ALALAY SA KAUNLARAN MICROFINANCE SOCIAL DEVELOPMENT, INC.

Managing Delinquency

ASKI's Challenges, Solutions & the Road Ahead

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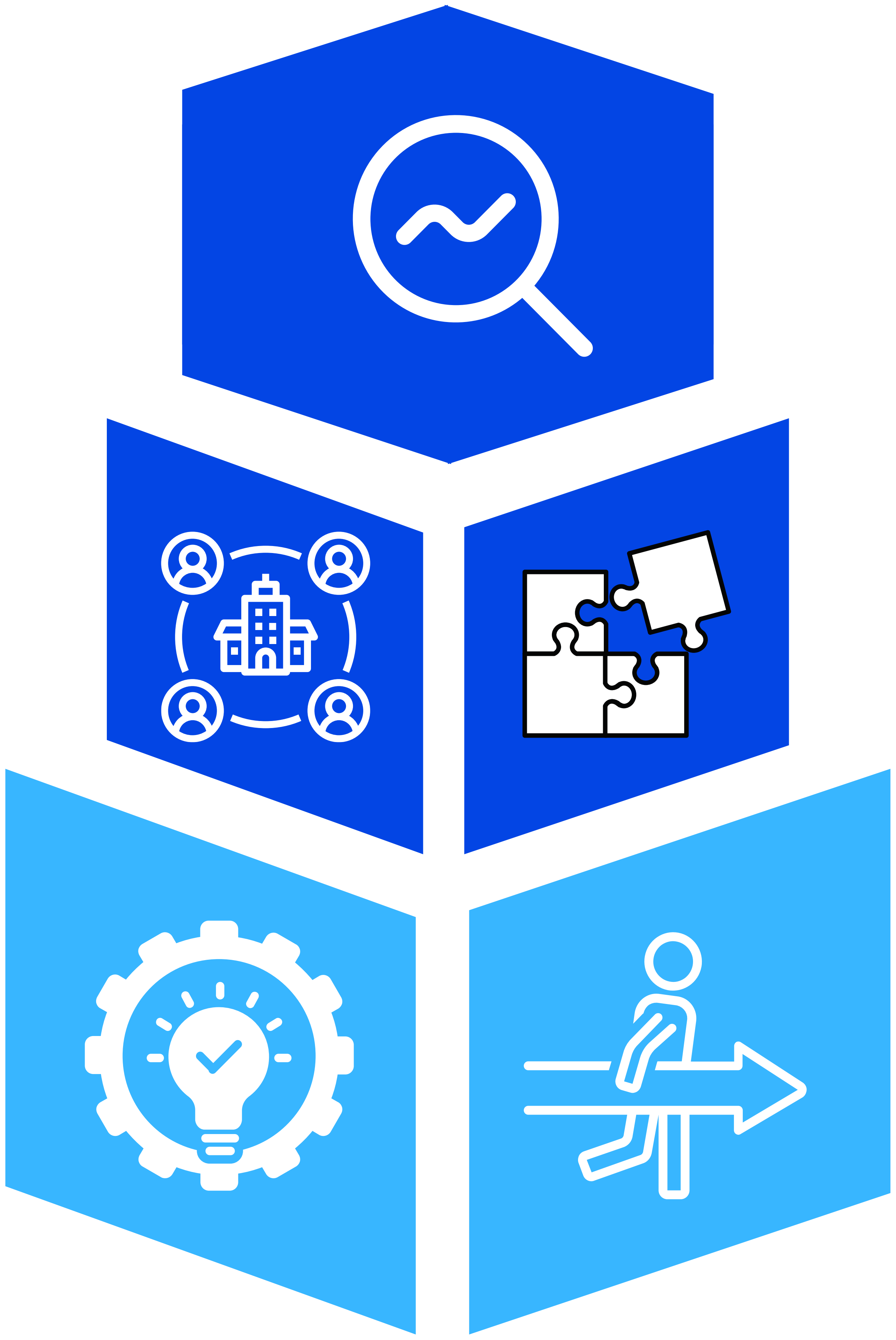
June 10, 2025



Point of Discussion

01 **Who we are: ASKI at a glance**

02 **ASKI Mutually Reinforcing Institution**

03 **Challenges Encountered**
ASKI's Challenges in Loan Portfolio Management

04 **Causes and Intervention**
Root Causes and Our Institutional Response

05 **Key Take aways/ASKI's best practices**
ASKI's Best Practices in managing delinquency

Who we are: ASKI at a Glance 01

Established in 1987

ASKI is a trusted microfinance institution with 37 years of service to grassroots communities

It operates through 73 branches

strategically located across 11 provinces in Central and Northern Luzon

Delivering services directly to over 100,000 active clients

many of whom reside in remote and rural communities.

Beyond microfinance

ASKI provides comprehensive support services such as value chain development, capacity-building trainings, enterprise development programs, and financial literacy education.

Remains deeply committed to financial inclusion

empowering clients and helping build resilient, sustainable communities by serving the unbanked and underserved populations.

ASKI Mutually Reinforcing Institutions

02

Alalay sa Kaunlaran
Microfinance Social Development Inc.
ASKI
Creating Opportunities, Transforming Communities

we make IT possible.
iSynergies Inc.

ASKI SKILLS AND KNOWLEDGE INSTITUTE, INCORPORATED
ASKI
2010

ASKI GROUP

AMPC
ASKI MULTI PURPOSE COOPERATIVE

ASKI
MBA

ASKI FOUNDATION, INC.

ASKI
COOP
ASKI EMPLOYEES CREDIT COOPERATIVE

RBV
Royale Bon Voyage
TRAVEL AND TOURS

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Credit Process Flow

Selection of Clients (Loan Origination) → **Loan Evaluation, Processing and Approval** → **Loan Disbursement** → **LUC, Monitoring and Collection** → **Delinquency Management**

Client Assessment

- ✓ Verify eligibility, character, and credit history
- ✓ Evaluate income, expenses, and loan purpose
- ✓ Conduct home/business visits
- ✓ Determine loan amount, repayment terms, and release schedule
- ✓ Ensure completion of all loan documentation and client consent forms

Loan Appraisal & Approval Process

- ✓ Conduct credit investigation
- ✓ Assess repayment capacity, verify loan purpose, and validate supporting documents
- ✓ Submit to Credit Committee (CreCom) for review and approval based on MFI lending policies
- ✓ Prepare loan documents and notify client of approval and release schedule

Loan Release

- ✓ Conduct **final orientation** on loan terms, repayment schedule, and borrower obligations
- ✓ Complete last round of verification and document signing
- ✓ **Release loan funds** via authorized channel and secure client acknowledgment of receipt

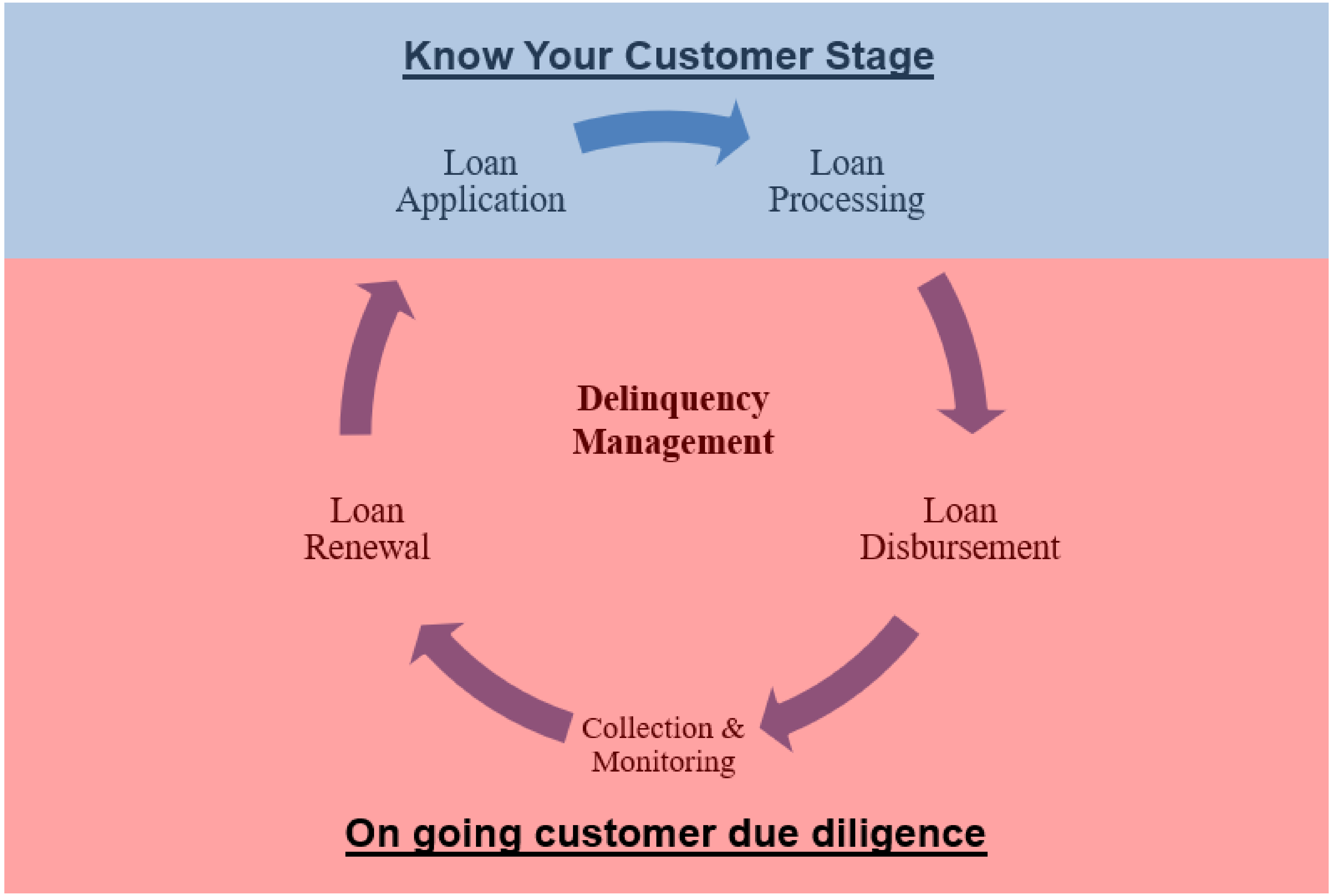
Customer Engagement

- ✓ Conduct **LUC** through home or business visits to verify proper use of funds.
- ✓ Regularly monitor clients to assess repayment, business health, and detect early delinquency signs.
- ✓ Implement collection strategies like field visits, reminders, and follow-ups per policy.

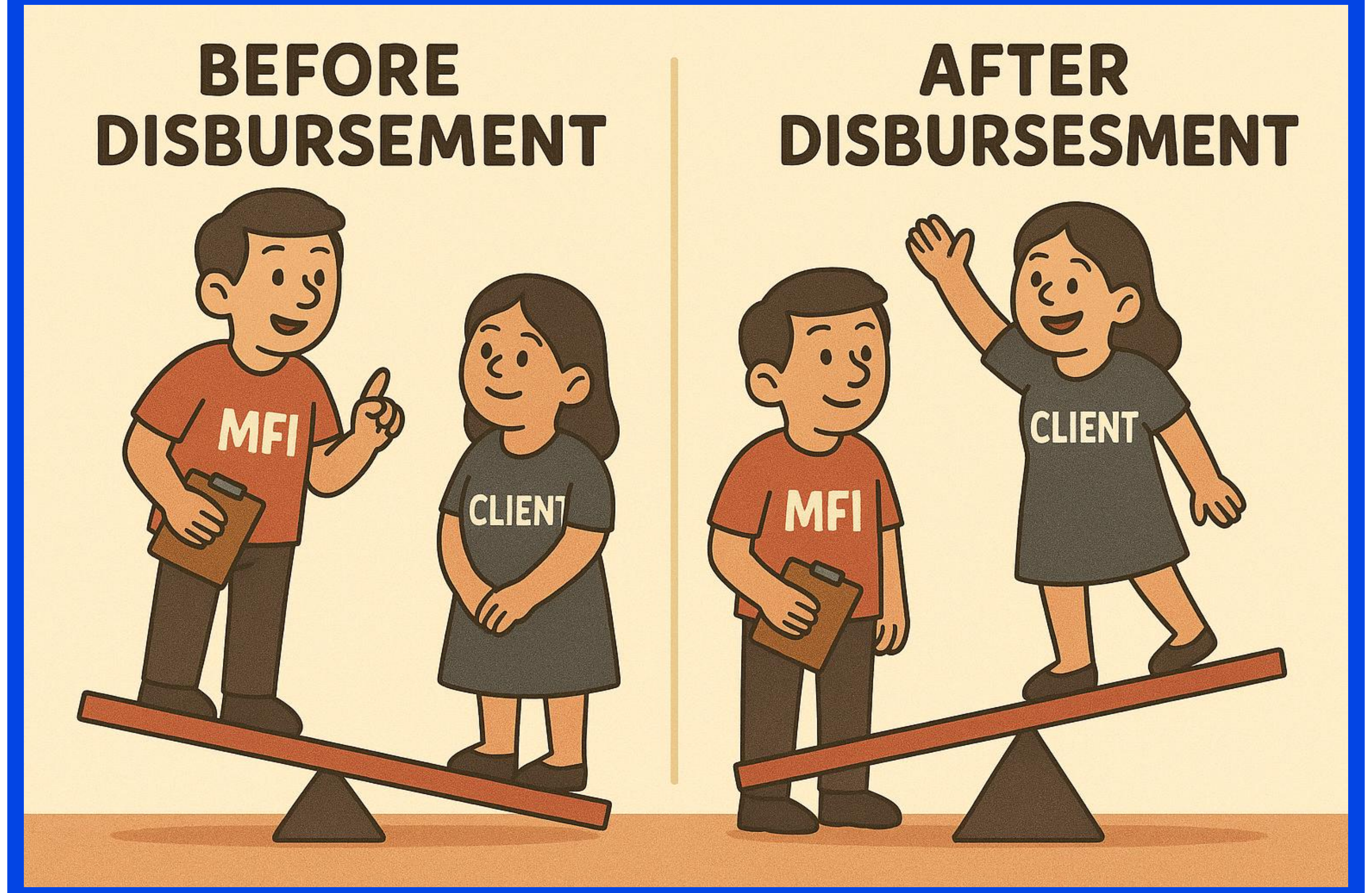
Delinquency Management

Delinquency Management and Recovery of Problematic Loans are the hardest job in microfinance.

The Essential Process in Portfolio Management



REMEMBER THIS:



5-Year Ratio Trend

1. PAR RATIO increased from 2020-2022

2020 - 49.14%
2021 - 50.68%
2022 - 52.62%

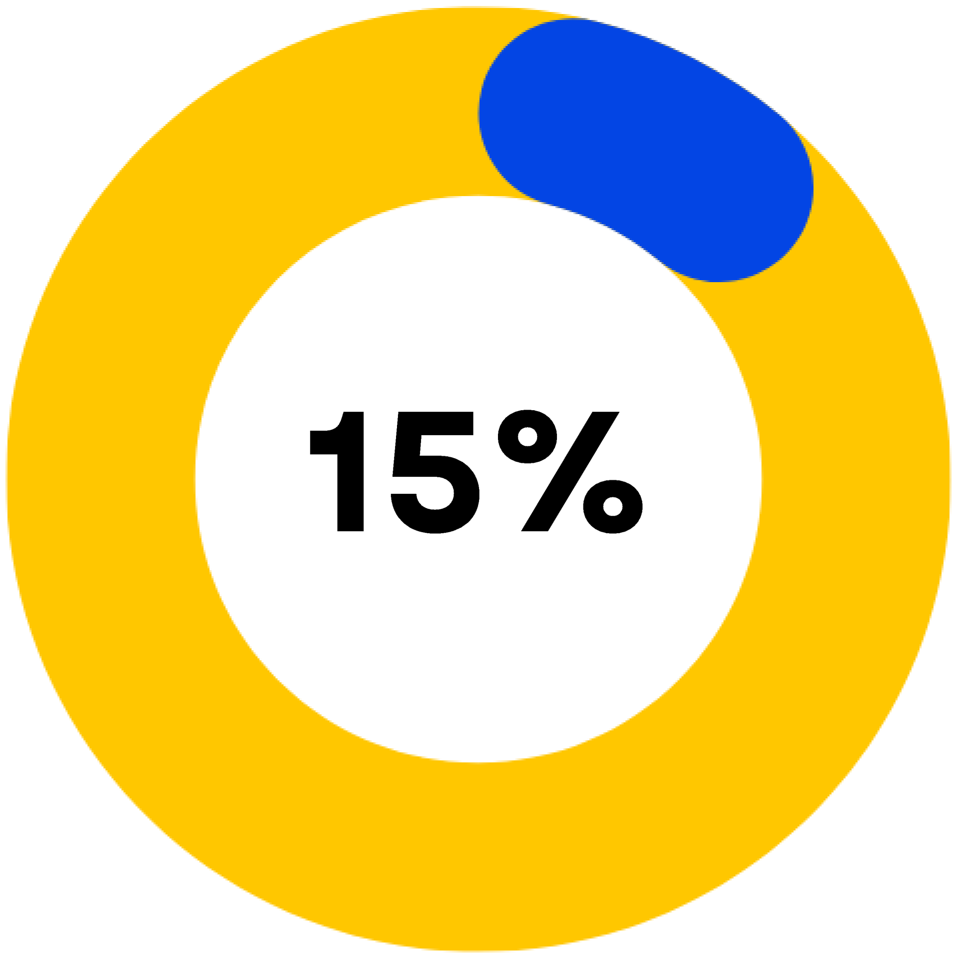
2. PAR RATIO steadily improved in 2023-2024

2023 - 26.35%
2024 - 23.87%

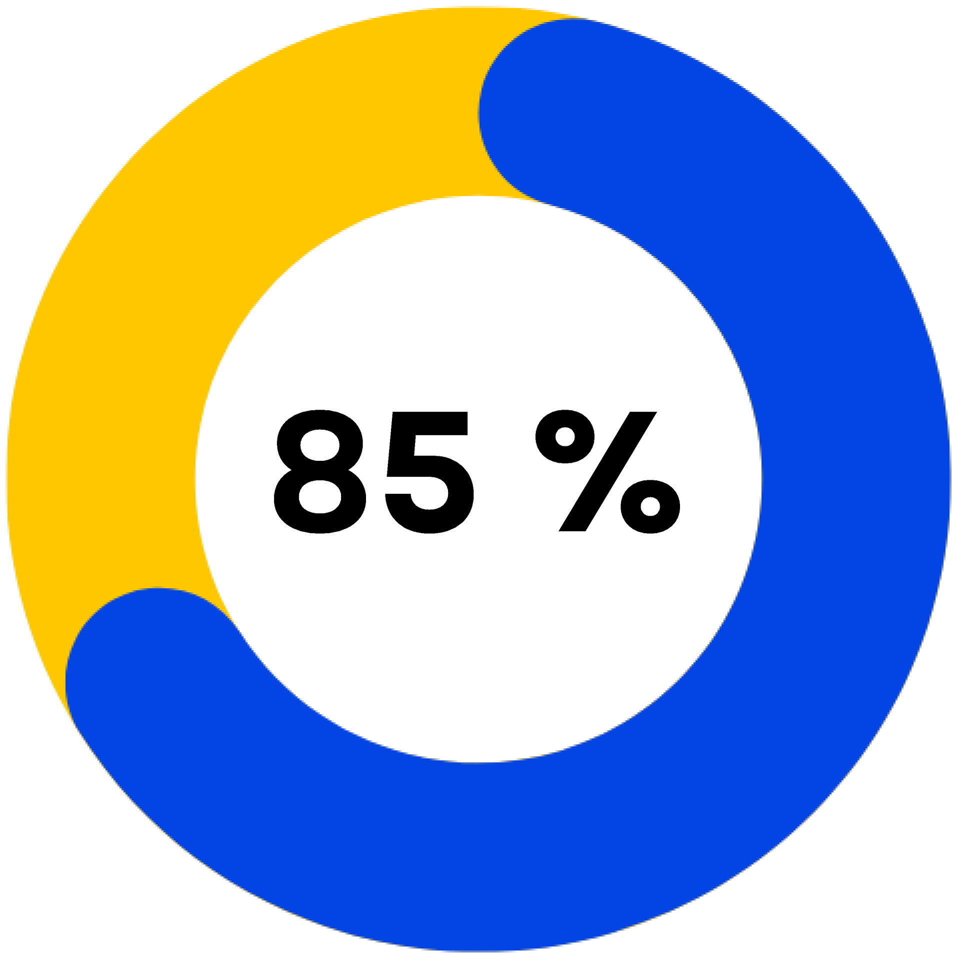
03 Challenges Encountered

ASKI's Challenges in Loan Portfolio Management

Internal Factors



External Factors



15%

Internal Factors

04

Causes and Interventions

Root Causes and Our Institutional Response

Root Cause # 1:
Maling Pagkilala ng Kliyente

- ✓ Incomplete or inaccurate client information due to insufficient verification and documentation.
- ✓ Staff limitations and pressure to expedite loan approvals leading to inadequate client screening

Root Cause # 2:
Maling Pagkalkula ng CashFlow

- ✓ Inaccurate cash flow calculations due to unverified client data, lack of supporting documents, and staff errors caused by inadequate training and non-standardized tools.

ASKI's Response:

- ✓ **Enhanced KYC procedures** are now in place, requiring multiple ID verifications and stricter documentation.

ASKI's Response:

- ✓ **Conducted regular training, coaching, and mentoring** to strengthen staff skills in cash flow assessment and financial analysis.

85%

External Factors

04 Causes and Interventions

Root Causes and Our Institutional Response

Root Cause # 1 : Kalamidad/Karamdaman/Kamatayan

✓ Natural disasters (typhoon), health crisis, pandemics and local market closures disrupt our clients' businesses and income sources.

ASKI's Response:

✓ ASKI has introduced a **Resiliency Fund**, a voluntary savings scheme that clients can use during calamity-related events to help them manage repayments and recover faster.

Key Take aways/Best Practices 05

ASKI's Best Practices in managing delinquency

01 Shortcuts Lead to Setbacks

Skipping steps in the lending or monitoring process often results in delinquency and longer recovery time

02 Character and Capacity Go Hand in Hand

Both the client's trustworthiness and ability to repay must be assessed equally to ensure responsible lending.

03 Assess both External and Internal Factors

Delinquency is influenced by internal management lapses and external conditions (e.g., calamities, disasters); both must be carefully evaluated.

04 Delinquency Threatens Sustainability

Unmanaged delinquency affects the organization's financial health and ability to serve more clients..

Key Take aways/Best Practices 05

ASKI's Best Practices in managing delinquency

01 Assigned Focus Person for Restructured and Written-off Accounts

A dedicated **focus person** is assigned to handle **restructured and written-off accounts**, ensuring personalized follow-up and active monitoring

02 Firm Stance on Small Claims and Legal Enforcement

ASKI maintains a **zero-tolerance policy** for deliberate defaulters. We actively pursue **small claims settlements** and are willing to file legal cases, including imprisonment when legally justified.

03 Establishment of Legal and Recovery Department

ASKI established a dedicated **Legal & Recovery Department (LRD)** **on October 2022** to focus specifically on recovering problematic accounts.

LEGAL & RECOVERY DEPARTMENT

Thank You