Improving Credit Portfolio Through Non-Financial Services

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Flow of Discussions

1. Introduction
   - Brief History of NWTF
   - Where we are – Areas of Operation
   - Our Target Clientele
   - The Social Impact Goals

2. MFDW Action Research,

   Phase 1 - Diagnosis and Findings (in capsule)

   Phase II –Implementation and Testing of the two Innovations

Topics . . . . . continued

3. The Entrepreneurships Tools (GYB & SYB) with the comparative performance of the Pilot branch (2009 & 2012);

4. The Individual Emergency Fund (IEF) with the comparative performance of the Pilot branch (2009-2012);

5. The Deep Country Approach Video.

Brief History of NWTF

- Founded in 1984 as a Philippine NGO, that aims to **help women achieve self-sufficiency and self-reliance;**

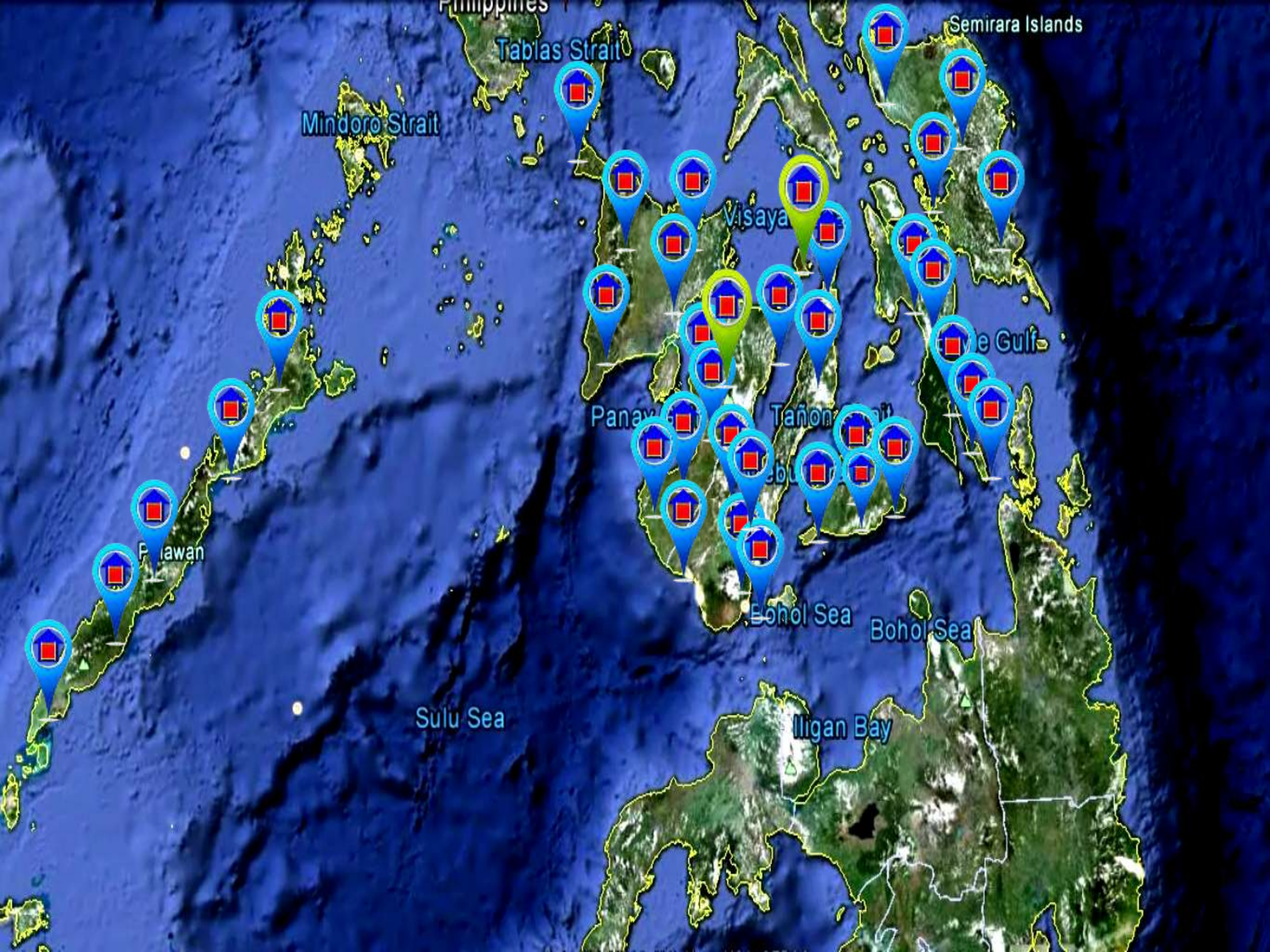
- It sought to **increase women's awareness of their economic potentials, to increase their skills and productivity** and to improve their quality of life.

- In 1989, NWTF accepted the challenge of replicating the Grameen Bank credit methodology and established Project Dungganon, that made NWTF one of the earliest MFIs in the Philippines.

Brief History Continued:

- In 2000 (after 11 years with group lending), NWTF started the Individual Lending Program.
- Also in 2000, NWTF started the Micro-Insurance Package and the Scholarship Program.
- In 2004, the Micro-Crop Project was launched to cater the needs of the Agrarian Reform beneficiaries.
- In 2005, opened the Microfinance Thrift Bank

Area of Operations



Tablas Strait
Semirara Islands
Mindoro Strait
Palawan
Sulu Sea
Bohol Sea
Bohol Sea
Iligan Bay

Our Target Clientele:

Over $2/day per capita

$ 2

Can be considered as vulnerable

$ 1.46 - New poverty line for NCR

$ 1 - Poverty line is $ 1/day per capita according to World Bank

$ 0.92 - Poverty line is $ 0.92/day per capita according to NCSB validated by IBON

Upper Half of Below Poverty Line according to World Bank

Lower Half of Below Poverty Line according to World Bank

$ 0

The Poor Woman in the Dilapidated House

The Poor Woman in the Dilapidated House, the Reason Of Our Existence. . . She is

- **At the bottom of the pyramid**
- **Less educated;**
- **Financially excluded;**
- **Poor since birth;**
- **Very vulnerable**

But . . . .

She has the "IGSS" (Income Generating Survival Skills).
These survival skills serve as a proxy indicator for capacity.
For NWTF, IGSS enable the poor people to survive long years of poverty without any intervention.

Social Impact Goals
80-50-30

80% of clients should be **<u>below the poverty line</u>** at entry

50% of clients in upward movement within three years

30% of clients should move out of poverty five years after entry

Client Responsive Developmental Services

1. Clients Training (Trainings/Seminars/Workshops)
2. Mother,Child and Family Health (Medical Camps: Medical Missions, Dental Missions, Operation Tuli, Fun Robics & Water for the Poor)
3. Education (DSP,DEP and Educational Loan)
4. Environmental Awareness (Campaign & Promotion of Environmental Friendly Products, Adopt a tree and Tree Growing & Creation of Modules for Center Meeting use)
5. Business Development Services and Skills Training (Assist Entrepreneurs in Business Registration, Licensing, Recommend to MOTY & Sipag Awards); Conduct Skills Training such as Home Care Products, Meat Processing, Massage and Paper Craft.

NWTF wants to improve the risk management capacity of the poor clients . . .

Through ...

a **process**

of **assessing risks** and

taking steps

to either **eliminate** or to **reduce** risks through various client responsive developmental services.

MFDW Action Research

Phase I(2008): Selection, introduction & diagnosis

- NWTF, 1 of the 25 MFIs Selected worldwide that participated in the client survey to identify Decent Works deficits;

The MF4DW Diagnostic Study in 2008 Identified

Risk Management and Lack of Business Management Skills as the most pressing challenges for NWTF Clients:

- **62% of the Income Generating Projects were not registered;**
- **19% of sample clients already had late payment;**
- **17% had experience difficulties in loan repayment in the last year:** (30% related to illness/accident, 16% due to weather condition, 12% due to school fees, 12% due to economic downturn)
- **35% of clients use loans from other sources:** (47% from other MFI, 25% from Cooperatives, 12% from money lenders, 12% said, they need the loan to pay back another loan)
- **50% of clients had been confronted with a large unforeseen expenses in the past year:** (75% most common accident/illness, 13% Catastrophe, 6% death of a family member)
- **4% of clients could not cover household expenses by joint household income;**
- **4% of clients could not cover business expenses by business income.**

MFDW Action Research

Phase II (October 2009-December 2011)

Two strategies of interventions were developed for RISK MANAGEMENT/OVER-INDEBTEDNESS

To reduce vulnerabilities of poor clients to risks of over-indebtedness, through the institutionalization of a Robust-More Responsive Rebates System and Entrepreneurship Training.

The Innovations

Combine financial with Non-Financial Services:

- Entrepreneurship training

Innovate in products:

- Individual Emergency Fund

Entrepreneurship training

Combine Financial with Non-Financial Services:

Start and Improve Your Business (SIYB) program

The Start and Improve Your Business Program

- The SIYB program originated in Sweden
- **Has been developed by the International Labour Organization**
- **Comprises a range of material based, short, modular management training courses for small- and medium scale enterprises**
- **Today is used in more than 90 countries all over the world**

Objectives of SIYB

- **Development Objective**:

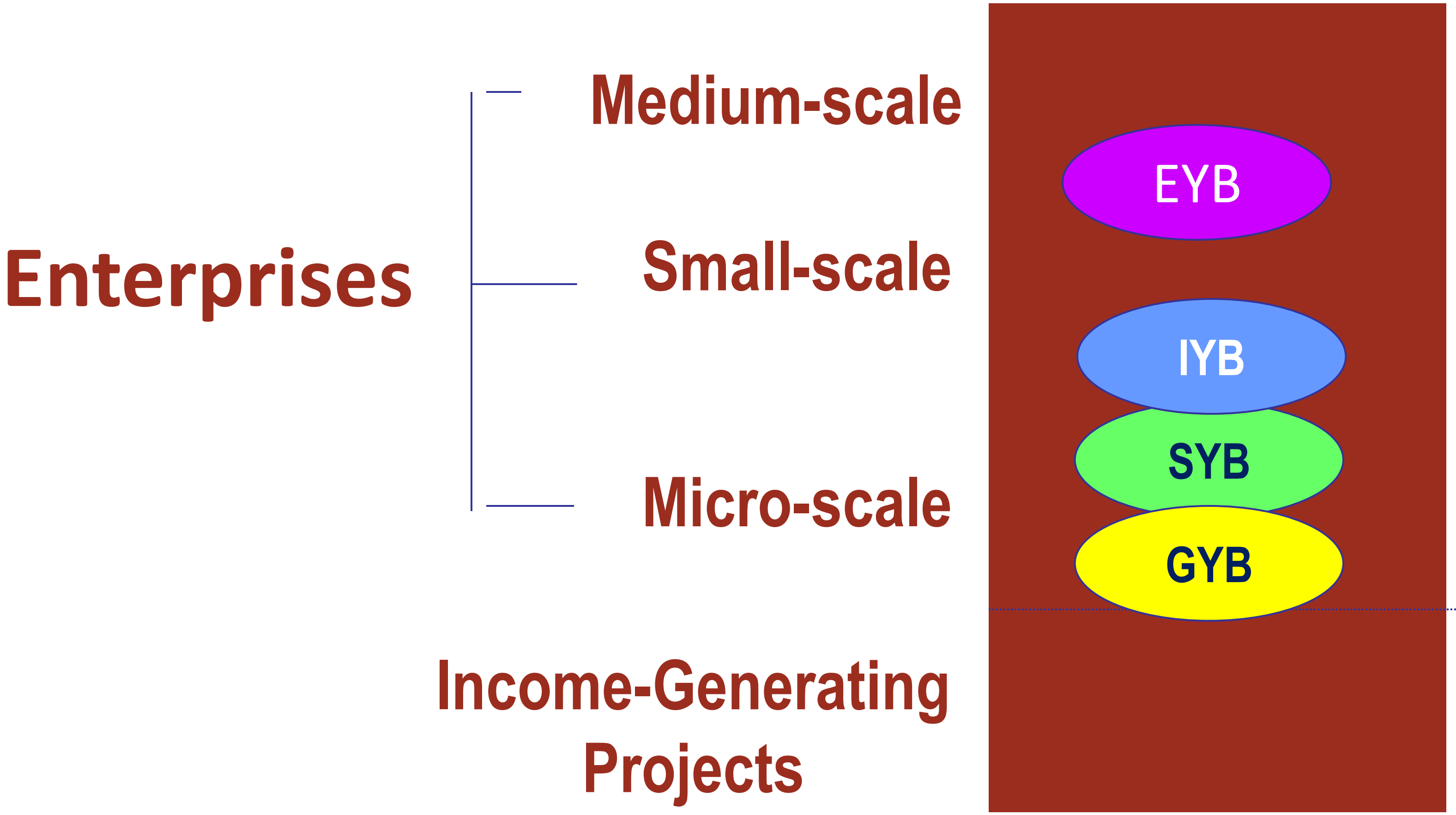
  To contribute to economic development and the creation of new and better jobs.

- **Immediate objectives:**

  To strengthen the capacity of local business development services (BDS) organizations to provide **cost-effective, quality business start-up and management training courses** for Micro, Small, and Medium Enterprises (MSMEs)

- As a result of SIYB training, to enable these MSME to **start and grow** their own enterprises and to create employment for others in the process

Target Groups



THE NEED TO EDUCATE OUR CLIENTS AT START UP…

BUSINESS PROCESS

Poverty Mapping

Administering the **PPI** & Uncovering the **IGSS**

Areas of Concern:

- **Some new clients <u>don't have business ideas</u> at entry;**
- **Some Clients <u>Shifting business</u> every loan cycle**

> **GYB is incorporated** in the **Compulsory Group Training** for applicants (CGT).

GRT

Loan Disbursement

Center Meeting/ Repayment

Loan Utilization Check

Reload

The EntrepreneurshipTraining

- The (GYB) Entrepreneurship training as part of NWTF process in recruiting clients, helps the clients in improving the quality of business proposals, reducing the risk of business failures.

GYB-SYB Training of Entrepreneurs

(Brgy. Calumanggan, Bago City)

Clients Trained on GYB-SYB

Clients Participation MF4DW ACTION RESEARCH		Clients Trained on GYB-SYB		
		Surveyed	Not Surveyed	TOTAL
BASELINE SURVEY	559			
1ST Follow Up Survey	240	184	319	503
2ND Follow Up survey	471	76	88	164
3RD Follow Up survey	430	110	129	239
4th Follow Up survey	400	104	0	104
		Total **474**	**536**	**1,010**

Changes Observed After Attending the Training

Loan Officer-Respondents

- Increase in income
- Growth in business
- New business venture
- One client shared that prior to attending the training she didn’t do any recording. She started recording after the training.
- Correct pricing meant their business is now making a profit.
- Before, if you talk to the spouses, they don’t know anything about the business, their family goal and what they want to achieve in life.
- Now, the spouses have some level of understanding about the business and are more involved.

Changes Observed After Attending the Training

Client-Respondents

- Our life is better now, our business improved
- My profit increased a little
- My business grew, Increase in product with right pricing
- Now I know how to budget
- Increase in customers
- We were able to buy television & do some repair at the house and send the children to school
- There are more customers now because I changed my attitude
- Now I have more clients and I have started another business
- We saw the difference in terms of money
- The business helped in meeting the needs of my family
- Improvement in the way I deal with my customers and increase in income
- I treat my customers better now
- My family is more involved in the business

PERFORMANCE OF THE ENTREPRENEURSHIP PILOT BRANCH

Bago Branch	2012 December	2011 December	2010 December	2009 December
Active Members	3,854	2,549	1,723	2,098
Retention Rate	97.52%	82.98%	65.74%	67.87%
Loan Outstanding Balance	16,390,683 Ph 381,178.67 US	11,680,969 Ph 253,934.10 US	7,810,961 Ph 169,803.50 US	6,441,231 Ph 140,026.76 US
Average Loan Size	7,987 Ph 185.74 US	9,348 Ph 203.22 US	6,993 Ph 152.02 US	8,114 Ph 176.40 US
Portfolio At-Risk Rate	0.19%	0.24%	1.08%	7.00%

Individual Emergency Fund
(I E F)

What is Individual Emergency Fund (IEF)?

A fund established as buffer to bolster Clients' capacity to manage emergencies.

What is the composition of the IEF?

It is composed of the following:

1. The existing Individual Compulsory Fund (ICF) &
2. Interest Refund on Loans (Rebates)

What comprise the IEF?

- The ICF is the 5% of the Loan proceeds deducted upon the disbursement of loans and

- The Interest Refund on Loans or Rebates is equivalent to 10% of interest paid on loan, as incentive to clients for good performance (ie. 100% on time repayment during a particular loan cycle).

WHY CLIENTS NEED THE INDIVIDUAL EMERGENCY FUND (IEF)?

Emergency strikes without notice in an unexpected time and degree.

You have to prepare for it, or Perish with it . . . . .

PHILIPPINES

storms

floods

- In a 3 week period in Nov/Dec 2004 four consecutive typhoons and tropical storms hit the Philippines. The landslides and flash floods caused by these storms resulted to massive damage on the eastern coast of Luzon. 1,060 died, 1,023 injured, 559 missing. 53,000 families were made homeless and over 10,000 hectares of cropland was destroyed. Late in 2006, four typhoons hit including the first super typhoon in the country's history.

The Individual Emergency Fund (IEF)

- The IEF boosts and compliments the safety net available to the clients' during emergencies and eliminate their tendency to draw funds from their business for emergency purposes.


IEF- Individual Emergency Fund, Launching
(Hisoler resort, Bogo City, Cebu)

Clients' Initial Reactions to IEF

Positive

- It will help them learn how to save for the future.
- They know they can easily use their own money in times of emergencies.
- The savings is for the individual's account and not for the center.
- No maintaining balance required.
- They will no longer experience the difficulty of waiting for help from government and other people in times of needs.

Clients' Initial Reactions to IEF

Negative

- At first, the clients reacted that the interest rebates be added to the emergency fund, as they use it for their children's school expenses (13 clients or 11% of the respondents)

- Withdrawal at the branch office would entail added cost for them because they have to travel to the office (35 clients or 29% of the respondents.

Clients' Satisfaction Summary

Likes	Dislikes
• They have savings to get in times of emergency • Easy to process and withdraw • Can withdraw whole amount, since there is no maintaining balance • Savings are for their own use not for the center	• Not any day in times of emergency they can withdraw, they have to wait for the schedule, which is only every Friday.
• They can get bigger amount in times of emergency • Savings is earning interest • While they continue to renew loans, they increase their savings	• They have to spend for the doctor's check-up first before they can withdraw the emergency fund.

PERFORMANCE OF THE IEF PILOT BRANCH

Bogo Branch	2012 December	2011 December	2010 December	2009 December
Active Members	4,335	2,653	2,028	1,507
Retention Rate	94.19%	90.52%	84.92%	53.00%
Loan Outstanding Balance	16,029,480 Ph 372,778.604 US	9,961,104 Ph 216,545.73 US	7,653,918 Ph 166,389.52 US	6,430,489 Ph 139,793.23 US
Average Loan Size	7,299 Ph 169.74 US	6,803 Ph 147.89 US	7,278 Ph 158.22 US	7,465 Ph 162.282 US
Portfolio At-Risk Rate	0.0%	0.19%	0.30%	14.90%
Members Funds:				
ICF/IEF (Compulsory)	2,291,137 Ph 53,282.25 US	2,025,847 Ph 44,040.15 US	1,782,296 Ph 38,745.57 US	2,072,451 Ph 45,053.28 US
Alkansiya Fund (Voluntary)	841,775 Ph 19,576.16 US	612,641 Ph 13,318.28 US	486,781 Ph 10,582.195 US	397,164 Ph 8,634 US
Pag-asa Fund (Center fund)	623,977 Ph 14,511.09 US	719,215 Ph 15,635.108 US	326,197 Ph 7,091.239 US	269,856 Ph 5,866.434 US
IEF share to Total Fund	83.79%	60.33%	68.67%	75.65%

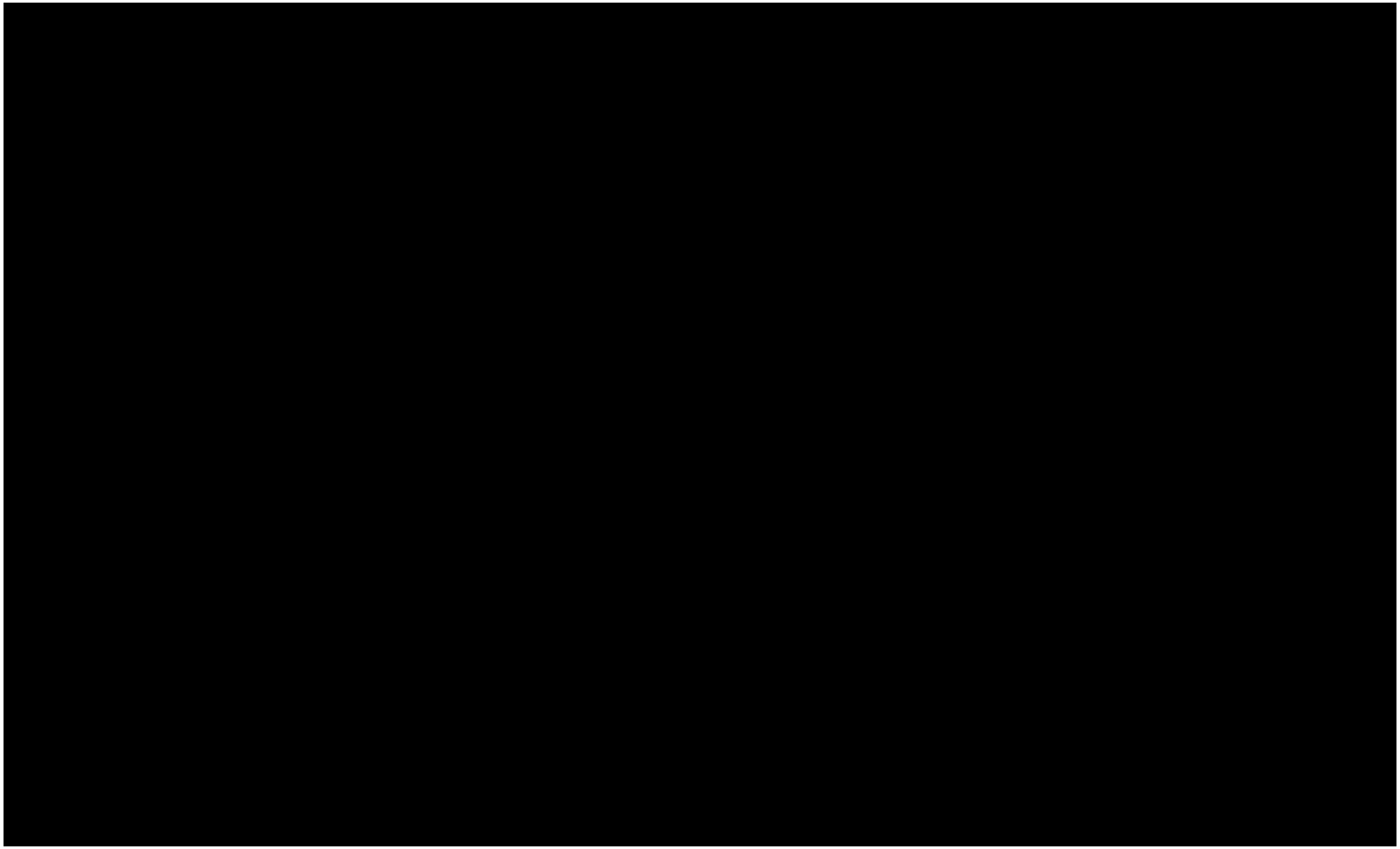
Negros Women for Tomorrow Foundation, Inc.

I. Number of Area:	20 Area Offices
II. Provinces Covered:	12
III. Total Branches: 62	
Negros Occidental Negros Oriental Cebu Bohol Leyte Southern Leyte Samar Iloilo Capiz Kalibo Palawan IV. Number of Officers and Staff	19 - Branches 5 - Branches 10 - Branches 2 - Branches 5 - Branches 3 - Branches 3 - Branches 4 - Branches 3 - Branches 3 - Branches 5 - Branches 1029

NWTF PERFORMANCE
4-Year Period

	2012 December	2011 December	2010 December	2009 December
Active Members	157,475	121,776	91,850	81,963
Retention Rate	97.88%	83.19%	85.55%	77.38%
Loan Outstanding Balance	727,362,591 16,195,409.09$	606,352,595 13,474502.11$	451,686,782 10,037,484.04 $	374,406,788 8,320,150.84 $
Average Loan Size	8,744 203.35 $	9,659 214.64 $	8,460 188 $	9,630 214 $
Portfolio At-Risk Rate	3.30%	2.32%	2.68%	3.5%

Deep Country Approach



Mabuhay!!!

www.nwtf.org.ph