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CIRCLE

THE OFFICIAL NEWSLETTER ON MCPI'S SPM ADVOCACY

IN THIS ISSUE

ASHI: Committing to Social Mission

About the institution

Ahon sa Hirap, Inc. (ASHI) was founded in 1989. It is the first MFI to replicate the Grameen Bank approach to credit delivery to its members. It is their mission to:

a. Inspire marginalized women and their families to discover their God-given dignity and enable them to rise above all forms of poverty and respond to social and environmental concerns;

b. Create an environment that enhances empowerment of women and their families;

c. Deliver excellent quality and professional service with a team spirit;

d. Integrate value formation, live out the ASHI core values of discipline, patience, industry, courage and unity; and

e. Share with other anti-poverty institutions and organizations ASHI's expertise that is grounded on experience.

ASHI provides financial services to over 25,000 very poor members, most of whom are women. These financial services include loans addressing the members' agriculture, education, small business and housing needs, voluntary and compulsory savings, and micro-insurance.

ASHI partnered with several local agencies to deliver non-financial services needed by their members. These include financial education, leadership training, health services, and women's rights training and legal services.

Committing to Social Performance Management

Drivers and motivation

ASHI once strayed from its mission and lost its strategic focus in its effort to grow and survive. The confusion within the organization reached a point where it did not even know its target clients' needs or if they were even reaching them.

The MFI was further put at risk when over 60 percent of its clients had only a 65 percent repayment rate.

The organization addressed the situation when its leadership and staff reflected and identified their social mission and their target clients.

After its mission review in 2008, ASHI decided to focus primarily on marginalized women and their families, rather than just the very poor. The group defined marginalized as those that are not bankable in economic terms; have no access to financial services; and are socially outcast with no chance of being accepted due to difficult circumstances (victim of human trade, women suffering from domestic violence, ex-convicts, living in remote areas).

Buy-in

ASHI recalibrated its management processes to respond to its revised organizational objectives. The organization strove to streamline operations and increase operational effectiveness. This meant closing several regional offices, effectively reducing the number of staff and clients. The remaining ASHI branches were rehabilitated, members' loans were restructured, and the Grameen approach basics were restored with the help of partners and funders. The ASHI president conducted a dialogue with the members where they were also given a refresher on the MFI's policies.

In 2004, ASHI dissolved the Special Program department that assessed and managed the MFI's social performance after it realized that the social mission should permeate the entire organization. This meant the integration of all social performance functions across all of ASHI's departments. As a result, social performance is a core part of ASHI's business approach.

The group conducts regular internal social audits to ensure that systems and approaches are aligned to the institution's social mission.

In 2010, branch managers and area managers were trained in order to familiarize them with Social Performance Management (SPM). These principles were also integrated in their trimestral evaluation and training. All the goals of ASHI's internal departments were aligned to the key result areas in order to efficiently monitor social performance.

Using the Progress out of Poverty Index (PPI)

ASHI started using the Progress out of Poverty Index (PPI) as a tool to assess member poverty levels and ensure that the organization is catering to women belonging to the bottom 50 percent of their communities. The organization paired PPI with its own means test to strengthen the accuracy of member targeting. Members are tested upon entry and once a year during their entire membership allowing ASHI to look at their PPI over time.

ASHI makes use of the PPI to identify where its target members are. In order to identify which areas it is going to focus on, the group uses area/poverty mapping and bayanihan PPI along with poverty data from local government offices. In targeting individuals, PPI is the main tool used.

In order to ensure the accuracy and reliability of the PPI data, development officers (DOs) are trained in data gathering. The branch managers, area managers, the Members' Desk and the Internal Audit team also check the data.

ASHI has specifically identified potential members in rural areas as those whose PPI score is 39 or lower. The cut-off score of potential members in urban areas is 44 or lower. PPI information is collected from clients at entry, during every loan cycle, and the clients' exit. MIS is able to capture the PPI information due to its integration in ASHI's data collection system. The MIS is able to extract information (portfolio analysis, client characteristics, etc.) based on the needs of ASHI's departments. PPI reports are submitted to the board and management. The information is shared with branch/field staff so that they are able to appreciate the improvements in their clients' lives.

Preventing over-indebtedness

According to the Universal Standards for Social Performance Management, in order to prevent over-indebtedness among its members, a microfinance institution should:

a. Carefully establish the borrower's ability to afford the loan and repay it; and

b. Take adequate care that non-credit financial products extended to low-income members are appropriate to their needs and means.

If these factors are taken into account, members should be able to handle debt service requirements without sacrificing their basic quality of life.

ASHI committed to this client protection practice after it found out that many of its clients were over-indebted. The group's Members' Desk conducted focus group discussions(FGDs) with members and it was discovered that:

a. Members found other MFIs offering quicker access to loans; and

b. Members did not know debt management and the consequences of having too much debt.

The feedback ASHI got from the members allowed it to make necessary adjustments in policy. The group reviewed its procedures and decided to limit loan decision time to a maximum of four (4) weeks. With a shorter wait period, clients do not need to go to other MFIs to fill the finance gap.

ASHI put a cap on the total amount of loans that one client can get. A maximum loan total of PhP70,000 (US$1,750) can be awarded to members. This amount is made up of one (1) general loan and only two (2) incentive loans. ASHI discourages its members to have memberships in other MFIs.

If a potential member has an outstanding loan with another MFI, she is asked to choose between ASHI and the other MFI. If she chooses ASHI, she is asked to complete the payment of her loan with the other MFI and join ASHI after. If she chooses the other MFI, her membership with ASHI is terminated.

ASHI asked one of its partners to develop a module designed to educate its clients on the prevention of over-indebtedness. Financial education is now a core component of ASHI's products and is delivered to all members whether new or long-standing. Training on cash flow management and marketing are also given to them.

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Segmenting the Microfinance Market the Unconventional Way

By Asuncion 'Chona' M. Sebastian

Traditionally, institutions segment and analyze their clients by demographics—age, gender, geographic location, and occupation, among others. Although there is nothing wrong in the process per se and demographic profiles do help in grouping the clients, the institutions in doing so assume that the demographic variables determine the buying decisions of clients. These variables though are circumstantial in nature and are not intrinsic to the target market.

Another possible way of segmenting the market is by psychographics, attitudinal, and/or behavioral attributes of clients, which tend to explain why they make their choices better than demographics. Presented in this article are cases of unconventional, non-demographic segmentation of markets of two MFIs.

Psychographic Segmentation of NWTF's Clients

A study on the clients of Negros Women for Tomorrow Foundation, Inc. (NWTF) attempted to do psychographic segmentation and associate the results with poverty movement based on the clients' Progress Out of Poverty Index (PPI) in 2008 and 2010. Four small group discussions composed of 13 NTWF clients from Bogo branch were held to identify the psychographic profiles of the clients who experienced positive poverty movement. An instrument was developed based on the existing studies on psychographics.

The four groups were organized thus: Groups 1 and 2 were composed of clients with single business; and Groups 3 and 4, with two or more businesses. The discussions were conducted blindly, that is, the researcher did not know the characteristics of the each group and the poverty movement of the members of the group.

Table 1. Summary of Answers per Small Group

	Group 1	Groups 2, 3, and 4
Business acumen	In Choosing a business, they scan the community for opportunities.	In Choosing a business, they got their husband's opinion or were influenced by the husband's line of business, family or friends' business, and cash flow of business.
	They hardly get cash/profit from the business, except perhaps during Christmas; generally profits are plowed back to the business.	They get money from the business as frequent as daily or as needed by the family .
	Profits are used to build household savings.	Profits are used for utilities, loan repayment, household needs, and for business capital.
	The key to business success is experience, thriftiness, and friendliness (to customers).	The key to business success is hard work and motivation (to earn).
	They are happiest in their business when they know they are able to dispose of the inventories, have many customers, and enjoy selling.	They are happiest in their business when they make (big) money.
Lifestyle	They only spend 30 minutes on daily average watching television.	They spend 2 to 4 hours a day on television.
	They have no time for socialization; center meetings (in NWTF) is already their socials.	They watch basketball in the village and chat with their friends/neighbors and/or customers.
	Their "luxurious spending" includes cell phone load, internet rental, hair rebonding, and manicure/pedicure.	Their "luxurious spending" includes clothes and celebrations (Christmas and New Year).
Financial discipline	They teach their children to save their allowance and monitor children's piggy bank and/or keep money for their children.	They encourage their children to work and not to depend on their parents, to work hard, and to not buy things or go out.
Aspiration	They want to have better understanding in the family, to be able to help extended family, and to have more time for leisure/relaxation.	Group 3 - they want to be able to buy clothes, feed their children three times a day, have better life, and achieve spiritual growth. Group 2 and 4 - none.

[1]This section is taken from the study Determining Variables Associated with Positive Poverty Movement written by the author to be published by the Ateneo Graduate School of Business.

Their answers did not differ in terms of spirituality, sociability, having interest in news/issues, self-image, hope, and happiness level in the family. However, most Group 1 answers on business acumen and lifestyle, and on a number items under financial discipline and aspiration were different from the replies of the three other groups (Table 1).

Group 1 members tended to put their money in business and savings. For "luxurious spending," they spent much less (ranging from Php10 amount of cellphone load to Php300 for hair rebonding) than those of Groups 2, 3, and 4 (from Php30 for a shirt to as much as about Php1,000 for a celebration). Respondents in Group 1 also knew more concrete ways of teaching their children how to save.

Group 1 clients also appeared to enjoy what they were doing more than simply earning money.

They were also able to find opportunities for themselves compared with the other groups relying on others' opinions and experiences. Those in the first group also spent less time on television and socials than the other groups.

For their aspirations, Groups 2 and 4 did not articulate any while the Group 3 respondents ranged from basic needs (food and clothing) to intangibles (spiritual growth). The replies of those in Group 1 were more concrete, being focused on the family and time to enjoy leisure/relaxation.

After gathering the replies of the respondents in the small group discussion, the poverty movement of each member of the group was determined. Group 1 as a whole had a positive movement while the other groups had average negative change (Table 2). For further research, an instrument could be developed to determine the psychographic profiles of the clients and correlate the variables to poverty movement.

Table 2. Location of clients' businesses and poverty movement of clients

Group	PPI 2008	Likelihood	PPI 2010	Likelihood	Change in Poverty Likelihood
1	0	3.4	23	19.1	15.7
1	0	3.4	30	30.4	27
1	0	3.4	31	30.4	27
1	0	3.4	33	30.4	27
1	0	3.4	34	30.4	27
2	48	78.9	44	63.2	-15.7
2	47	78.9	43	63.2	-15.7
2	46	78.9	51	85.2	6.3
3	52	85.2	44	63.2	-22
3	68	96.8	68	96.8	0
3	59	92.8	60	95	2.2
4	34	40.4	11	8.5	-31.9
4	21	19.1	32	40.4	21.3

[2]This section is taken from the unpublished study in 2012 Kasagana-ka Development Center, Inc.
Confronting the Unrealized Potential of the K-Kalusugan: A Descriptive and Exploratory Case Study written by the author for the course Management of Innovation Programs for Inclusive Development of De La Salle University.

Behavioral Segmentation of Client-Beneficiaries of KDCI's K-Kalusugan

Another study aimed to segment the client-beneficiaries of Kasagana-ka Development Center, Inc. (KDCI) availing of K-Kalusugan health loans. K-Kalusugan was pilot tested in 2009 with the intention of enabling the client-beneficiaries of KDCI to undergo medical and laboratory examinations. The health loans were offered only to KDCI members who have been with the business loan program for at least one year and in good standing.

As preparation to actual health tests, members were given orientation and health education, which were part of the program's preventive component. Each beneficiary-member was given four laboratory test packages to choose from. One may pay for these health services out of their savings with KDCI or by taking out K-Kalusugan loans. KDCI's partner, the HEALTHDEV Integrated Clinics (HDIC), then sends its staff to KDCI's 20 branches to conduct laboratory and physical examination. They get to visit around two branches in a month or one visit in a branch per year.

As of March 2012, however, 1,700 K-Kalusugan members or only 9.2% of KDCI members and 1,100 of their dependents had physical and laboratory examinations.

Four small group discussions composed of 19 participants in total were conducted to get their feedback on the program:

a. Group 1: client-beneficiaries of KDCI under the K-Kalusugan Program;

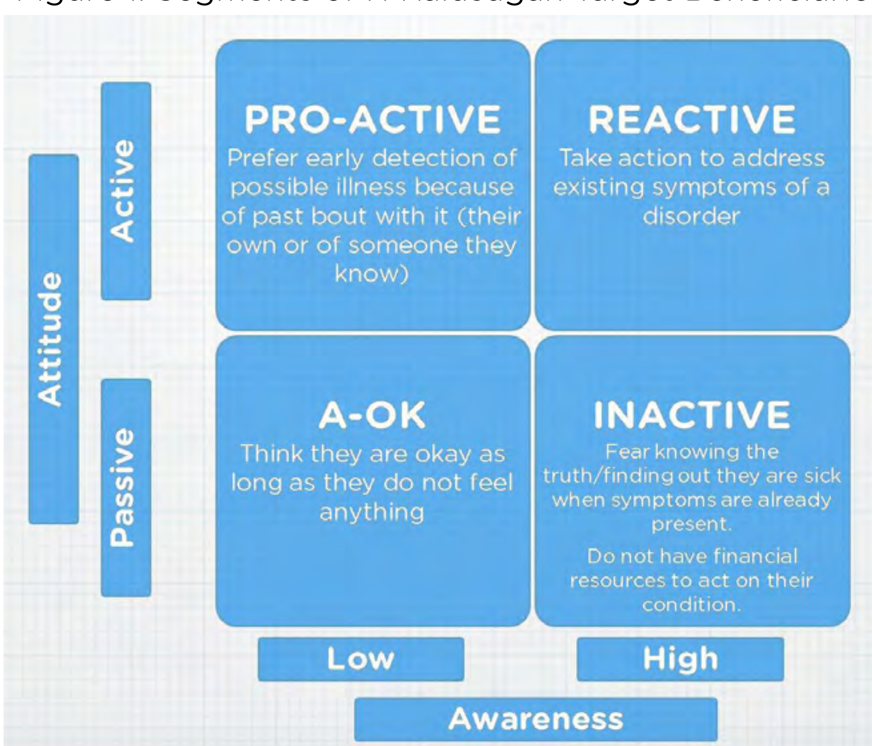
b. Group 2: client-beneficiaries of KDCI who are not yet under the health program;

c. Group 3: non-client-beneficiaries of KDCI who are part of the local community; and

d. Group 4: KDCI's Health Community Advocates and Educators' Team, or otherwise known as the health cadets.

Based on the levels of awareness, attitudes, and actions taken by the interviewees during illness, target beneficiaries of K-Kalusugan may be classified into four categories: 1) the A-OK; 2) the inactive; 3) the pro-active; and 4) the reactive. This categorization is based on the beneficiaries' level of awareness, with low level not experiencing symptoms of a disorder and high level, doing so. It is also based on the client-beneficiaries' attitude toward their condition, with the active ones taking actions to address it and the passive ones not doing anything about their condition. The matrix of these segments is presented in Figure 1.

Figure 1. Segments of K-Kalusugan Target Beneficiaries



Most participants fall under the pro-active and reactive groups.

The pro-active segment undergoes examinations because they have had history of an illness (e.g. urinary tract infection). They want to prevent the recurrence of their illness or are required by doctors to monitor their conditions.

The reactive group, on the other hand, seek medical attention when they or their family members, specially their young children, feel the symptoms already (e.g. cold, cough, fever, chest pain, difficulty in breathing). When this happens, they immediately go to private doctors for diagnosis, even if this would mean cash outlay of between Php500 and Php1,000 per visit for doctor's fee and medicines. They usually pay for these services by tightening their household budget, tapping their husbands' income, or borrowing money from their families and friends.

The A-OK and inactive types are cited by the interviewees as the common behavior of their neighbors, not their own. The A-OK do not feel anything wrong with them and thus do not see the need for examinations. The inactive, on the other hand, are those who feel the symptoms of a disorder but either fear knowing what they are sick of or do not have the financial resources to act on their condition.

[3]Latest available data in 2010

[4]Based on the membership write-off rate in 2010

At 28 % dropout rate , K-Kalusugan can only be offered to 44% of KDCI client base at a maximum. Take out further those not in good standing at 2.5 % and segment the remaining 41.5 % into four, assuming that the four categories are of equal sizes, then the pro-active share will be around 10%. This figure is not too far from the current reach of K-Kalusugan at 9.2%.

Given the typology of health service client-beneficiaries, K-Kalusugan could very well serve the needs of the pro-active type and, with its education component, cater to the inactive group. The latter, however, might take a long time to participate in the program since this segment is typically composed of non-KDCI members. K-Kalusugan cannot maximize its penetration of this market given its one-year residence requirement. As for the reactive group, since their needs are quite urgent, the current operational structure of K-Kalusugan will not be able to meet their requirements.

By segmenting the market by the client-beneficiaries' behavior, KDCI could choose its intended markets, design its products according to the needs of each, and set realistic targets (e.g. reach). The typology presented in the study, however, requires further research to establish empirical evidence, as the data provided in the interviews and group discussions are insufficient for any demand or financial projections.

ASHI

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Internal Audit

ASHI instituted an internal audit team that audits its financial data using international standards. This was contextualized and is used for the group's social audit. The internal audit team evaluates financial risk and reputation risk management, and monitors operational systems. The team also looks at things on the members' side: the amount and size of their loans, and whether they were used as intended. It also checked whether client complaints were resolved in a timely and satisfactory manner. The internal audit team randomly checks member PPI scores, loan utilization and repayment capacity assessments, and validates clients that have exited.

ASHI, together with other MFIs, initiated a system of collecting and sharing information in order to prevent client over-indebtedness. They also monitor whether members have loans with other loan institutions in order to complete the debt picture.

Conclusion

ASHI has remained focused on its mission of creating an environment that enhances empowerment of women, enabling them to rise above poverty and respond to social and environmental change. It has committed to preventing over-indebtedness among its members by instituting and implementing single-MFI membership. To this end, ASHI has collaborated with other MFIs in sharing member information to check for multiple memberships. Its internal audit team also monitors whether members belong to other MFIs.

The organization made the effort to use the PPI in targeting potential members. ASHI now has the capacity to measure how fast women are moving out of poverty along with being able to help them move past it. The PPI also has the potential to help them develop services (financial and non-financial) that will improve the members' well-being further.

Triple Bottom Line Sustainability in Microfinance: Practical Guidance

By Natalia Agathou, Katherine Vilnrotter, Geert Schuite (Triodos Facet / SBI)

Second in a series of three

Sustainable Banking

Businesses in general, and financial sector actors, including microfinance institutions, in particular are becoming more and more aware of their roles and responsibilities beyond profit growth. Each individual company should decide for itself how it wants to incorporate social and environmental aspects in its operations. As we discussed in the first article in this series, investors will ask for social, environmental and governance policies and performance of the MFIs they invest in – an important reason for MF practitioners to understand what this means for them in day-to-day operations. In this article we present a few examples to provide some inspiration for further discussion, as well as some practical tools for MF practitioners to use.

Banking on Values

The Global Alliance for Banking on Values (GABV) is an international group of banks aligned by a shared mission of sustainability. The 25 banks under the GABV umbrella are active in supporting the transition towards a more sustainable economy. According to GABV members, social and ecological criteria must play a critical role in the creation and use of financial products. These banks choose to take full responsibility for the impact of their activities, both short term and long term, and strive to serve the real economy and consider broader societal perspectives. Internal and external sustainability does more than serve an ideological purpose – it saves money (for the banks and their clients), reduces risks (=costs), and provides opportunities[1].

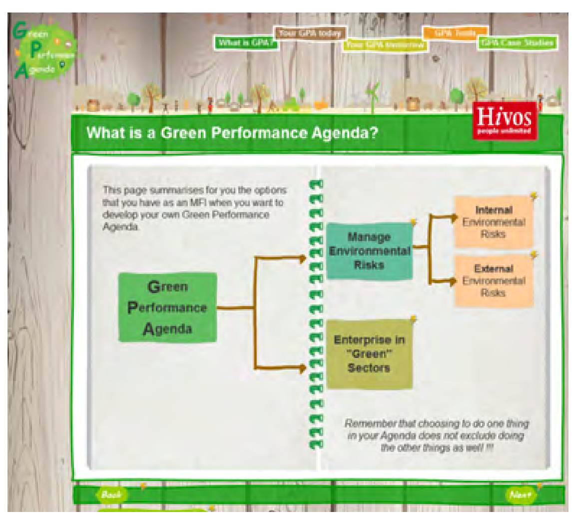
Vancity, Canada's largest community credit union based in Vancouver, is a member of the GABV. Vancity's president and CEO Tamara Vrooman claims that "… ensuring that our banking system is working well, and for the right reasons, is critical. Where we allocate capital today — who we decide to lend to and who we don't — matters, because it is a significant determinant of our society's future health.

The public is calling for changes in the financial system in response to the excesses and failures of recent years and increasingly urgent social and environmental challenges. People are hungry to hear about ideas that move us beyond the banking meltdown and economic crisis to a banking system that values positive impact, integrity, accountability and transparency. The opportunity for change is to create a more responsive way to bank, one that puts the needs of people and their communities first, and then places the tools of banking in service of their economic, social and environmental development."

In the Philippines, Planters Bank has been highlighted in the news for its dedication to the triple bottom line business model (People, Planet and Profit). It embodies the convergence of social relevance and equity, environmental sustainability and financial returns in their work with SMEs. Planters Bank claims to be committed to enabling entrepreneurs and promoting community well-being, respect for the planet, and enlightened private interest. We believe that this bank sets a strong example that other banks as well as MFIs (with their intrinsic social orientation)could study, adopt and improve.

Practical guidance

MFIs that are interested in moving their business towards addressing social and environmental issues as well as profit should be aware of a new instrument that was recently developed called the Green Performance Agenda (GPA) Guide.



[1]http://www.gabv.org/wp-content/uploads/GABV-Summary-final.pdf

This guide supports MFIs in understanding the basics of Environmental Management as well as in developing their own Green Performance Agenda as well as a social performance agenda. The guide will be presented as an interactive e-toolkit that will be freely available and easily accessible at the HIVOS website (www.hivos.org[2]). The Toolkit includes a self-assessment for the MFI to compare its current environmental performance along with environmental performance goals (these goals are projected based on different external factors like stakeholders, investors, policy framework and client base). It also offers practical tools that can be used by MFIs to enhance their corresponding environmental performance.

Alternatively, interested MFIs can also download another online guide, from FMO's website (*http://www.fmo.nl/esg-tools*).

This MFI Sustainability E-tool supports microfinance institutions that want to reduce the environmental and social risks in their portfolio. The guide contains specific guidance notes addressing environmental and social risks in 41 different sectors.

As we have seen - there are opportunities in sustainable banking, for your clients as well as for your own business. If you are a practitioner, check what this means for you and become inspired!

[2]The tool is expected to be available on-line in the fall 2013 – in case of additional questions or direct access please contact n.agathou@triodosfacet.nl

What's up?

Dear MCPI members, partners, and friends,

MCPI accepts donation on behalf of member microfinance institutions, their staff and clients who are affected by Super Typhoon Yolanda (Haiyan) and other calamities before it. You may deposit your assistance in the bank accounts listed below; or you may call (02) 631-5920/631-6184 or send an email to the secretariat@microfinancecouncil.org for information on how to get in touch with the concerned MFIs. Thank you very much.

BANK ACCOUNT DETAILS (Peso Account)
Account Name: Microfinance Council of the Philippines, Inc.
Account Number: 2431-0604-53
Bank Name: Bank of the Philippine Islands
Bank Branch: Julia Vargas Branch, Antel Global Corporate Center, Julia Vargas Avenue, Ortigas Center, Pasig City

BANK ACCOUNT DETAILS (US Dollar Account)
Account Name: Microfinance Council of the Philippines, Inc.
Beneficiary Account Number: 2434-0606-24
Bank Name: Bank of the Philippine Islands – Julia Vargas Branch
SWIFT Code: BOPIPHMM
Bank Address: Julia Vargas Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines

BANK ACCOUNT DETAILS (Euro Account)
Account Name: Microfinance Council of the Philippines, Inc.
Account Number: 0204-0224-96
SWIFT Code: BOPIPHMM
Bank Name: Bank of the Philippine Islands
Bank Branch & Address: Pasig-Ortigas Branch, Benpres Building,
Exchange Road cor. Meralco Ave., Pasig City, Philippines

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