



RANGTAY SA PAGRANG-AY MICROFINANCE, INC.

MONITORING CLIENT OVER-INDEBTEDNESS



WHAT IS OVER-INDEBTEDNESS?

Over-indebtedness of an individual or households is the inability to repay all debts fully and on-time.

The situation occurs chronically (several periods in a row)



**How are we monitoring
client over-indebtedness?**

**What indicators have we
set?**



Twelve (12) indicators of over-indebtedness

- 1. Percentage of clients who missed at least one payment**
- 2. Percentage of clients with partial CBU withdrawal**



3. Percentage of clients with full CBU withdrawal

4. Percentage of clients with payment made through mutual guarantee



5. Percentage of clients with multiple loans from formal sources (clients with loan released for the month)

6. Percentage of clients with multiple loans from informal sources (clients with loan released for the month)



7. Percentage of clients who are resting

8. PAR

9. Client dropout



10. Percentage of loans which have been re-scheduled (number)

11. Percentage of loans which have been re-scheduled (loans outstanding)



12. Number of credit providers in the area





How are we COLLECTING DATA?



Information is captured by the system for most indicators.

For multiple borrowings, data is collected during the repayment capacity analysis conducted by our Program Assistants during client loan assessment.



Payments made through mutual guarantee are reflected in the Center Collection Report (CCR). This form is accomplished in two copies (1 for client) and the other file copy, both signed by the client. File copy is submitted to the Branch Manager for the data.



The information on the number of credit providers in the area is collected during the area survey prior to opening of a new branch. For already existing branches, the Branch Manager is tasked to gather the information.





**Who receives the report on
OID?**



The report on OLD is submitted regularly at the end of the month to the Board, the Executive Director and the Senior Management Team and Branch Managers. Results are presented during regular meetings.





What key decisions have been made as a result of OGD monitoring?



• Because of our engagement with the SMART Campaign, traditional practices even policies had to be replaced and some modified.

✓ Strict implementation of repayment capacity analysis



- ✓ **Apply debt threshold or percentage of borrower's disposable income**
- ✓ **Revision of policies on re-scheduling, restructuring and collaterals**
- ✓ **Use of OLD monitoring dashboard**
- ✓ **Strengthen process of borrower screening**



- **Quality credit reporting to a credit bureau**
- **Restrictions on aggressive sales techniques**
- **Proactive Risk Management to help monitor and challenge existing practices to mitigate risk of OIG**



- **Financial education for clients stressing the importance of affordability and risk of OIG**
- **Ensure accuracy and timeliness of data and information collected from clients for better analysis, interpretation and decision making**



THE ROAD TO EXCELLENCE STARTS HERE

- **Develop the “mind set” of all employees that RPMI is “client centric”, that all efforts are towards improving client welfare.**





**WHY IS
MONITORING
OVER-
INDEBTEDNESS
IMPORTANT TO
RPMI?**



- **Because we value clients!**

Our prime intention is to help them not to harm them so everything we do revolves around client welfare. It is not desirable to see clients become over-indebted



- Over-indebtedness among clients is widespread and may easily lead to defaults
- **BUT.....** not all repayment problems are due to over-indebtedness so it is important to distinguish when over-indebtedness is the main driver of delinquency.



- Over-indebtedness can result in negative reputational damage both to the MFIs involved in the saturated market and to the wider industry in general





**WHAT KEY CHALLENGES
ARE YOU
ENCOUNTERING?**



- **Data/information for client multiple borrowings is gathered during loan assessment. However, clients may or may not honestly disclose their loans from other credit providers especially from informal sources.**



- **Offering lower loan amounts to clients as a result of repayment capacity analysis and the policy on debt threshold may not be attractive to clients at first.**



- **Outreach and portfolio may be affected for a period of time but it is important for clients to understand and appreciate that the work of the institution in preventing over-indebtedness will benefit them.**



THE ROAD TO EXCELLENCE STARTS HERE

- **A high commitment on the part of the Board to monitor credit risks and over-indebtedness**



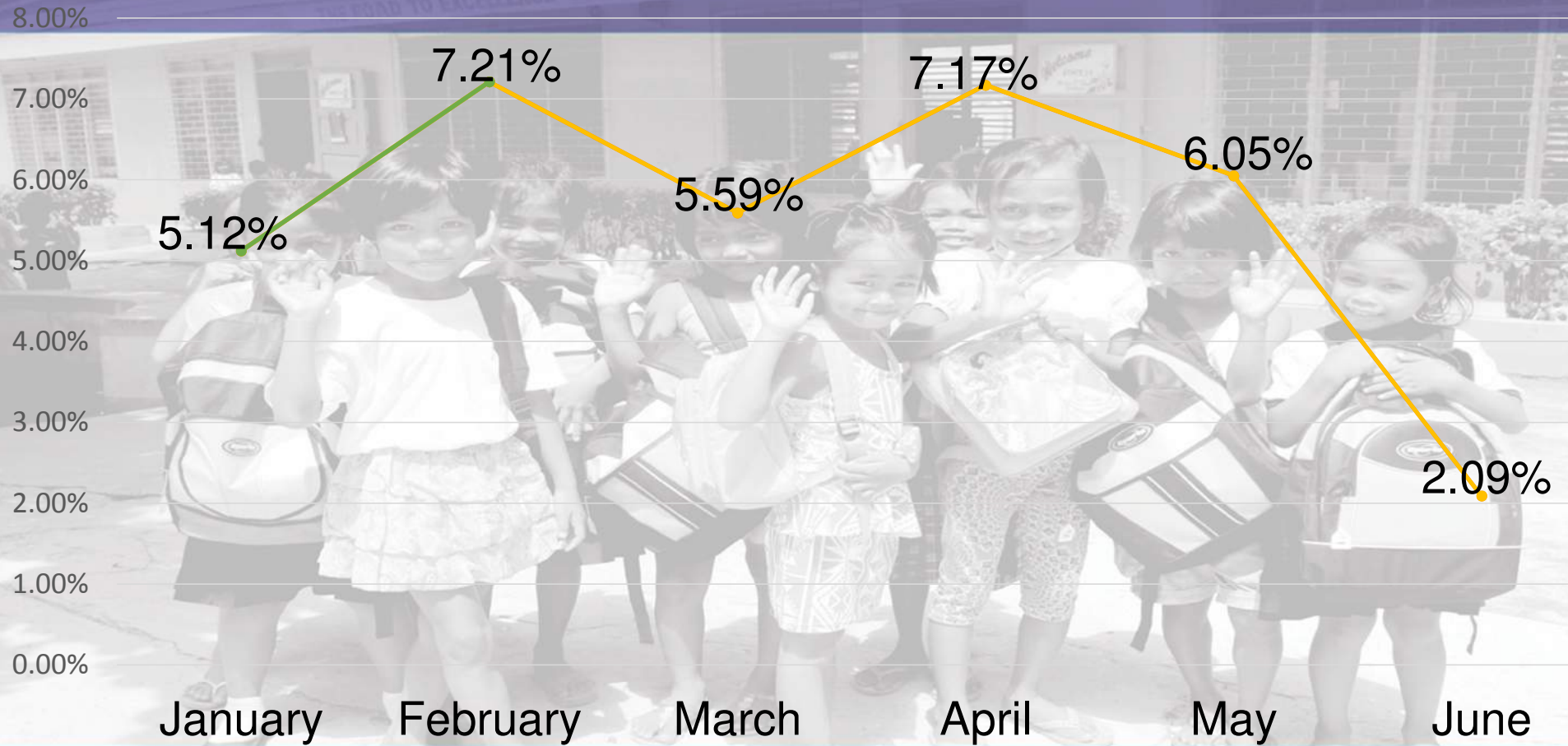
THE ROAD TO EXCELLENCE STARTS HERE

EXAMPLE

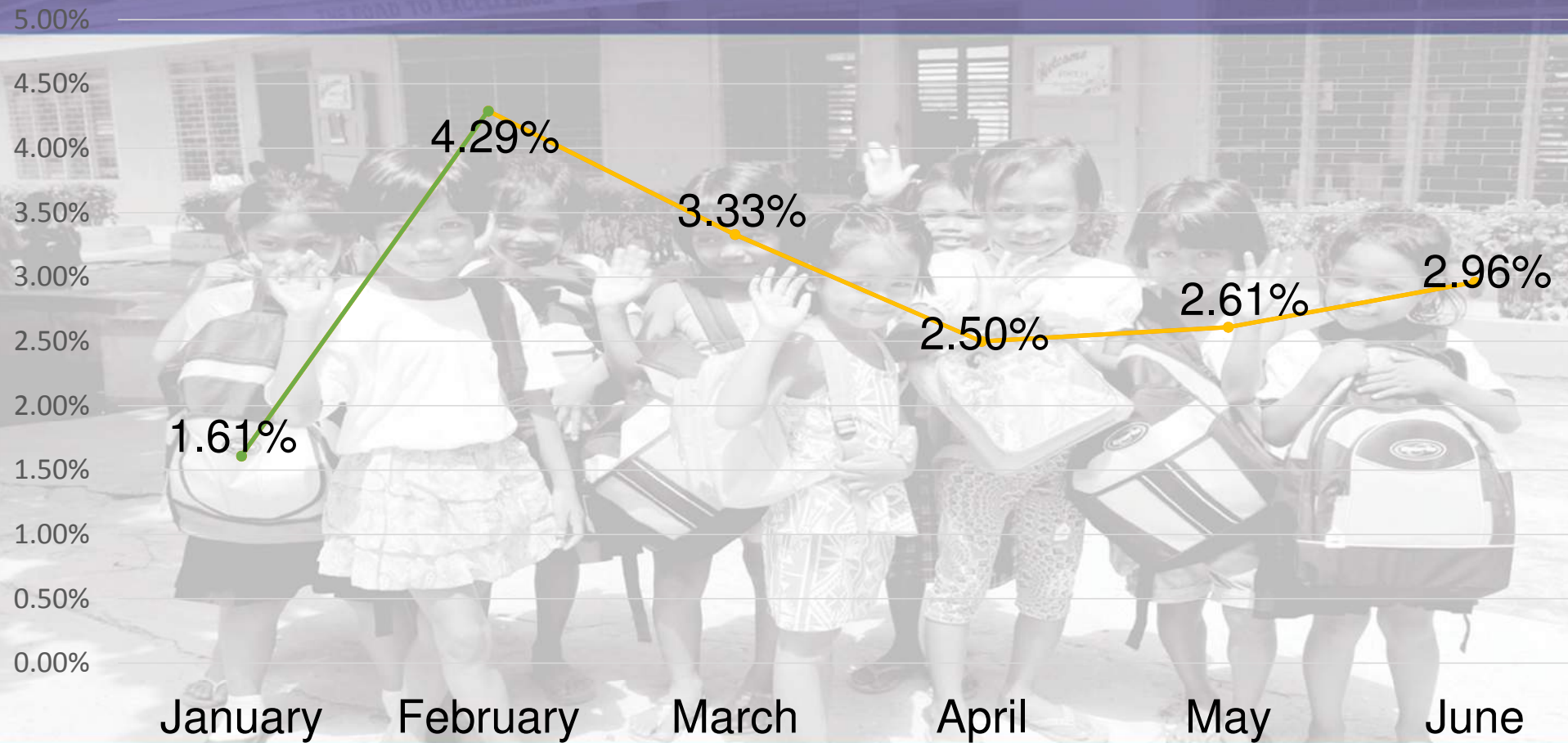
Data from one of the branches



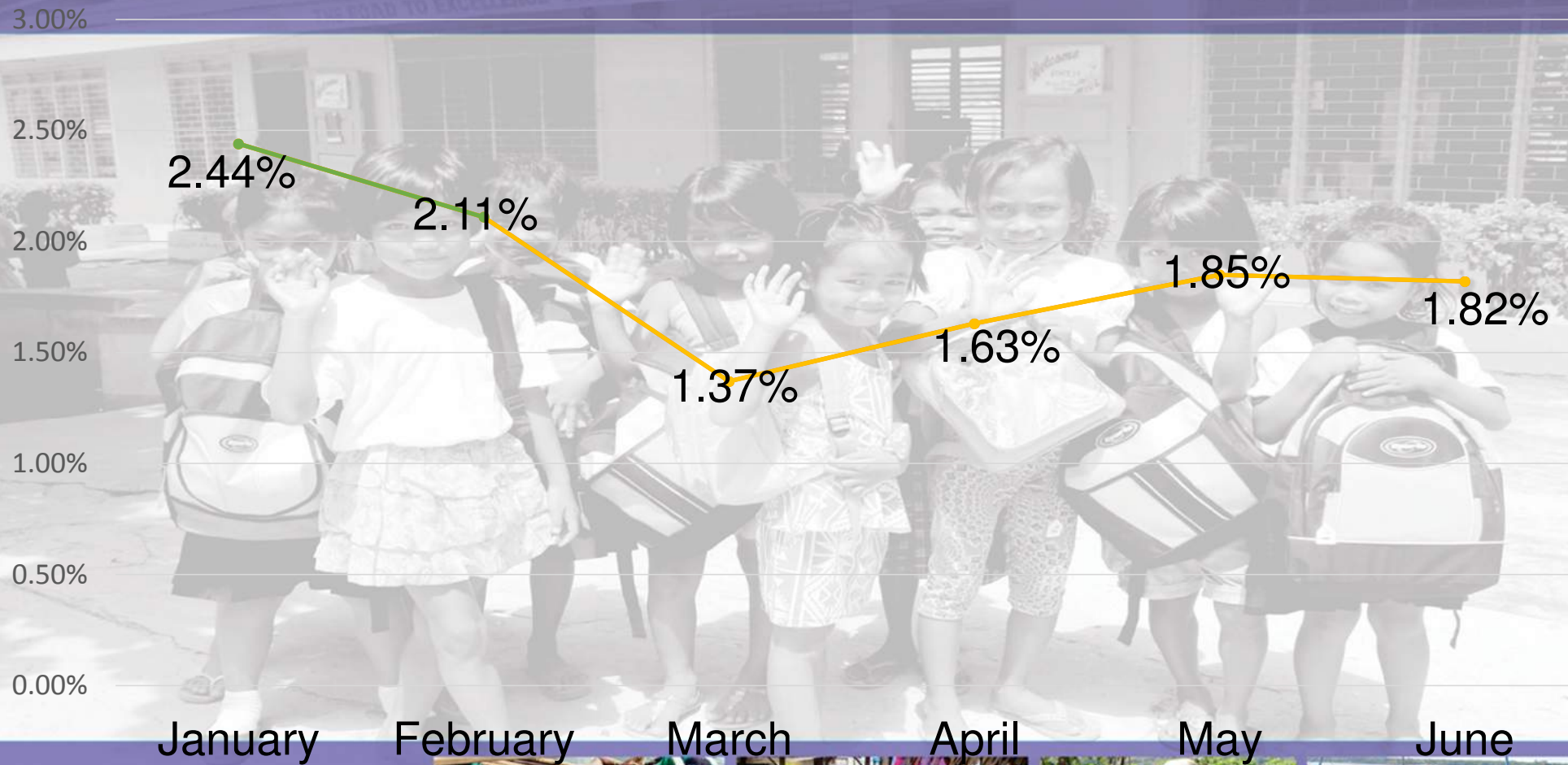
1. Percentage of clients who missed at least one payment



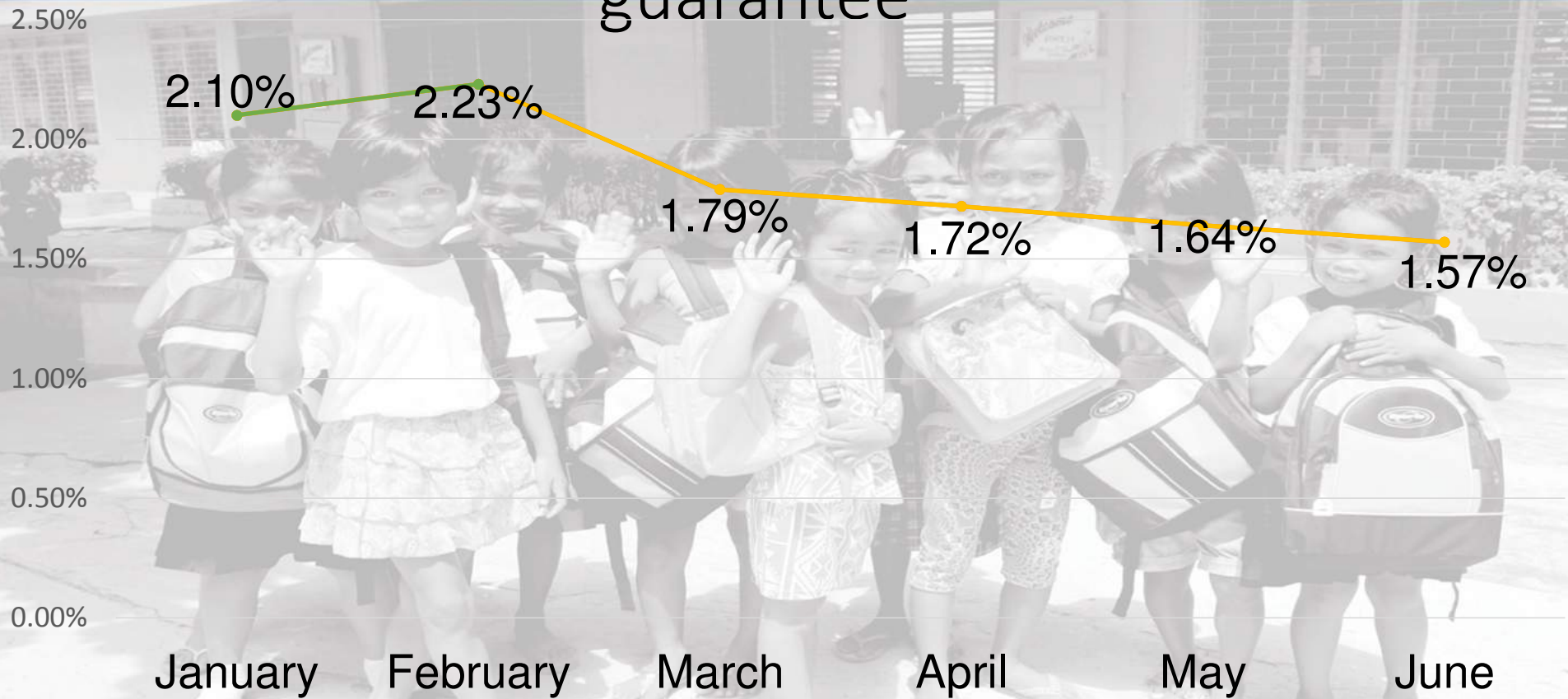
2. Percentage of clients with CBU partial withdrawal



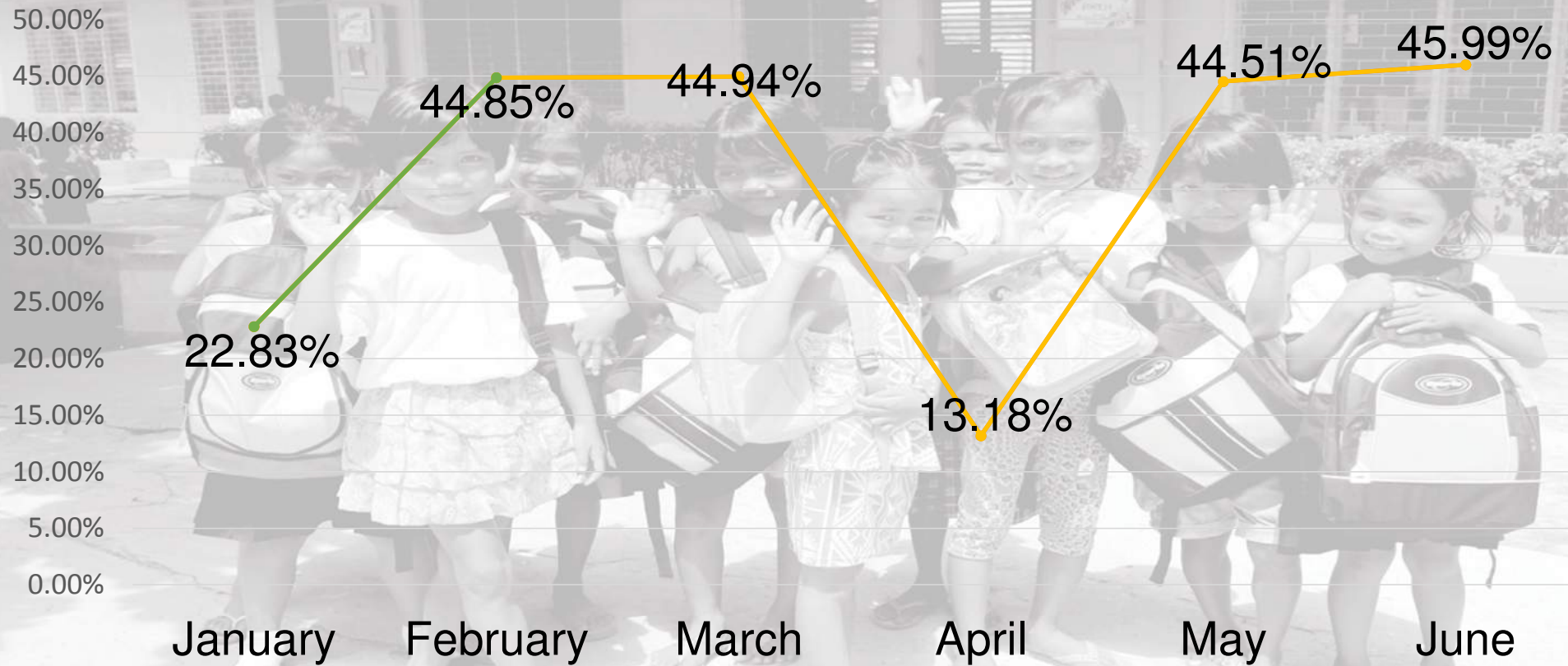
3. Percentage of clients with CBU full withdrawal



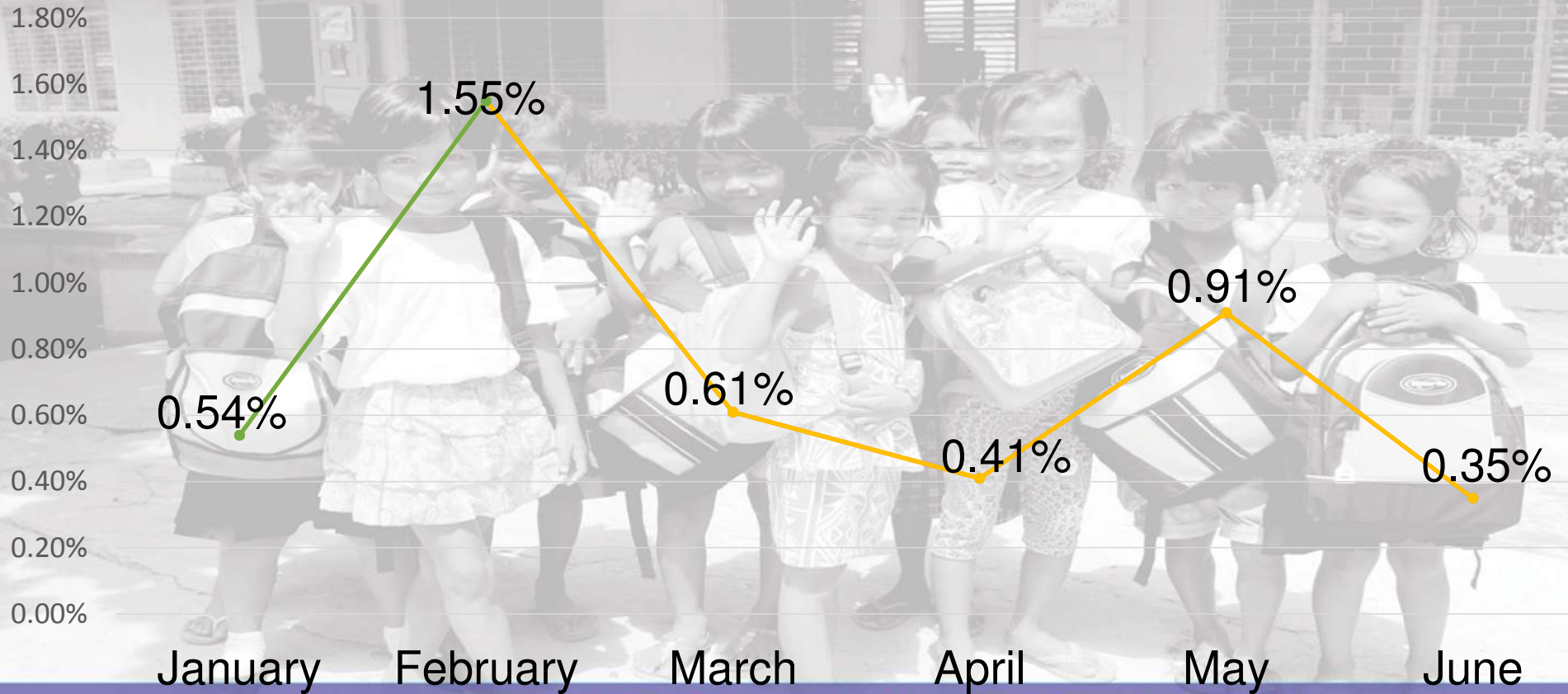
4. Percentage of clients with payment through mutual guarantee



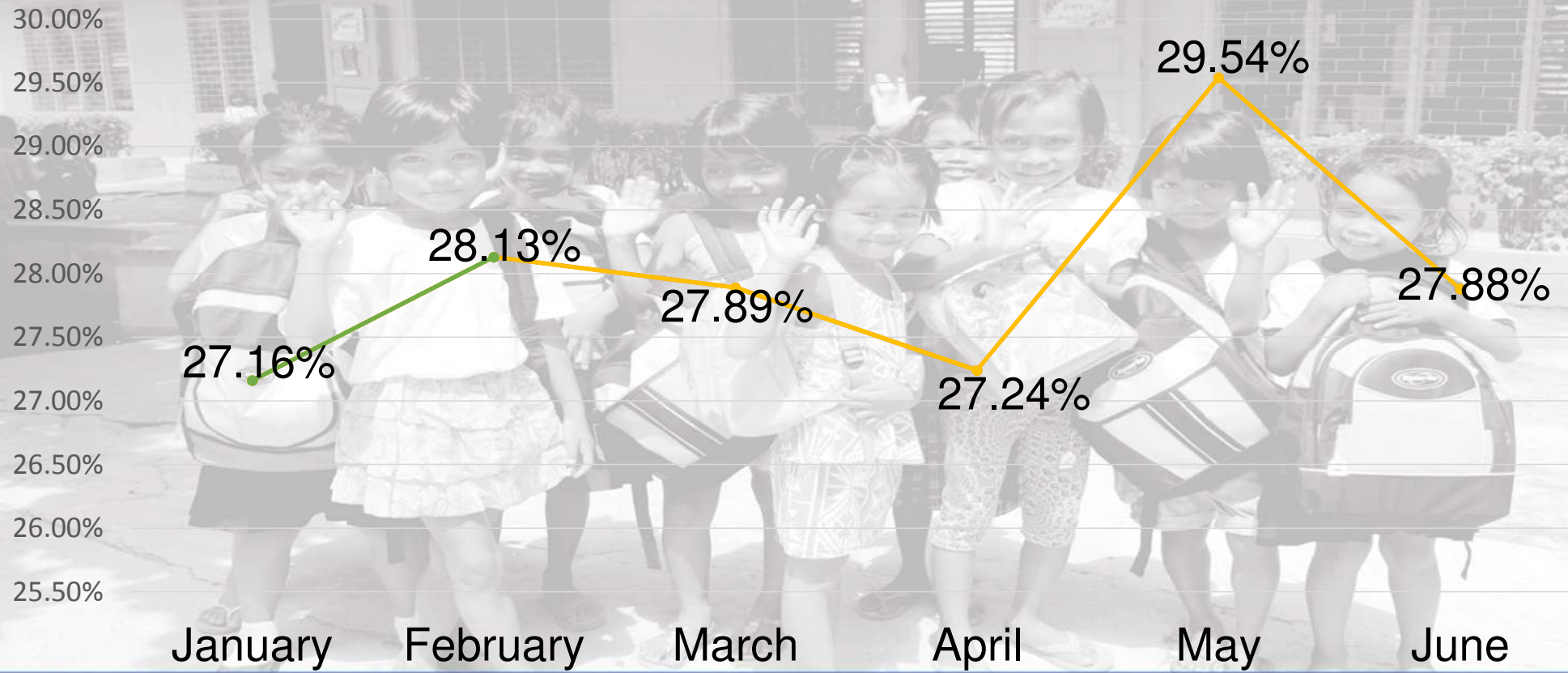
5. Percentage of clients with multiple loans from formal sources



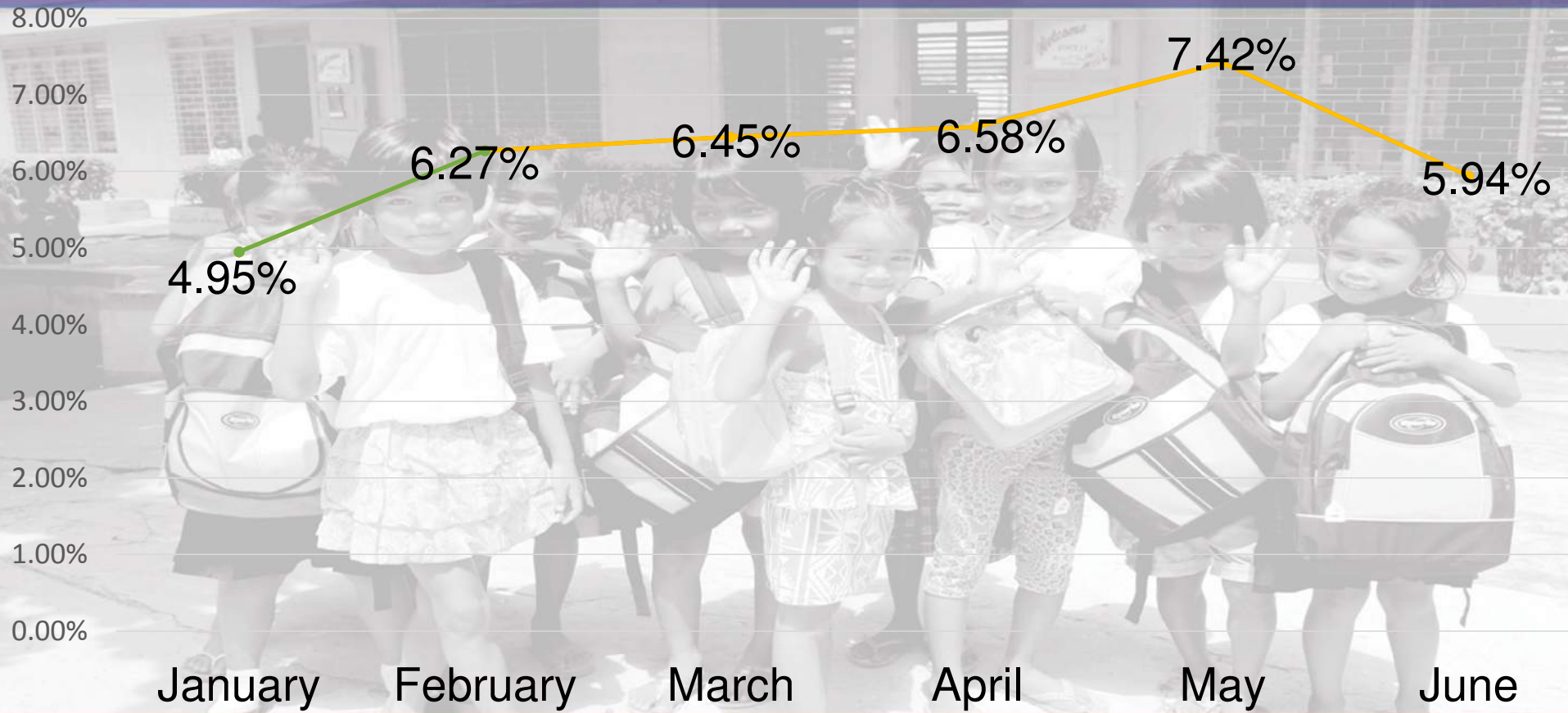
6. Percentage of clients with multiple loans from informal sources



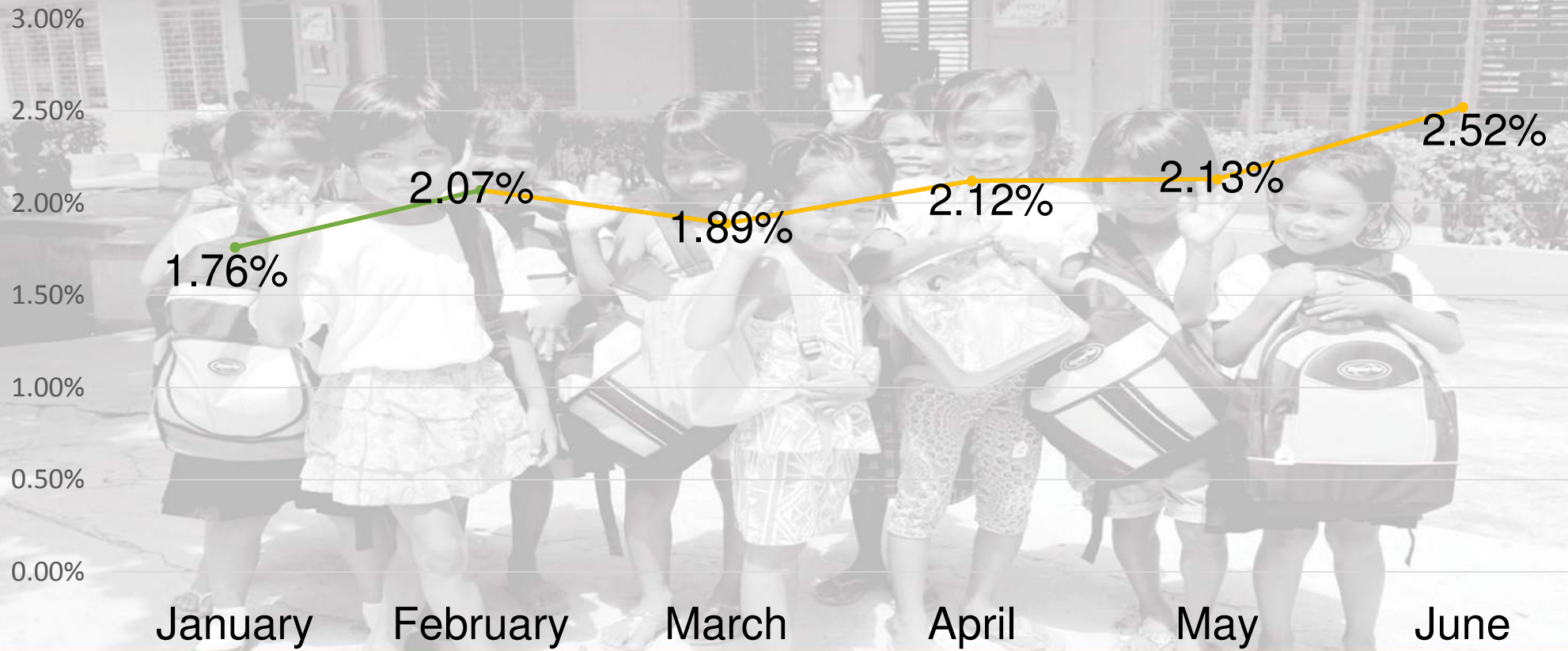
7. Percentage of clients who are resting



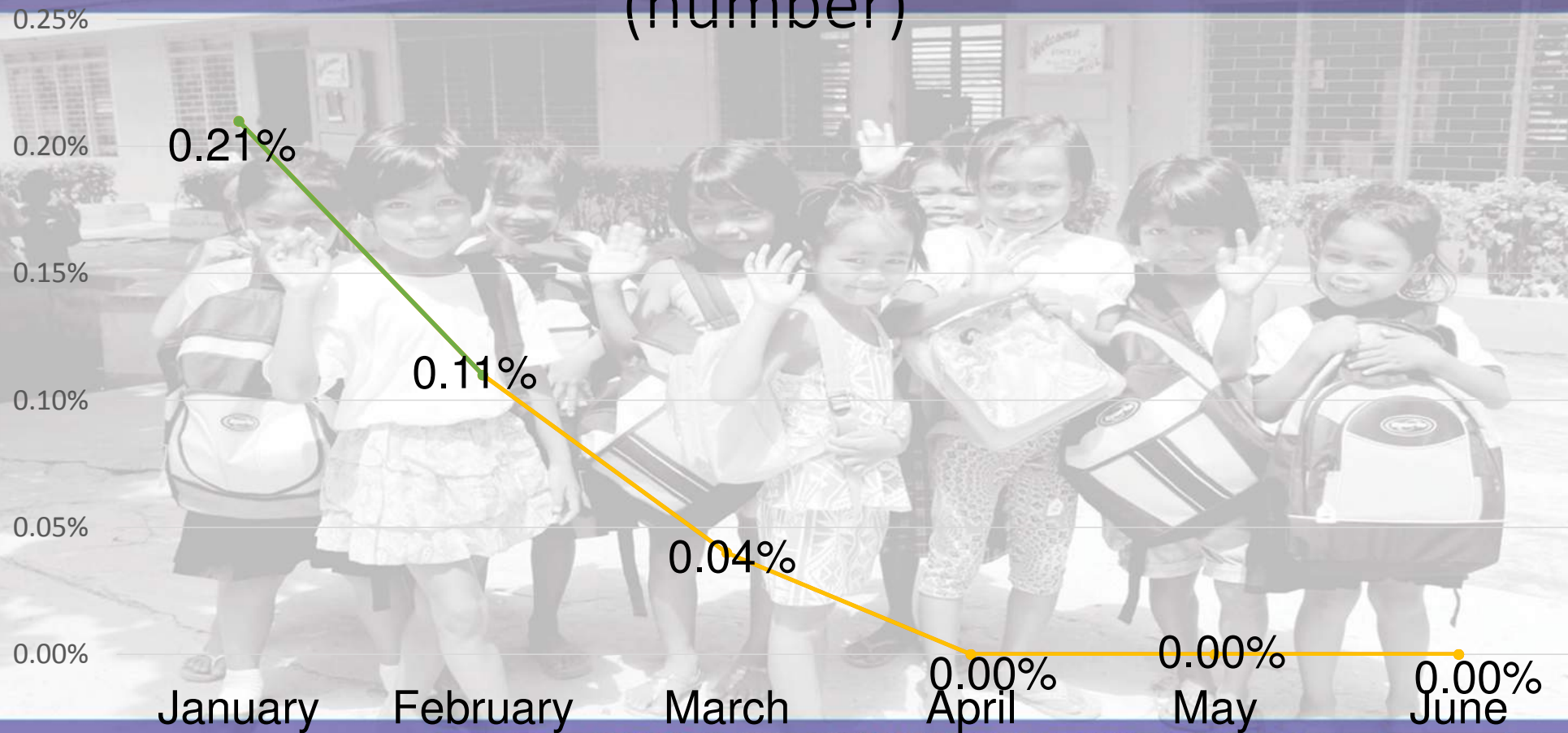
8. PAR (%)



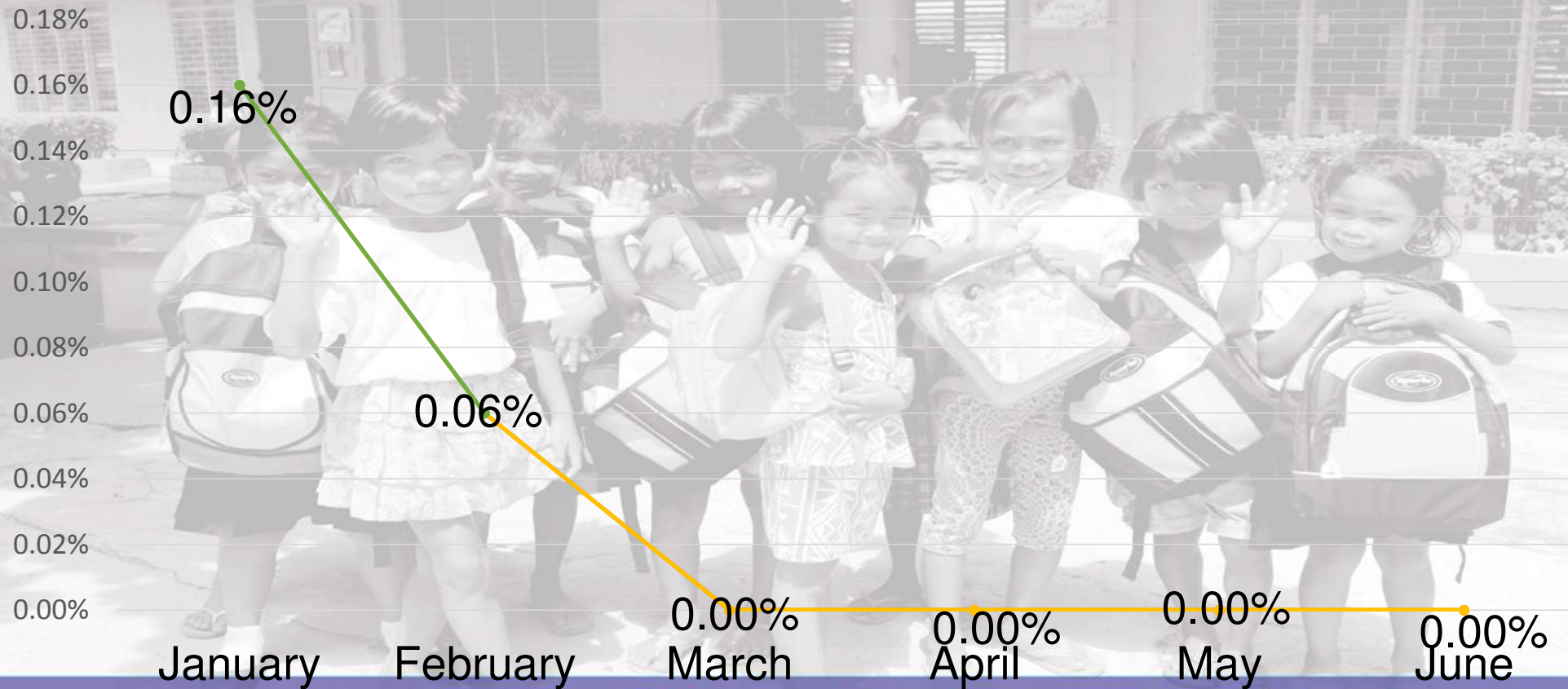
9. Client Dropout (%)



10. Percentage of loans which have been rescheduled (number)



11. Percentage of loans which have been rescheduled (loans outstanding)



12. Number of credit providers in the area

Area 1	Area 2	Area 3
38	24	24

