of the Survey



Areas of Operation

- Respondent MFIs were established and registered between 1970s to 1990s accordingly with BSP, CDA and SEC.
- Most of the MFIs were affiliated with either MCPI, RBAP and NATCCO.



Areas of Operation

- **The respondent MFIs operate in areas with basic infrastructure such as electricity, transportation and communication facilities.**
- **31% of respondent cooperatives have no landline access.**
- **Most of the respondent MFIs have cellular telephone facilities.**



Areas of Operation

- **Offices of the respondent MFIs are very accessible which are located within a kilometer of their client market.**
- **Most of the MFI clients walk to the MFI offices for business transactions.**



MFI Client Profile and Expansion Plans

- MFIs operate in frontier areas where the majority of clients come from the low-income groups.
- Respondent MFIs operate in provinces with more than 40% poverty incidence but target clients with micro-enterprises and are perceived to be economically productive.



MFI Client Profile and Expansion Plans

- Respondent NGOs have more borrowers than respondent Rural Banks while respondent cooperatives lag behind.
- NGOs have the highest number of target borrowers in the future.
- NGOs cater to more savers than RBs and cooperatives.
- NGOs cater to more women borrowers and savers than the other two institutions.
- In general, MFIs have more women clients than men.



MFI Client Profile and Expansion Plans

- **Of the sample MFIs, 8 NGOs, 7 cooperatives and 5 RBs, currently have neither indigent borrowers nor indigent savers.**
- **MFIs indicate that there are no conscious plans to reach out to this group of people in the future.**



MFI Client Profile and Expansion Plans

Constraints in Reaching Frontier Areas

- *Inadequacy of financial resources as the primary constraint*
- *lack of basic infrastructure*
- *security problems in remote areas as serious constraints*



MFI Client Profile and Expansion Plans

- Respondent MFIs have conservative plans of just maintaining the current level of their savings deposits and are not keen about an aggressive savings campaign.

Microfinance Products and Practices



- **Survey findings seem to indicate that there is no longer a strict requirement among respondent MFIs to have as clients those belonging to the low income group (especially for Rural Banks)**



Microfinance Products and Practices

- The majority of MFIs originally based their lending methodologies on the Grameen Bank technology.
- MFIs employ generally two eligibility criteria for borrowers: **legal age** and **with existing micro-enterprise**.



Microfinance Products and Practices

- The primary business of respondent MFIs in frontier areas is the provision of loans.
- The majority of those MFIs also provide loans with compulsory savings intended to both provide the borrower with a savings product as well as to ensure loan repayment.



Microfinance Products and Practices

Financial Services

MF Product	NGO	Coop	RB
Loans	✓	✓	✓
Passbook Savings	No	No	✓
Term deposits	planning	No	✓
Savings Products	some	Some	No
Remittances	Few, show interest	Few, show interest	✓
Insurance	No	63% (accident)	80% (life insurance)

Microfinance Products and Practices

- In general, NGOs are more active in building the social capital of their clients.



Microfinance Products and Practices

Non-Financial Services

Non-Financial	NGO	Coop	RB
Financial Literacy Training	13 of 18	Not significant	13 of 19
Some type of BDS	12 of 18	No (majority), interest	No (majority), interest
Gender & other social issues	Yes	No	No
Health and Nutrition	Yes	No	No
Environmental Issues	Yes	No	No





Financial Performance

- It is notable that some NGOs do not use any performance standard tools at all.



Financial Performance

MFI Classification	Performance Standard
NGOs	Few use PESO or CAMELS
Cooperatives	COOP-PESOS
RBs	17 of 19 use CAMELS



Financial Performance

Almost all MFIs have experienced late payments in the past 12 months.

Causes for Late Payments

- Mismanagement of funds***
- Health emergencies of clients and their family members***
- Weak local economy***



Financial Management

- **Rural Banks have a more systematic way of operating and dealing with daily problems.**



Financial Management

- Majority of RBs have written manuals for each of the major departments.
- Majority of NGOs have written manuals except for Audit and MIS.
- Many cooperatives do not have written manuals for Audit and MIS.



Financial Management

- **Some NGOs and cooperatives do not keep track of their PAR ratios.**
 - *6 of 16 cooperatives*
 - *4 of 17 NGOs*
- **All RBs keep track of their PAR ratios.**



Efficiency and Sustainability

- **Most of the MFIs have attained operational self-sufficiency.**
- **Most of the MFIs have achieved financial self-sufficiency.**



Efficiency and Sustainability

MFI	Operational	Financial
NGO	15 of 18	13 of 18 NGOs
Cooperative	8 out of 16	6 of 16 cooperatives have not
RB	15 of 19	14 of 19



Efficiency and Sustainability

- **Majority of the MFIs have 200-399 clients per loan officer (group lending)**
- **Individual lending:**
 - *5 of 15 RBs with 150-200 clients*
 - *majority of cooperatives do not offer individual loans*
 - *5 of 10 NGOs have ratios between 150- more than 201 clients.*



Governance

- **All of the respondent MFIs have BODs with most of them having a board composed of 7 members.**



Governance

- **Most reported that the board members are elected.**
- **Terms of board members for NGOs and RBs require at least one year**
- **For cooperatives, most of them elect board directors every two years.**
- **All of RBs and majority of NGOs do not limit consecutive terms of board members.**
- **Most of the cooperatives limit their board members for a 3-year consecutive term.**



Governance

Board Level Committees

- *Rural Banks have the most number of board level committees (Audit, Risk Management, Governance)*
- *Only a handful NGOs have this*
- *6 of 16 cooperatives reported having audit committees. They do not have risk management and governance comm.*



Training Needs of MFIs

- **Most of the training needs identified are provided mostly by outside sources.**



Table 35: Target Participants of Trainings Among Respondent MFIs			
	Cooperatives	NGOs	Rural Banks
<i>Financial Trainings</i>			
Financial Mgmt.	All	All	All except loan officers
Advanced Accounting	Managers, Accountants and loan officers	Managers, Accountants and loan officers	Accountants
Delinquency Collection	All especially loan officers	All especially loan officers	Managers and especially loan officers
Delinquency Management.	Managers and loan officers	Managers, Accountants and loan officers	Managers and loan officers
Internal Control and Audit	All	All	Accountants
Basic Accounting and Record Keeping	Accountants and loan officers	Accountants and loan officers	Accountants
Credit Management	Managers and loan officers	All	Managers and loan officers
<i>Social/Outreach Trainings</i>			
Branch Outreach management	Managers and loan officers	Managers and loan officers	Managers and loan officers
Gender	Managers and loan officers	All	Not applicable/no need



Training Needs of MFIs

- **Maintenance of Portfolio Quality**
 - *Loan Delinquency*
 - *Risk Management*
- **Adherence to Performance Standards**



Training Needs of MFIs

- **Training in Governance for BOD**
 - *Orientation in Specific Areas of MF*
 - *Training and Exposure to audit, governance and risk management*
 - *Educating them to balance the social objectives of the institution and the requirements of sustainable microfinance*
 - *Exposure to best practices that have been adopted and practiced by the more successful microfinance oriented banks*